Sevens Report Webinar

Good morning, everyone, and thank you for joining us once again on a Thanksgiving edition of our Sevens Report Alpha podcast. I am very excited about our guest this week. We have Meb Faber, who most of you I am sure recognize that name. Meb is the Chief Investment Officer and Portfolio Manager and cofounder of Cambria Investment Management, and you most likely have seen him on TV and Bloomberg, and quoted in the press. He is also the author of multiple books, as well, and I am very excited to have him on here to share really his thoughts on the market and where he thinks opportunities and risks are. So, Meb, thank you very much for joining us today.

Meb Farber: Great to be here. Thanks for having me.

Tom Essaye: Absolutely, and we will get into the discussion with Meb in just a moment, but as usual we are going to first go through what we are going to try and accomplish on today's webinar, and we will begin as we always do with the, "What do you think about markets?" It is my macro monologue, and things are changing a bit at the margins as I talked about in Monday's report. We have a little bit of a shifting market dynamic. I do not think that necessarily spells trouble for the remainder of 2017, but it is something I want people to be aware of, and then we are going to get right into the discussion with Meb, and we are going to go through a couple of very important topics. Meb was kind enough to send over a bunch of slides from a recent presentation he did that really explains valuation of US stocks compared to other areas of the globe and makes a pretty compelling case that many investors, advisors, and their clients could be structurally underweight international exposure to potentially our own detriment. We are going to cover that, as well. With that, we will get right to it. What do you think about the market? This is my little macro monologue, and as I mentioned, we are potentially entering a new market dynamic, and I talked about this in the report on Monday. Really since January 2016, there have not been any significant headwinds on this market. I mean, there is always a bit of a wall of worry. There have been macro surprises whether it is Brexit or Trump surprise victory, but those were sort of instantaneous surprises that really did not carry any potential great negatives from a market standpoint at that time. However, things could be changing a little bit as we are seeing in the bond market with regards to tax cuts and potentially China. Specifically, the bond market is giving us some worrisome signals. Now, it does not mean that something bad is going to happen that this rally is going to end, but the bottom line is you have got the 10s-2s yield spread hitting decade-plus lows, and you have got the junk bond market exhibiting stress once again probably for the first time in several months.

Regarding tax cuts, we have covered this extensively, and I am sure everybody is probably sick of reading about this daily by now, but the bottom line is the chances of something really impactful for the economy reaching Trump's desk are declining almost by the day. Yet the market I think in many ways has already priced in something positive coming out of tax cuts. So, that is again another risk, and then finally China. Now we are probably a bit early on this, but the recent data out of China has not been bad by any stretch of the imagination, but it is implying a slight loss of momentum. The only reason I bring that up is because Chinese growth scares have been responsible for the last two really good pullbacks in this market, and you have to go back to August 2015 and January 2016 to find those pullbacks, but nonetheless those have been the causes. So, as we look out on the horizon, there are some clouds starting to form. Now, as we also said in the report, things are not all of a sudden turning terribly negative. I mean, we have good earnings and strong economic data, and that is supporting this market, but at the same time it is not enough to drive stocks materially higher, especially given where we are from valuation standpoint.

So, the bottom line takeaway is this, we really are starting to enter a new market dynamic where instead of just really the market grinding higher on earnings and economic data with really no resistance, now all of a sudden there are some potential headwinds starting to build in the form of bonds, taxes, and China, and I think that as we enter 2018, you are going to start to see a bit more of a push and pull, and I think that is going to reflect a bit of an uptake in volatility that will continue beyond December and into 2018. For now, as I said in the report, it stayed the course, but I do want people to be aware that there are some shifting dynamics it would appear in the market, and things can turn better in a hurry, but I do want everybody to be aware that we are potentially witnessing a bit of a change. Now with that, I want to bring in Meb, and again as I said in our introduction, I am sure most of you know Meb or have heard his name or read any series of books or he has a very widely followed podcast. The idea farm is another site that he and his group produce. He is all over the place frankly and rightly so. So, Meb, thank you very much for joining us again today.

MF: Absolutely. Great to be here.

TE: Yea, definitely. I just have – I think you can see the slides, but I just have a couple of pertinent points of your bio, but your main role at Cambria is really as a PM and the CIO. I mean, you are in the weeds here on the market crunching data and that sort of thing, right?

MF: Yea. I mean we sorted out. I mean, our firm is really based on research, and a lot of this has its roots in academia, but you know is meant to be digestible where a lot of academic favors are really tough. We are out there trying to make it practical and useful and not just something that is theoretical but things we want to do with our own money.

TE: That is very similar sort of goal for Sevens Report in that we try and take things that seem complex or that are meant to be complex and just explain it in a very simple to understand manner because at the end of the day a lot of markets is just common sense. With that, one of the things that is jumping right into the conversation here – one of the things that I took away from the presentation that you sent us before our call was the fact that if we think about the United States as a large part of it, but it isn't the largest part by any stretch of the imagination. Yet, if you think about how people are invested, there is a massive as you call it home country bias, and that especially given valuations could be a problem for investors over the long term, right?

MF: The way that we like to frame it is we say, and this surprises a lot of people. If you were to look at just the global market portfolio. So, if you just went out and bought the world. First of all, that is about half stocks and bonds. We are rounding here, but that is the way the world looks. But let's say you just looked at stocks, and this is the chart on the right. A lot of people don't know this, but the US is only half of the world market cap. So, if you are a diehard Vanguard indexer through and through, you should only be putting half in the US. If you are listening to this call, ask yourself, and be honest, of my stocks how much are in the US? Well the vast majority of the people would say what is on the left side of the chart which is actually a Vanguard study which is around, they have around 70%, and we call that home country bias, and this chart actually says 80%, but usually the answer tends to float around that 70% value. Now, that may be good, and it has been a fantastic overweight since 2008-2009 because the US has been the best performing stock market in the world up until about a year or two ago, but it is an active bet nonetheless. The good news is, and there are reasons for that, you know, the reasons I am a Broncos fan suffering this year and the reason why other people you know have their own beliefs is because it is comfy, it feels familiar, but it happens everywhere in the world. Canada, UK, Australia, Japan, everyone has it, and it is a really bad idea which we will get into in a minute.

TE: Yea, absolutely, and even I looked at my own portfolio, and to a point I am guilty of it as well, and I am a pretty big proponent of certain tactile foreign trades and have been over the time that I have produced the Sevens Report, but one of the reasons that you think that this is a potential problem now and going forward is because of valuation, and one of the things that you sent me that we will get into in a second is various comparisons of CAPE ratios which is. CAPE is Robert Shiller's cyclically adjusted price to earnings ratio, and it is interesting you brought this up. We had a previous guest on the podcast who also cited this PE ratio, as well. So, could you just spend a minute explaining why you like CAPE, what makes it a bit different, and why you follow it?

MF: So, we are very fond investment approaches that have stood the test of time, and two of the longest and oldest investment approaches are value investing and then of course trend following, and value has its roots certainly at the time of Benjamin Graham. So, over 100 years ago at this point in writing his famous books, professor, and of course Warren Buffett's mentor, but he proposed value in security like a stock with earnings that were smoothed out around 5-7 years, and that way you kind of smooth out the impact of recessions, as well as expansions and good and bad earnings and trying to find the signal from the noise and fast forward 100 years, recent Nobel Robert Shiller professor said, well, this was in the 1990s. He said, "Why not apply that to the entire stock market?". So, basically the way he said it, he said, - Let's take a look at 10 years of earnings, and we will adjust for inflation so that we can compare apples to apples from the time of low inflation like now to a time of high inflation like the 1970s, and he came up, and he titled it. It's nothing more than 10-year price earnings ratio, but he called it the CAPE ratio, which he said stands for Cyclically Adjusted, which is the inflation part Price to Earnings Ratio. So, what that ratio looks at is he was able to take it back over I think 140 years and look at the stock market, and what we have seen over time is both what you would expect, booms as well as busts. Times when the CAPE ratio got as low as 5 but also got as high as the mid 40s in the 1990s bubble, but it is nothing more, and here is a nice chart of it. It is nothing more than an estimate of when stocks are expensive and when they are cheap. We like to use it as a fundamental anchor to estimate what the stock market looks like at any one time and period right now, and you can pick out so many great points in this chart. The early 20s super cheap before the roaring 20s bull market, and of course the Great Depression and then the nifty 50s stock market, and then you get down to the generational buying opportunity in the early 80s – really cheap. My favorite bubble, you know I am 40, was the 1990s internet.com, which hit the highest level it has ever seen at 45 and then resulting crash and then of course the global financial crisis, and stocks got really cheap again, and then we have since then had this monster bull market in the US that has taken us up to a value of around 30.

TE: Yea, and it is, this is a great chart, as anybody can look at this and see sort of how this makes sense from their own experience and what they have read. One of the things that I immediately take away from it, and this is something I talk about a lot in the Sevens Report – you know, high valuations don't necessarily mean that you shouldn't own stocks or you should sell stocks, but at the same time you have to always be looking at things from a risk/reward standpoint. When you are talking about a valuation in the market where you are only picking two points where it was higher, and we both know and everybody knows that some painful times happened after that. From a risk/reward standpoint, we need to be thinking about how much incremental risk am I taking on for the reward. Now for all we know this thing keeps going and we set a new record in another three or four years, but nonetheless, it still does not hurt to look around and say, "Wow, we are pretty high. What am I doing from an incremental risk standpoint with my capital?" I think that you do a great job of showing that here in the following slides.

MF: Yea, the way we talk about valuation too is we say it is a blunt tool, meaning that it plays out over timeframes of years and decades rather than weeks and quarters which is what most investors tend to think about. Generally, the way that you get a really expensive CAPE ratio is simply the market went up a lot, and the way you get a really cheap one is simply the market went down 40, 60, 80% which has happened in the past in the US. Really it is the P, the numerator, that causes the ratio to change a lot, but what this chart shows is it is not rocket science – the less you pay for something and you could apply this to cars and houses and baseball cards or whatever it may be – farms – is that the less you pay for something usually if it is cash flowing the higher your future returns will be, and it stair steps down to the more you pay for something, you know, your future returns are likely to be muted, and anyone who is listening who has probably played blackjack or played poker, I think those are good analogies because you have a spectrum of future possibilities for these sort of markets where it is safer to CAPE ratio of around 30, and by the way the father of indexing, John Bogle, came out recently in his new book and said he expects stocks to return about 4%, which agrees with this chart because it is right around 2% real add in 2% inflation, you get to 4%.

TE: Yep.

MF: And that is the most likely scenario. Could stocks do -10% a year? Sure. Could they do +10? It is possible, but unlikely. So, the most likely sort of scenario is these low single digit returns which is challenging for a lot of people because it is like telling them the formula for being in shape is pretty easy. Eat less, exercise more for the most part, right? The same thing with investing is you need to lower your expectations and anticipate pretty low returns for US stocks going forward.

TE: So, the reason we bring this up obviously is people have not figured out that hey, you know, we started with everybody well not everybody but the vast majority of people are more overweight in the US than they probably should be, right? Now the US is very expensive from this, according to this CAPE ratio, and many other measures, as well, and that from a risk/rewards standpoint implies probably subpar returns over the longer term going forward. So, to your point which was a very good way to explain something. If you pay less for it, you are likely to get better cash flows over time as returns pile up. So, where can we look around in the world and pay less for growth, less for increased earnings, and international is one of those answers to that question.

MF: Yea. So, we track 45 developed and emerging market countries around the world, and we wrote a book on this whole kind of theory called global value. It came out in 2014. So, the bad news is US is expensive. By the way, we often tell people because their brain starts to often misfire when you mention the CAPE ratio. Any valuation metric should match up when a market is expensive, and almost any of them should match up when they are cheap. If you look at the US on any valuation metric, they all say the same thing. They say different degrees of expensive and overvaluation, but they all say the same thing. The flip side too on the cheap markets. The way the rest of the world looks foreign developed, and I think these are actually flipped on the chart. That may be my fault, but foreign developed this trading at a PE ratio of around 20, and foreign emerging is a PE ratio of around 16. Down at the bottom of the chart. So, the good news is foreign developed is reasonable. Foreign emerging is cheap, but if you look at the bucket. If you were to put these in say the quartiles. So, 25% each into the cheapest all the way to most expensive, the cheapest bucket is trading at a PE ratio of around 12. That was at a PE ratio a couple years ago of around 9, but is simply had two really strong years the last two years. Both 2016 and 2017 have been fantastic returns for a lot of these countries, but even then, they are still trading at a CAPE ratio of around 12 which is almost a third the valuation of the US. Certainly, less than half, but the funny thing and this is a nice laundry list of countries you have here, but a lot of the cheap stuff is in Europe. Eastern Europe, emerging Europe, the former hated what people call the PIGS, Portugal, Ireland, Italy, Greece, and Spain, but also a number of countries have been kind of falling, and Russia and Brazil have been two countries that had monster years in 2016 and then some other basket cases. Usually that is how countries get into this list is they, you know, Brazil essentially went through a Great Depression. They had to impeach their president. Russia was invading countries. Oil went down and got cut in half. So, you have reasons these countries get to the really low valuations, but that is usually where the opportunity lies.

TE: Absolutely. This is very interesting. I took the same take away you had where I was surprised by how somewhat reasonable or cheap a lot of Europe was. I thought it would be higher than it was. So that was an interesting surprise, and it is right in that sweet spot as you can see on this slide of where you can get some really nice returns going forward.

MF: Yea, and so we examined in our book, you know, the future returns and the foreign markets as well as in the US, and this is kind of – we found the same stair steps. So, when you are buying really cheap, less than 10, great future, and these are real returns. So, not even nominal. So, this is after inflation. So, double digit returns still all the way down to you know lower when you are paying up for something. The cool part is when we look around with all the countries around the world, you found even greater examples of booms and busts. So, older market historians listening to this call would remember the biggest equity bubble we have ever seen which was Japan in the 1980s, and that hit a CAPE ratio of almost 100 which was almost double the US, and it took over two decades for that to work off. Had you, and by the way, if you remember that first chart we showed where the US was half a world market cap back in the 1980s, Japan was the largest market cap country in the world. So, the problem with market cap waiting, it is the best – it is the first way to invest, and it is a great invention, and it is perfectly fine, but it is not ideal because it has no tether to valuation or the size of the company as far as profitability earnings. It is simply the price of the stock or the price of the market. So, it often lends itself to putting the most in overvalued markets. Think back to Japan in the 80s, the most overvalued market was the biggest chunk of your portfolio. Think about now. The US we calculate as the second most expensive country in the world. That is the bad news. It is not a bubble. We do not think it is horrific, but it is not good. You are putting half of the global market cap, and if you are the average US investor, you are putting 70% in. More than likely we tell a lot of people one of the biggest things about valuation – it is not just the really cheap stuff you are investing in. It is also you are avoiding the expensive. So, just by avoiding the junk you could probably increase your returns but also finding the cheap stuff we think is where there is a lot of opportunity too.

TE: That is so true. I mean not allocating heavily to, and it guess this goes to rebalancing really too, right? Where you are sitting there looking at it and saying, “Hey, wow, this has been a great run, but now this is 70% of my exposure and this is at the third highest we have seen it. Does this make sense?” Again, from coming back to that risk/reward. Am I getting the most amount of potential reward for the incremental unit of risk that I am taking on in my portfolio, and it is a great thing for people to really start thinking about with valuations this high.

MF: And valuation, you know, I think that is a perfect description. Valuation has been around for forever, and we are certainly not inventing this concept, but we are the first I think to my knowledge to create the 10-year PE ratios for all the countries in the world, but the good news is a lot of other companies have done it since then. So, this chart is from research affiliates in PIMCO who went back and studied. They said, OK, what happened if you bought these countries when they first dipped below 10 on a PE ratio basis. What they found, and we have had very similar results in our book is that future 5-year returns are about 120%. Really strong performance. Now you can see on the chart, it is a pretty wide spectrum. Some merely broke even, and some went off the chart, but it historically has paid to buy when we call, you know, when there is blood in the streets. There are a lot of reasons why. If you look at buying those countries that were on the cheap list. Now people don't react the same way maybe 2-3 years ago. Two to three years ago, people were like you are telling me to buy Russia and Brazil and Turkey and Greece. Are you out of your mind? I will get fired.

TE: Exactly, right?

MF: Grant it if I get a good return since, but it is a human natural reaction to not want to buy the stuff where all the Geopolitical, economic stock news is awful. It is natural to want to buy stuff that is everything is going swimmingly like in the US, you know, record low unemployment. By the way, I was enjoying your intro because two fun stats for your listeners is one – we have 12 months up in a row in the stock market, and if November is up will be 13, and there has only been one time in history that has ever had more, and that was in the 1950s with 15 up months. We have never had a calendar year in the US stock market ever where all 12 months were up. So, we have two to go. We will see. We may never have a bear market again, but in general, it has paid to think about valuation, to use a little common sense, and one more note on this for the value side is this is something you do not need to update that much. If you update value based portfolio once a year. So, you mentioned rebalancing, fantastic tool to consistently trim the overvalued and invest more in the undervalued, and that applies to your whole portfolio of allocation too. It is a great way to think about the valuation of these countries on an annual basis. You can actually find the CAPE values. We publish them on idea farm, but research affiliates and Star Capital also publish them every quarter or so.

TE: And it is interesting talking about the returns obviously here are fantastic, but if you look at really the number of markets here that were down significantly, it really not that many. I am using the cursor. Hopefully people can see, I mean that is something else that I took away from this is that there was a little of pain in some of these markets in the beginning, but you are not seeing anything way down at the bottom way down here, you know, where you think oh my gosh that would be a total disaster. So, again it reinforces the point that if you can stick it out a little bit that these were very good ideas and obviously turned out to be good at this index.

MF: One more comment to the course that if you are using a pretty big universe is that it also includes the emerging markets. You want to a buy a basket of these countries. So, we have a fund that does this, but you want to buy a dozen countries – not just one or two, because if you buy just one or two and many of these countries are small when you get into the tail of the emerging markets and certainly frontier, but if you go put all your money in Argentina or Greece or Czech Republic, you know that is the same thing as just buying one stock in the US and praying.

TE: That is right.

MF: So, you want to make sure you buy a basket of all of these stocks.

TE: And so, we are getting close to the end of the time we have allotted, but I want to drill a little bit down specifically with you if that is okay and show on the slide.

MF: Sure.

TE: You travel all over the place. You are a consistent speaker at really great conferences. I know you have a ton of great connections. So, I want to kind of uncover some ideas and I am going to sort of ask you some questions if that is okay. So, the first one is, you know, we looked at emerging versus foreign emerging versus foreign developed. To the advisors on the call, do you think that going emerging is worth the incremental risk at this point or would you stay, you know, look you get enough value in foreign developed that you can stay there and I think you will do fine.

MF: I think the first step is the global market portfolio is the starting point. So, half in the US and then the rest in developed and emerging. To me that is where you begin and already for most advisors and investors that is already uncomfortable because again they have that 70% in the US. To move to that and then say okay on top of that and that is just the default. If you have a value approach, you could have even less in the US. You could have maybe 40, 30, even 25% in the US which no one does probably except for me, but that reflects actually global GDP. The US is only around a quarter of the world's global GDP. So, if you are GDP weighted, you would only have a quarter in the US and to be value focused, you would certainly want to have less than typical. So, I think it is totally fine, and I think having outsized positions in both developed and emerging is a totally reasonable thing to do.

TE: Okay. If you were looking at, because you know, just practically. I mean investibaby advisors sit in there saying well I know I probably should do this, but if I do something wrong I am taking on some career risks here so I am going to dip a toe in the water, right? I am going to take a baby step along to getting to this likely more optimal allocation. Do you see, for instance, I am a Europe bull right now just because for a multitude of reasons, valuation being one of them. Do you think that foreign, so emerging is going to trade. It is going to carry more risk, but it is also going to give you a bigger reward as opposed to foreign developed. If you are an advisor just getting that exposure on whether you choose foreign developed or foreign emerging. Do you think that is the most important part, right? It does not really matter which one you pick. Just make a step in that direction.

MF: Yea, I think most investors their starting point is so off from what it should be that even just getting back to the starting line is an improvement. So, yes, getting closer to the value where the value lies. Any incremental step is fine. I mean, we have a fund that buys these 12 cheap countries. So, it is our largest fund, so I am obviously a bit biased, but I think that is certainly, I think that is the right approach. Anything you can do to get closer to where the value lies I think is a smart move.

TE: Perfect. Drifting a bit away potentially from this international train of thought. Is there anything else that you have seen in your travels, in your conversations, any sort of out of the box ideas that have really impressed you, and again I know you travel a ton and you are constantly at conferences, does anything stick out to you recently that you said boy that is a unique idea that you heard somebody at a presentation or something like that?

MF: We could actually do a laundry list here on a lot of stuff.

TE: Yea.

MF: And the good news it is a wonderful time to be an investor. Rewind and go back in time 10, 20, 30 years. You had to a pay a pretty heavy freight on commissions and fees, and we live in a world where an investor could buy a diverse portfolio for probably 0.1%. There are brokerages now that do not even charge you commission, and if they do it is $5. So, it is a pretty awesome time to be an investor now. That is also kind of like handing everyone dynamite and lighters too because the more choice you have and the ability to transact can really play against investors emotions. So, we do a lot of phone calls with investors and having an investment plan. Having a written one is even better. Starting from that global market portfolio and doing it cheaply I think is all good advice. The implantation of that is the best it has ever been, but as far as kind of crazy ideas or things that are a little different, the bad news if there are also thousands of really terrible awful products out there and some really expensive. We were talking the other day where we saw that there is an S&P 500 mutual fund that charges 2.3% per year, and you could buy that same exact fund for 0.05% I think, and so there is still fraught with landmines in our world because a lot of Wall Street is built to sell people funds at fees that they just do not need, but it worst tactical idea is what we talked about a lot already.

I think right now where we are tail risk sort of ideas and products are cheap. So, we run a fund that does this, and we talk. We wrote a white paper that talks about tail risks. We are hitting some of the lowest volatility record levels we have ever seen in the US stock market. As we know that it is expensive, to me it makes sense that if people want to hedge some of that the same way they would buy life insurance or car insurance or do so with long dated put options, I think that is an interesting trade or allocation exposure. I do not think it is a trade you want to hold forever, but I think probably right now it is totally reasonable. Even if it is a cost, I think it is a totally reasonable cost particularly if it helps people behave better and kind of stick to their plan because we all know as investors – the hardest thing is keeping your emotions out of it and not wanting to sell when the stock market is down 40, 60, 80% but rather to be doing the opposite. So, that is the – I could go on for hours on that question, but I will stop there.

TE: Yea, and it is a good point, and I think that is – I know a lot of the advisors that are subscribes are thinking about that because everybody that is on this call has been in this business for some time, and we know that while certainly the last two years have been an enjoyable ride in the stock market that nothing goes up forever and that there are things that need to happen from a macro standpoint, from interest rate standpoint, from an economic standpoint that are natural and that probably will cause some potentially significant pain in this market. Now when they show up, that is obviously the million-dollar question, but they will show up, and we are likely closer, much closer, to that date than we are from the beginning of this whole process. One more question, and then I will let you get out of here with our thanks for spending time with us, but is there from a macro standpoint – you know, what do you sort of think about the market, and I am going to ask for sort of your gut here. You obviously manage money for a living. We talked about some tail risk stuff. 2017 I am sure has been a good year for you, but how do you feel about the market? What is kind of your outlook? Are you okay? Are you more nervous than you have been in a while? Just give us sort of your 60 second take on that.

MF: Well, if you look at the US stock market. We talked a lot about valuation today, but one of our other investment methodologies is trend following. Some of our oldest white papers that are all free online by the way talk about trend following ideas and concepts. If you were to put say just the US stock market into four buckets historically – cheap, expensive, uptrend, downtrend, and defining trend is something as simple as 200 day moving average or a monthly equivalent. We talk a lot about the 10-month moving average. Very simple indicators and say what are the best performing bucket is when the stock market is cheap and in an uptrend. What is the worst, and it is expensive and a downtrend. So, that is not surprising to anyone. Second best performing is expensive and in an uptrend which is where we are now. So, the stock market continues to go up. It could go up a lot more. Who knows, but again if you remember what I just say which is what is the worst bucket. It is expensive downtrends. I kind of see the US stock market with a yellow flashing light, stop light. I do not think it is a red until the trend rolls over. So, whether you start to rebalance or take some US chips off the table and add it to foreign which is much cheaper, and foreign by the way is in my favored bucket and the really cheap stuff which is cheap and an uptrend. It has kind of moved from hated and downtrend to hated uptrend and now probably just cheap uptrend. So, the really cheap stuff, but that is the way the world looks to me. Bonds are not particularly interesting. We did not get into too much on bonds, but largest asset class in the world happens to be foreign bonds and then one of the other asset classes that is kind of universally hated over the last year or two after many years of underperformance is commodities, and that is an area that I think there is going to be a lot of interest and potential for strong returns over the next cycle.

TE: That is funny you said that. That makes me feel better because we just in the last two weeks in the regular Sevens Report have been talking about how for the first time in years the prospects for commodities both from a fundamental and from a trend standpoint are starting to look better than they have been in several years, and that could be a corner of the market that people are not thinking about that could actually outperform. So, it is always nice to hear somebody agree with me. That is for sure.

MF: I am also one of the world's worst wheat farmers. So, again, take my advice as it is, but you saw it originally with base metals starting to do well and then precious has done pretty good today not withstanding and then agriculture is continuing to get pummeled, but you know as a long time some people who follow commodities that usually does not last forever. That is the good thing about commodity markets. They fix themselves on both sides, you know, when prices are low it reduces supply, and when prices are high, you know, it invites supply. So, that is an interesting thing to hear. Finally, I just wanted to let everybody know about the global asset allocation that you did which obviously is appropriate for our discussion. We have a copy of this actually in our office, but people please check that out. I am sure it goes a lot more in depth into what we talked about today and again having people kind of do that self-audit into where you are allocated from a valuation standpoint I think could be very healthy. If nothing other than raising awareness. By the way, it is free, so it will save you $3 if you go to that domain. You can download a copy, and it is a really fun short read.

TE: Perfect. Well, thank you very much, Meb. We really appreciate it. We would love to have you back anytime to continue to talk shop.

MF: Yea. It was a blast. I would love to do it again sometime.

TE: Thank you very much and have a happy Thanksgiving.

MF: You, as well. Happy Holidays to all the listeners.