

“Stocks could fall 40% in 2016”

Marc Faber’s Comments to Lear Capital’s clientele



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Lear Capital works hard to bring you expert analysis and insight every day so that you can protect your portfolio from forces beyond your control. There has been a lot happening behind the scenes in the world of finance and banking that will eventually take a bite out of your portfolio if you remain unaware and unprepared. Respected financial experts and prognosticators regularly sit down with us to tell us how to best educate and prepare our clients for what is coming. We want to know what they think about the debt, the value of the dollar, the incentives of those in power at the Federal Reserve, how Wall Street really works - and what investors should know in order to avoid the worst of what is to come.



Marc Faber: It will end in default

When we asked Swiss investor Marc Faber of “The Gloom, Boom and Doom Report” what the endgame would be for all this money printing by the Federal Reserve, he did not hesitate.

*“It’s basically gloom, boom and we’re all doomed. The question is: when? I believe the central banks in this world have embarked on an experiment whose consequences will be very bad eventually... It will end either by the government defaulting or by massive money printing, and by doing that, you essentially lower the purchasing power of paper money... **There will be a default regardless either through money printing or a straight default.** It’s only a question of time, but default will also occur in various other ways. Pensioners or Social Security recipients would either get their incomes cut massively, or they will get their income in money that isn’t worth anything. In other words, today they can buy a basket of goods with their pension, but in the future they may only be able to buy a loaf of bread, if anything.”*

What does Marc Faber recommend for the average investor today?

“My advice would be diversification and I don’t believe you can trust paper money anymore. It has to function to be a store of value. The purchasing power of money has gone down a lot. By “a lot” I really mean by a lot.”





Don't go to cocktail parties.

At least, don't get your investment advice from tipsy people at cocktail parties. Marc Faber explains how casual conversation in social settings can contribute to investment suicide. Faber understands not only investments, but investors. The psychology of the individual investor is why most will be so vulnerable when the collapse actually comes:

*"Most individual investors have the tendency to commit financial suicide. In other words, if they see the NASDAQ going up they may resist buying expensive stocks for a long time but in the end, they go to cocktail parties and all their neighbors say, "Today I made so much money buying this stock." Of course at cocktail parties you have a group of people, they own different shares, all of them go down but one goes up. **They'll talk about the one that goes up. They never talk about the ones that go down.** In the end, they also buy those NASDAQ stocks and the whole thing collapses.*

"Then they go again to cocktail parties and then they see the neighbor's house appreciating by 20% per annum. Finally, they can't resist. They buy homes in 2005, 2006 but since they lost their money on NASDAQ they have to borrow 100% on the homes. Since the Feds tell them that home prices will never go down and don't forget Ms. Janet Yellen, she was the president of the San Francisco Fed from 2005 to 2010. The San Francisco Fed is responsible for Arizona, Nevada and California, the three biggest housing bubbles in the whole country. Thank you very much Ms. Yellen. You're now in charge of the whole US. You can create other bubbles."

Obviously, it needn't be a "cocktail party" per se, but his meaning is clear. Word of mouth stock advice can be the worst to follow because information is so incomplete, yet coming from a trusted source like a friend or family member. His frustration was palpable over this phenomenon. It is obvious he has seen it happen over and over and over. He strongly encourages investors to invest with their eyes wide open, and with their heads. Do not expose your family's security and future to foolish knee-jerk emotional buys just because of an anecdote you heard somewhere. Resist the temptation.



We also asked his outlook on the major precious metals, of course.



"In a bull market, silver will tend to outperform gold. In a bear market, gold tends to outperform silver. Gold, platinum, silver and palladium move in general in the same direction, and sometimes one will move faster than the others. The fundamentals of the platinum market are the most attractive at the present time."



In summary, Marc Faber confirms that quantitative easing and other stimulus measures have created a completely unsustainable financial situation for our economy. Trillions of dollars have been created and have inflated stocks and other paper assets.

Many or most stocks are priced with no real relationship to earnings, making it a complete gamble to put your money there today. You could make 10% if your crystal ball is working properly, or you could lose most of your investment when the prices correct to reflect fundamentals. We already have significant inflation in the markets. When that bubble pops, the inflation will make it to the dollar level, and many Americans will again be wiped out.

Gold and precious metals are something solid that can stand up against vanishing paper assets when catastrophe strikes again. Marc Faber agrees with many other experts and recommends diversifying a portion of your portfolio into gold and other precious metals to insure against market failures.

Call one of our specialists today to get started, or to shore up your position in precious metals. We have many beautiful coins and bullion products that feel so reassuring in your hand. You will be proud to own some Silver Eagles, or perhaps some Gold Maple Leafs, or some Austrian Philharmonics, etc. Our specialists can go through all your options with you when you call.

When this bubble pops, it will be all doom and gloom and today's fantastic buying opportunities will be all but gone, so call today.

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