

Cumberland Advisors Market Commentary – Rocky Mountain Summit

Four states – CO, WY, ID, UT – in six days; private professional meetings, a few public gatherings, two Chatham House roundtables, and one half-day with a fly rod.

My longtime friend Bill Dunkelberg and I brought nearly 40 trout to the net for release. An equal number escaped the net during the fight. Here we are after the four-hour marathon.



The location was Trout Ranch in Idaho, a few miles from Afton, Wyoming. Hosting was the Bronze Buffalo Club. They partner with the Global Interdependence Center for the Rocky Mountain Summit. The public presentations at the Summit are posted on the GIC website, <https://www.interdependence.org/> . Below is this photo of a spawning rainbow trout (notice the shape of the jaw along with the glorious coloration), I will bullet the takeaways from the Chatham House discussions.



Before I get to money and markets, let me quote one paragraph from Kyle Westway's weekend missive #283:

"Imagine a world in which priests only make their money by selling access to what you said in the confession booth? That's basically Facebook / Google's business model. Except in this case, Facebook is doing that with 2 billion people and has a supercomputer that's actually predicting the confessions you're going to make before you make them. And it's stunningly accurate. AI has been shown to predict our behavior better than we can. It can guess our political affiliation with 80 percent accuracy, figure out you're homosexual before even you know it, and start suggesting strollers in advance of the pregnancy test turning pink. As each track leads to profit

maximization, companies must become more aggressive in the race for attention. First it was likes and dislikes, making consumers active participants, causing them to feel as if they have personal agency within the platform. They do, to an extent, yet as the algorithms churn along, they learn user behavior, creating 'two billion Truman Shows.' Watch Tristian Harris – former Google design ethicist – speaking at a Congressional hearing (ironically on YouTube).”

I strongly recommend the 17-minute YouTube of Tristan Harris’s US Senate testimony. The link is at the end. Think of this two ways: What it indicates for society and social behavior, and what it means for regulation, supervision, and legal changes applied to social media businesses.

Here is the link to his testimony:
<https://www.youtube.com/watch?v=WQMuxNiYoz4> .

Let’s get to takeaways from the week in the West, where we encountered publicly and privately owned businesses and wealth running to trillions of dollars. Many of the decision makers who participated in our gatherings have 8- or 9- or 10-figure personal wealth. All conversation was conducted under the Chatham House Rule.

Bullets

1. Trade war – No one is able to predict outcomes now, so capital investment is being deferred. Some tariff cost passthrough has started. The lead-to-lag timing of trade war effects is about a year, between a Trump sabre rattle and an actual outcome. What we see today in sales, prices, and other trade war impacts is the result of last year’s trade and tariffs policy. This delayed impact portends poorly for the next year or so.

2. China – Most folks see the unfolding generation as one of protracted adversity. They characterize the US-China negotiations as a modern version of the Cold War of

yesteryear.

3. The Fed – Never have I heard so much criticism and ridicule of the central bank. Voices that are direct but polite in public are intense and negative in private. Paul McCulley's keynote alluded to rewriting the Federal Reserve Act. Richmond Fed President Barkin was a keynote, too. He sat politely through the other presentations. My guess is that he has a message to carry back to the Fed, which will include the need for the Fed to improve communication. I believe that improvement is essential, and my takeaway is that the Fed as we know it is at risk and that the peril from a political intervention by Congress is high and rising.

4. Negative interest rates – Negative rates in Europe and Japan are universally viewed as poison. Nearly all believe this experiment ends badly. No one knows when, and so all must speculate about how it ends as they make portfolio decisions.

5. Investments – Portfolio options discussed included real estate, timber, farmland, gold, other hard assets, tactical stock market plays, private equity, royalties, and some exotic structures, plus privately owned operations. Bill Dunkelberg reminded everyone that there are 30 million businesses in the US and only 20,000 trade on the stock exchanges. Half the US nongovernment economy is privately owned. A chunk of that half populated these meetings.

6. Politics – My guess is 70% or more of the group believes Trump will be re-elected. Few like him or his behavior, but most are willing to overlook it because of his policy outcomes on taxes and deregulation. Trade war escalation and a recession would change this. Most believe Trump knows that and will avoid those pitfalls. Most believe the Democrats haven't produced a viable alternative to Trump. If one does emerge, many would consider that option. In one forum of 25 people, only two thought Biden would be the nominee. Some noted how at this stage in the previous election Hillary Clinton was not

yet on many people's radar screens, and Trump was dismissed as impossible. A few mentioned de Blasio or Castro as possible emerging names. Harris comes into the Super Tuesday fight with a California basket of delegates. Anyway, lots of speculation, and the only majority view was that Trump gets re-elected.

7. Stores of value – The last takeaway is about money, whether euro or dollar or yen. All agree it is still functioning as a medium of exchange and a unit of account – we pay and receive fiat money, whether via paper or electronic paper or interpersonal Venmo transfers. But many believe the store-of-value characteristic of money does not reside with fiat currencies. The debate does not concern whether this is true, but instead where store of value does reside. Gold is an increasingly acceptable option. Bitcoin has little history. SDR anchorage hasn't caught on. Few respect a small group debating monetary policy around a table in the Marriner Eccles Building as a reliable way to ensure that fiat money stores value.

On this last point the world's central bankers are failing. They ARE clearing payments. They ARE facilitating government deficits, and they ARE trying to avoid recessions and default meltdowns. But in so doing, they ARE losing the trust and confidence of their constituents. In my view that trade-off is dangerous. The store-of-value characteristic of money started with the Athenian "owl" 2400 years ago. History shows that things ended badly every time a monetary authority lost sight of that store-of-value attribute.

Thank you to the Global Interdependence Center and the Bronze Buffalo Club for an enlightening week.

Final note. All fish were released. All hooks were barbless.

Lastly. Cumberland has some cash reserve. Our US ETF portfolios include an overweight position in the gold miner ETF.

David R. Kotok

Chairman of the Board & Chief Investment Officer

[Email](#) | [Bio](#)

Links to other websites or electronic media controlled or offered by Third-Parties (non-affiliates of Cumberland Advisors) are provided only as a reference and courtesy to our users. Cumberland Advisors has no control over such websites, does not recommend or endorse any opinions, ideas, products, information, or content of such sites, and makes no warranties as to the accuracy, completeness, reliability or suitability of their content. Cumberland Advisors hereby disclaims liability for any information, materials, products or services posted or offered at any of the Third-Party websites. The Third-Party may have a privacy and/or security policy different from that of Cumberland Advisors. Therefore, please refer to the specific privacy and security policies of the Third-Party when accessing their websites.

Sign up for our [FREE Cumberland Market Commentaries](#)

Cumberland Advisors Market Commentaries offer insights and analysis on upcoming, important economic issues that potentially impact global financial markets. Our team shares their thinking on global economic developments, market news and other factors that often influence investment opportunities and strategies.AAA