THE GREY SWAN
INVESTMENT FRATERNITY

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Tariffs, Tantrums, and Taiwan: A Grey Swan Event in Three Acts

Every great magic trick consists of three parts or acts. The first part is called "The Pledge." … The second act is called "The Turn." … every magic trick has a third act, the hardest part, the part we call "The Prestige."
— Michael Caine as John Cutter, The Prestige

YOU may have seen the footage — shaky camcorder clips of the Murphy Homes in Baltimore crumbling in perfect vertical harmony. Four massive concrete towers. A few clicks. A muffled boom. Down they go in a pile of dust and rebar.

Controlled demolition at its finest.

That's exactly what global markets looked like after "Liberation Day" — Trump's latest all-in tariff assault that made economists scream "Smoot-Hawley!" three times like it was Beetlejuice.

It started in Asia. Tokyo's Nikkei 225 faceplanted before breakfast. Futures froze. Wall Street opened in free fall. And by Monday morning, the mood on the trading floor felt like someone had hit the red button under Jerome Powell's desk.

But let's be honest: it's only a surprise if you weren't paying attention.

The real story? Trump had been planning to set the charges under the post-WWII Pax Americana world order for years. All it took was one man with a microphone, a Minecraft hammer, and a fondness for tariff math cooked up by AI bots hallucinating as economists.

Here's what's really going on… while we're sitting around arguing about tariffs, China is building the AI economy of the future. And yet, the market reacted to "Liberation Day" by selling off overpriced AI stocks.

The reality is Wall Street is being forced to "detox" from its government spending addiction.

"In the short run, the market is a voting machine," Benjamin Graham famously observed, "but in the long run, it is a weighing machine."

What's worth weighing is the unbearable heft of carrying the balance of the Pax Americana credit card, versus a more nimble and efficient productive economy with low tax rates.

The latter is Trump's stated objective. Politics are what they are… even our readers have reacted to the market chaos and offered nuanced opinions about the man and his view of the future.

But here we are.

For ease of argument, let's imagine the heart of innovation is represented by Taiwan.

Tiny island. Big role. Taiwan Semiconductor Manufacturing Company — TSMC to its friends — produces the most advanced microchips in the world. Chips that run your iPhone power your AI models and steer U.S. missiles. One company. One island.

One bad week from Beijing — and the entire global economy catches a cold it might not survive.

That's why national security hawks now call TSMC a "silicon shield" — as vital as any aircraft carrier group. As long as Taiwan holds, the digital world ticks. But if it falls? Well… let's just say you won't be scrolling TikTok. You'll be reading canned food labels in the dark.

This is the stage on which Trump has chosen to reintroduce tariffs like a magician pulling a rabbit out of a chainsaw.

IN THIS ISSUE

Niall Ferguson calls it Project Minecraft — a fantasy land where America rebuilds its industrial base by breaking every rule of the old world order. It's bold. It's chaotic. And it's happening whether you're ready or not.

Victor Davis Hanson says it's about justice. Five decades of phony free trade, hollowed-out towns, and smug lectures from elites who outsourced dignity for cheaper flat-screen TVs. "The American middle class didn't vote for fentanyl and foreclosures," he writes. "They got them anyway."

So now, in the name of reciprocity, Trump is throwing elbows. Tariffs on friends, foes, and everyone in between. The WTO is out. NATO is on the outs. Bilateral economic brawls are in. "You hit us with a 20% tariff? Cool, here's 40% back — with a bowtie."

And here's the kicker: it's working.

Behind the headlines, money is already moving. Hyundai is building steel plants in Louisiana. Apple's floating the idea of onshoring servers. Even the UAE — yes, the oil guys — just pledged $1.4 trillion in U.S.-based projects. Tariffs are no longer just taxes. They're national interest magnets.

Argentina's Javier Milei is angling for support of his own anarcho-libertarian reset on the far southern end of the world. Our friend and contributor John Robb calls it for what it is. Globalists v. nationalists.

And the clash of two innovation models.

China's model is command and control. The Party draws the blueprint, and Huawei builds the skyscraper. It's clean. Ruthless. Efficient.

America's? A bar fight in a startup hoodie. Chaotic, decentralized, and driven by quarterly earnings. Nvidia doesn't answer to Washington — it answers to investors, momentum traders, and TikTok influencers who just discovered machine learning.

But here's the punchline: both models work. The question is which one scales in the AI arms race… and who gets there first.

This isn't Cold War 2.0. It's Code War 1.0. And if you're still arguing over toaster prices at Walmart, you're missing the point. The real argument from a macroeconomic point of view is economic sovereignty, technological dominance, and who controls the on-ramps to the future.

In the short run, some folks still think we're headed off a cliff. The market's down. Inflation's up. Your 401(k) looks like it got mugged behind the Arby's.

But zoom out.

That's why President Trump raised tariffs on China to 125% on April 9, even as he gave other countries who haven't announced retaliatory tariffs a reprieve (a move that also gave financial markets a much-needed oversold bounce, with the Nasdaq popping 10%).

Trump isn't just resetting the world order, he's doing so in a way that pits everyone against China, the poster child for getting rich off of globalization while other nations struggle.

The prestige has yet to be revealed, but has been suggested. Lower taxes, lower tariffs with willing partners, higher production, more jobs. Somewhere in there is a stable currency. There's a mechanism behind all magic tricks. And they all require a suspension of reality.

Until then, it's back to work.

Andrew Packer has his eye on balance sheets and earnings power. He says don't panic — pivot. Look for companies with real margins, not just real marketing.

Zoltan Istvan writes in from Japan, where innovation still respects its elders. He argues that tradition and stability aren't relics — they're competitive advantages.

Shad Marquitz, our resident commodities whisperer, reminds us that when the paper burns, the real stuff rises. Oil, gold, grain, and copper are the building blocks of the next industrial age.

Which brings us to you.

If you've read this far, you're not just watching the world change. You're thinking through it. That's what Grey Swan is about — reading the signs others miss and preparing not just for risk… but for opportunity.

See you next month,

Addison Wiggin

About Addison Wiggin: Addison is the founding director of The Grey Swan Investment Fraternity. Addison is also a writer, filmmaker and producer whose works include the film *I.O.U.S.A.* (short-listed for an Academy Award) and three *New York Times* bestselling books ***Demise of the Dollar***, ***Financial Reckoning Day*** and ***Empire of Debt***, all available in their third edition.

Zoltan Istvan

I Went to Japan and its Thriving Culture Blew Me Away

LAST month, I spent 8 days in Japan with my wife and two young daughters. Hailing from San Francisco, the trip was revelatory. I was astounded by how safe, functional, and efficient the Japanese society was. It really got me thinking a lot about society, especially as someone who suffers weekly in the San Francisco Bay Area because of its excessive crime, filth, drug use, and homelessness.

So how did Japan and California get so different? They are both wealthy, tech-dominated societies with diverse weather and landscapes. But a lot of the similarities end there.

While there are hundreds of thousands of homeless in California, I saw none in Tokyo or the rest of the country. While the look of boredom, despair, and unearned entitlement are seen in many workers in America, even the lowest janitors or sales shop girls in Tokyo dress well, have a bright demeanor, and take their job seriously.

While you can't even leave a backpack in your car in downtown San Francisco — or your car will almost assuredly get broken into — if you lose a backpack in Japan, people will stop their day to try to find you and make sure you get it back.

In fact, I have a friend who recently related to me an experience she and her teenage son had in a major mall in Tokyo. Her son had accidentally left his wallet on a table in a public area. Two hours later when he went to get ice cream, he couldn't find the wallet and realized where he'd left it. The mom and son raced back to the mall, and amazingly, the wallet was still there, untouched, despite being in clear view of the hundreds of nearby people who could've easily taken it.

The differences are night and day between Japan and California. One can't travel in Japan for more than a day without repeatedly noticing all these things.

I had to ask the locals why Japanese people are like this. Their answers were somewhat expected. They each harbor a deep sense of pride, developed from childhood, about pursuing what's right and just in life — and doing a damn good job pursuing it.

The Rudderless American Generation

Many Americans have no idea what that even means. Honor or pride are rare qualities. Most Americans are just trying to get through the day with their sanity intact before drinking beer or wine while falling asleep to a sitcom at night — before starting it all again the following morning. Japan's culture doesn't allow that — or that destructive cycle. It forces one to be better than that, to believe more in the honor in their personal lives, especially in light of their contribution to society. Furthermore, those who slack off or act out of line are severely socially ostracized.

It wasn't always like this. My trip to Japan made me realize something sinister has been happening in America these last decades.

The economy is growing like gangbusters — and has for years — but still a majority of people haven't felt any significant improvements in their lives. Ever-increasing inequality has killed hope for many, as only a few seem to really "get ahead."

On the other hand, Japan's economy — at least until recently — has had deep stagflation for years; growth has been weak with overbearing debt loads. Yet, somehow, the culture still feels like it's thriving, and always has.

Let's try to understand this juxtaposition — because California and America need to find something that makes it respect itself like the Japanese do. Otherwise, as many people will admit, America will continue to face a steep decline in its overall sense of identity.

One of the first things I notice about the Japanese is they are more accepting of radical new technologies while not actually letting the effect of those technologies change their culture.

America really needs to learn this strategy as we enter the AI age.

As we see all too often, America has been radically socially changing in the last decade, from biological men openly participating in women's sports to decriminalizing much traditional crime to trying to turn the country downright socialist in some ways. Much of this has happened because of how social media has been weaponized to indoctrinate and divide.

However, Japan, which arguably is more technologically oriented than America in its internet use — including social media — has barely been affected during America's transformation. For the Japanese, it's business as usual, and the country and culture is thriving regardless of the social media pollution around it.

I think the ability to accept technology is surely one reason. But more importantly is the foundational culture that pervades Japan. Whether it's its Samurai history, or thousands of years of allegiance to mellow–inciting Buddhism, or incredible dedication to one's parents (long referred to as *filial duty*), Japan has something that politics and radicalization doesn't seem to interfere with.

A Return to American Purpose

In order for America to regain its greatness, it must return to some core cherished values it's always had since the days of George Washington (those mostly libertarian and conservative — though some centric and seemingly lost Democrat themes are also important).

Otherwise, the power of technology, social media, and AI could leave us drifting in a world where nothing remains the same, and our culture is subject to the whims of tiny groups or news events because we have no foundation to guide us.

And we need that foundation, because change to our world is now coming quicker than ever. Robots will soon be taking most jobs; artificial wombs will challenge the abortion debate; and designer baby tech will give us wild choices never before entertained.

Even young adults video gaming in virtual reality will help undermine everything much of what we believe we know. All these tech challenges can either be useful or dangerous to society, but what determines that is often a strong foundational culture where society knows its bearings.

However, it's far more than just culture, though, that drives our lives and society. Japan has businesses, like Toyota and Sony, that mirror the hard working, prideful approach to life. U.S. companies, ones that used to seem core American — like Budweiser — have recently betrayed us; Budwesier did this with its DEI incentives which tanked the stock billions of dollars and left Bud Light on the shelves unconsumed for months.

There are some quintessential American companies — especially tech ones — that stand for more than just making money; they show what America is and can be. Apple, of course, is one, especially as it looks to invest more manufacturing in America and getting its supply chain out of China. So is Tesla, one of the two car companies besides Rivian that manufacturers 100% of the components for its cars in the U.S.

But others failed, like Disney. Their foray into woke culture has been bad for business and culture the same. Just look at Disney's latest movie *Snow White*; it's currently the worst rated major movie of all time on IMDb and has been ridiculed — rightly so — for turning a simple children's story into woke virtue-signaling.

Japan, though, seems to be firing on all cylinders these days, and its breaking-out stock market seems to signal the same. Even Warren Buffet has been recently investing in Japan, as he sees an opportunity in the ancient culture for profits. Japan is likely in a state of a new tech renaissance, supported by its strong, stable sense of identity.

Of course, to be fair, not all is totally sound in Japan. There is a stubborn declining demographic, and its low birth rate is a cause for concern.

However, it's possible the Japanese embracing of tech and its next-to-zero immigration policies will still find a way to keep the country growing and thriving. So far it has, despite the challenges. I suspect Japan will grow by embracing sentient robots and superintelligent AIs.

Most recently, though, Japan's government has been creating major incentives for Japanese to have more children. *The New York Times* reports that they are introducing measures like childcare subsidies, paid parental leave, and direct cash transfers.

Another issue currently in Japan is its weakened currency. Japan is usually known for how expensive it is, but recently, travelers like myself are finding it more affordable than the United States. For example, I could get a decent Sushi dinner in Tokyo for my wife and two young daughters for $60 U.S. dollars total. It seemed about half as affordable as San Francisco or Miami (and there were no homeless outside the restaurant windows begging).

Despite currency and demographic worries, Japan continues to grow economically, though not as fast as the U.S. Most recently in the fourth quarter of 2024, Japan managed to outstrip growth estimates on strong consumer demand. It made sense to me; on my days in Tokyo, everything was packed with people, and I saw various tall cranes around the city creating new construction.

The great take-away from my trip to Japan was that culture can be improved and modified upon, but it needs to start with foundational ideas that are fundamentally unwavering.

In America, it's such a melting pot of ideas and people, that I'm not really sure what being an American even means; it's so all across the board. But to be Japanese is to be honorable, decent, and dedicated to a certain type of lifestyle that can embrace the future while not forgetting who one is. America should take note and learn this quality of national identity from Japan.

About Zoltan Istvan: Zoltan is a leading transhumanist who has spoken at institutions such as the World Bank, World Economic Forum, and UK Parliament. He is the author of ***The Transhumanist Wager***, and was a Presidential candidate in 2016.

Extinction 2720: The Ultimate Long-Term Grey Swan Event

IN just 695 years, the last child in Japan will be born. That's based on an estimate from a "population clock," looking at the startling collapse of birthrates in Japan.

For the past 15 years, the death rate in Japan has exceeded births. In 2024, 730,000 newborns arrived, but 1.58 million passed on.

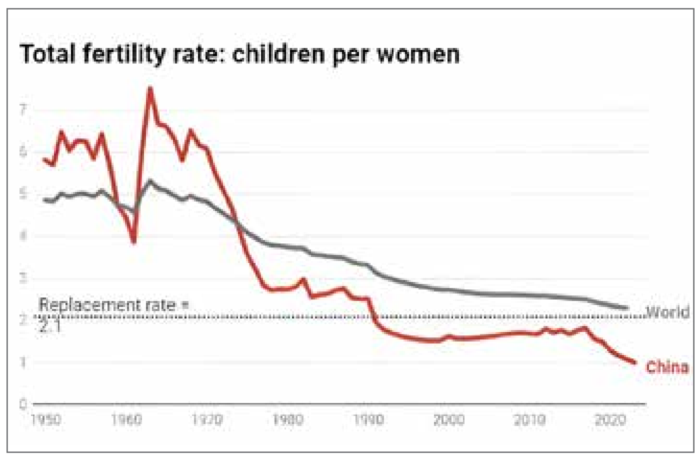
So, if you've ever wanted to visit Japan… the clock is ticking.

Elsewhere in this issue, Zoltan Istvan notes that Japan's culture is strong, and has remained that way even against the pressures of social media and AI. So there may be hope for the country to turn this grim statistic around. But we're not there yet.

Japan isn't alone in this trend of demographic decline. It's just early.

China has now had two consecutive years where deaths have exceeded births.

It's also long past the point where fertility dropped below 2.1 per woman, the rate that typically measures a steady population — not even a growing one.



That's not a good statistic for a country gunning to replace America for the top economic spot on the globe, as Japan once was in the 1980s.

The rest of the world isn't far behind…

Even in the United States, stripping out legal immigration, the birthrate would be below the replacement level. No country, maturing or developing, is immune to an eventual slowdown in births.

It's hard to be an investor without being an optimist. And it's hard to be optimistic when a country's population is in decline. Partly, that's from being hard-wired to think of the economy in terms of growth.

But a tree grows towards the sun, not to the sun. There are limits to growth. And rethinking growth in an age of demographic decline will be crucial for investors in the years ahead.

That's just one takeaway I got from attending FutureProof Miami back in March and speaking with Bradley Schurman of New Rules Media and Jay Zigmont of Childfree Wealth, who both explore the role of demographics and how they fit into an investment strategy and financial planning.

In the short-term, demographic trends also suggests that the capital flight out of U.S. stocks at the start of the year has already hit its limit. And that China's roaring stock market comes from the country's numerous stimulus measures over the past few months, not economic reality.

For now, the U.S., with its relative demographic strength, and its culture of innovation, is the best place in town for investors.

A declining population poses challenges that the world has never seen before. Source: Andrew Packer

And even with tariffs soaring, the U.S. has a combination of environmental laws, legal framework, and pro-growth policies in place for future growth for decades to come.

— Andrew Packer

Crypto Corner:

Saylor, Strategy, and the Four-Year Bitcoin Cycle

YOU probably don't own enough bitcoin.

We've been putting together an asset allocation model. That goes far beyond a model stock portfolio, looking at companies worth buying. Instead, we're creating a broader view covering today's liquid asset classes.

Today, most individual investors still have zero exposure to cryptocurrencies. Zero ETF exposure. No cryptocurrency brokerage account. And certainly no hard wallet with crypto in cold storage.

As we explore in the markets & portfolio update later in this issue, we believe that a 10% allocation of your liquid assets to cryptocurrencies is reasonable. Even desirable. And within that 10%, most investors will only need or want bitcoin.

That's for a few reasons for our logic. First, cryptocurrencies are incredibly volatile. Over time, that volatility has meant great returns. But it's emotionally tough to sit through an asset that has historically had a 50% pullback each year on average.

Next, bitcoin has been the winner in the crypto space by a wide margin. That's due to its proof-of-work protocol, its decentralized nature, and the hard cap on the total that will ever be available.

We know that, mathematically, only 21 million bitcoin can ever be produced. Over 19 million have been mined today. And 3-4 million have been lost. That leaves about 15 million.

Since the launch of the bitcoin ETFs last year, institutional money has bought up over 600,000 bitcoin. At today's mining rates, less than 200,000 bitcoin are now created each year. Corporations have bought up another 200,000 bitcoin. That leaves no new bitcoin available for investors.

This supply and demand mismatch can only mean one thing: Higher prices.

At Future Proof Citywide in March, I had the chance to hear from Michael Saylor. He's become the biggest advocate for bitcoin. He's turned his data company, MicroStrategy, into a holding company for bitcoin.

Saylor has been selling shares, issuing debt and preferred shares, and otherwise finding ways to increase his bitcoin holdings. The key? Increasing the total bitcoin per diluted share while doing so. Saylor's leveraged bet on bitcoin, if correct, could mean big returns.

Saylor sees "a big rip forward" for bitcoin prices in the coming months, and is making a leveraged bet accordingly.

Michael Saylor talks up bitcoin at Future Proof Citywide 2025. Source: Andrew Packer

Time will tell how Saylor's approach turns out. Addressing Future Proof Citywide, a conference representing the backbone of the traditional finance industry, Saylor's all-in approach on bitcoin feels a bit like Marty McFly in *Back to the Future* saying, "I guess you guys aren't ready for that yet. But your kids are gonna love it."

Most investors do not need to follow that strategy. Bitcoin has already seen massive returns as adoption has increased. They'll likely slow over time, but they'll still likely be better than stock market returns for years to come.

That's why a small allocation can improve your portfolio returns — what finance geeks like myself call the Sharpe ratio — and even potentially decrease risk, since bitcoin tends to move on its own cycle relative to other assets.

With that in mind, a price estimate of $1 million in the next decade is reasonable. That's more than 10X the current price in the $85,000 range. But it will mean big pullbacks along the way.

Navigating Bitcoin: The Four-Year Price Cycle

Tactically, investors may want to consider a higher bitcoin allocation now, with an eye towards some profit-taking by the end of the year.

Since its inception in 2009, bitcoin has followed a four-year price cycle that centers around its halving, the date when the reward for mining bitcoin gets cut in half.

Typically, prices start to rise the year before the halving, then move higher for another 24 months. A brutal bear market then results that lasts about a year.

If the year 2025 follows the 2020 pattern, the next few weeks may be the last time to buy bitcoin before a massive move higher:

How high could bitcoin go? Some see $140,000 as a reasonable price, double the prior cycle peak. Others see $200,000 to $400,000 before the cycle peak later this year.

Whatever price bitcoin does get to, the parabolic move higher tends to indicate the cycle peak. That's where investors can reduce bitcoin exposure, either by selling bitcoin, or bitcoin-related stocks like miners.

Based on historical trends, such a move higher will likely occur in the autumn. Prior bitcoin peaks have been anywhere from September to November. Each cycle, while similar, doesn't repeat exactly.

The price action has been lackluster lately. Since peaking in early January, bitcoin is down over 25%.

Other cryptocurrencies have yet to take off and have their "altcoin season." That could be a sign that bitcoin attracts the bulk of investor interest as traditional financial assets drip in. And that bitcoin's unique aspects relative to other cryptos make it the ideal holding as an investment.

But while the price action has been lackluster, things may be starting to change. The first week of April, when President Trump unleased his massive tariff rates in a proclaimed "Liberation Day," bitcoin held its own, even as the stock market tanked 10% in two days.

Think about that for a moment. Historically, a massive dive in the stock market would also create a rush for liquidity and sales that would also take bitcoin down by a sizeable drop.

Yet that didn't happen. It could be a sign that the massive wave of buying over the past 18 months has left little bitcoin left for sellers to push down. And that a big wave higher could hit later this year. Don't be caught on the sidelines.

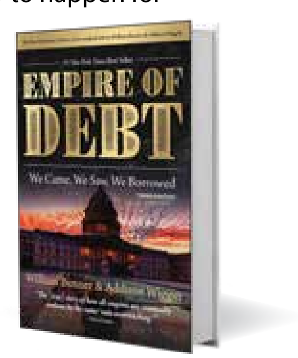
In short, if you don't own any crypto, it's time to start with bitcoin. It's possible that at today's prices, a 2-3% allocation could easily hit a 5% target allocation by the end of the year.

And if you start with a 5% allocation now, you may be able to scale out of that with a tidy profit by year-end. That's a reasonable strategy for growing your wealth in what's already been a tumultuous year.

— Andrew Packer

Protect Your Investments With a Deep Dive into the Past and Future of Finance

Building on the uncannily accurate predictions in previous editions, this latest edition of ***The Empire of Debt: We Came, We Saw, We Borrowed***, written by *New York Times* bestselling authors Addison Wiggin and Bill Bonner, explores the economic, political, and financial events between 2008-09 and 2023, placing them in historical context and explaining what's likely to happen for the remaining years of the 2020s. The book imparts practical advice on how to protect wealth in the face of ongoing and rapidly intensifying crises, as well as suggestions on how these trends can be played to put investors' own money to work. In this book, readers will learn about:



- Political development of US hegemony in the 20th century, from the founding of the Federal Reserve in 1913 through to the present
- Past and current conflicts in Iraq, Afghanistan, Ukraine, and Russia and their effects on finance
- The response to the Financial Panic of '08, including a decade of Zero Interest Rate Policy (ZIRP)

With investors more eager than ever to protect their investments, *The Empire of Debt* is an essential guide to the future of finance, harnessing history to accurately plot where we are and where we're going.

Shad Marquitz

Should Investors Consider Holding Commodity Producers Within Their Portfolio?

COMMODITIES are crucial to almost every component of life; one could say they are the "stuff" or "ingredients" in almost everything.

Throughout history, commodities have been a cyclical asset class, rising and falling with the supply versus demand fundamentals for the raw materials that make the world go round.

These resources are then funneled into everything we see around us: buildings and homes, planes/trains/automobiles, snowplows/lawnmowers, home appliances, industrial machines, clothing, food, books, toiletries, medicine, toys, defense, and even the electronic devices like the smartphone or laptop you are using to read this.

- There is the old adage in the commodity space: **"If it is not grown, then it is mined."**

The reality is that most people are divorced from the process of how products are manufactured or grown to stock the stores near their homes or magically arrive on their doorstop from Amazon orders.

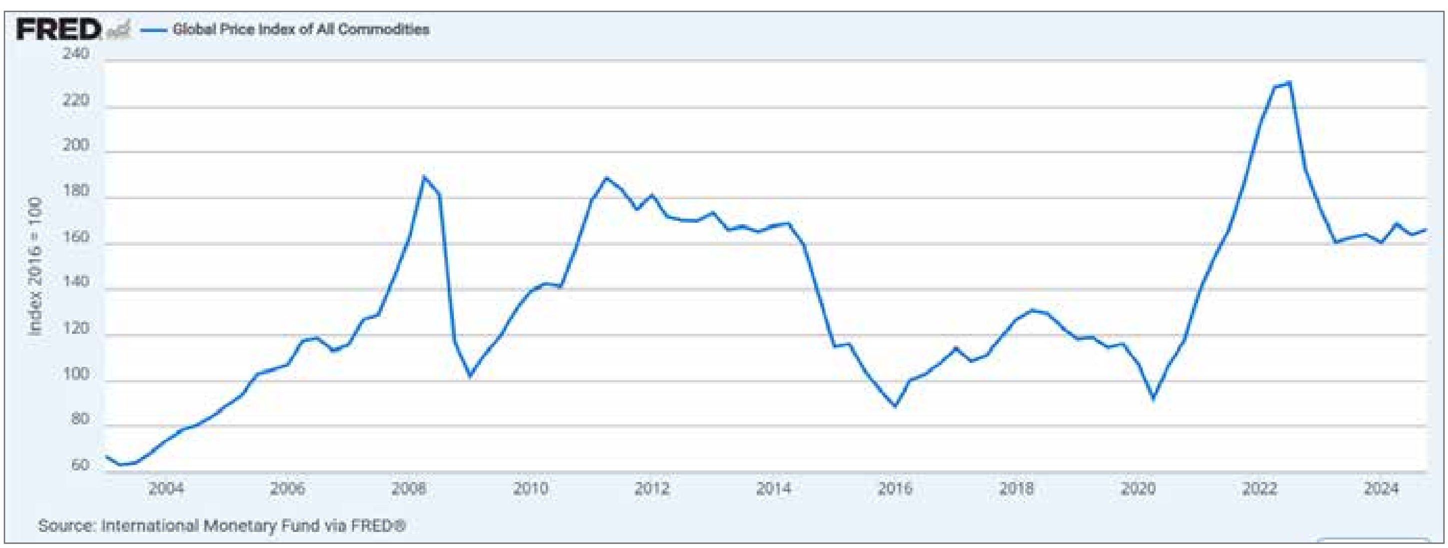
The average person will occasionally reflect on the prices of cocoa, coffee, soybeans, cattle, or wheat in the "soft commodities," grumbling about prices going up at the grocery store.

Most folks have a better grasp on farming for foods, or logging for lumber, than they do the extractive industries for oil, natural gas, metals, or critical minerals.

The truth is that nothing would be here without commodities.

Without mining the necessary metals or energy sources, then there would be no travel in cars, buses, trains, airplanes, or even bicycles. There would be no ovens to cook food on, and no dishwashers or washing machines for clothes; not to mention there would be no electricity to power any appliances.

There would not be solar panels, windmills, or lithium batteries either. There would be no manufacturing anywhere without commodities, and there would be nothing for sale in stores or on Amazon (nor would there be delivery trucks to drive these products to your home).



Oh yes, there wouldn't be modern homes either, and no wiring or plumbing in the homes. Once you break it down for people that way, usually the lightbulb goes off.

In other words, commodities aren't optional, they are necessary.

Once you have the understanding that commodities are volatile but will remain forever necessary, then it becomes a matter of analyzing where we are in a specific commodity's cycle, and how to spot good points to buy and sell.

This is best achieved by looking at price charts, while still keeping a rough eye on fundamental developments within certain sectors.

It is good to be diversified across a mix of commodities, because they are all moving independently and will have different moments in the sun.

At any given time, a few commodities will offer alpha (excess returns) to the rest of the commodities sector, and beta (different volatility) in relation to the general markets. And commodities themselves can overall rise or fall. Currently, commodities are taking a pause after a massive spike higher following the pandemic spending in 2020.

It is good to be diversified across a mix of commodities, because they are all moving independently and will have different moments in the sun.

Commodities, as an overall group, have generally been underperforming the general equities for the past few years.

However, there have still been brief periods of time (several months to a year) where oil, natural gas, fertilizers cocoa, coffee, copper, palladium, or more recently gold, has outperformed general stock market indexes.

In this asset class, knowing when those individual commodity runs are setting up or underway are crucial to capturing that outperformance.

The big moves higher in a commodity will not persist and will be fleeting, as the cure for high prices is high prices. Bottlenecks get unwound, substitutions and workarounds are found, and new supply is incentivized to come online.

Because of that, I've always considered it like a big game of Whack-A-Mole, where one metal or liquid pops its head up, then goes back down, and the 2 or 3 more pop their heads up for a bit and then they go back down, and so on…

A resource investor needs to strike while the specific commodity is popping up because it won't last forever. Well-executed position trades over several months to a year can capture outsized gains.

ETFs: The Simple Way for Strong Commodity Exposure

Once an investor picks out the commodities that they want to study, and begins looking to identify acceleration periods, then those can be traded easily, as most have sector-specific ETFs today. That avoids dealing directly with futures contracts.

Popular ETFs provide investors with exposure to commodities such as: Oil (USO), natural gas (UNG), gold (GLD), Silver (SLV) (PSLV), platinum (PPLT) uranium (U-UN.TO) (SRUUF), sugar (CANE), and coffee (CAFE) (JO).

But that's just scratching the surface.

For instance, if someone is bullish on oil & gas, then they can hold the larger producers in the Energy Select Sector SPDR Fund (XLE), smaller producers, developers, and advanced explorers in the SPDR S&P Oil & Gas Exploration & Production (XOP), or various oil service companies like drillers, pipeline, refiners, and energy-tech companies via the VanEck Oil Services ETF (OIH).

Those three ETFs move and can be traded independently, but pretty much give an investor exposure to the whole traditional energy sector.

If you are bullish on copper stocks, there are a few good ETF options: the Global X Copper Miners ETF (COPX), the iShares Copper and Metals Mining ETF (ICOP), the Global X Copper Producers Index ETF (COPP), and the Sprott Junior Copper Miners ETF (COPJ). You get the idea.

For knowledgeable investors that are comfortable taking on more risk, but also potentially have outperformance beyond the ETFs, then they can also get positioned directly in the actual producing companies themselves. This provides leverage to the underlying commodities in both directions.

Making the Most of Commodity ETFs to Maximize Your Returns

To determine a few starting ideas, one simple method is to review the company holdings inside a commodity ETF.

It is easy to see which companies the fund managers have placed the heaviest weightings on.

Buyer beware: Experience has taught me that doesn't mean those will be the best performers over a given time period. In many past commodity cycles it has been the smaller weighted companies, *(or even companies that are not even featured in the ETFs)*, that have more associated risks, but that ended up being the outperformers during a commodity boom.

This is where individual portfolio construction is crucial as one builds their own ETF of solid mining stocks. This involves more research and due diligence than just buying an ETF, to ascertain each individual company's particular edge versus a basket of their peers.

Here are some good starting points to research a company before you make a specific buy:

- **What were the recent revenues and free cash flows?** Also look at metrics like free cash flow per share, EBITA, price/enterprise value, price/book value, and price/NAV. There can be noticeable disconnects in the small/medium producers.

- **What are their cash costs and all-in sustaining costs (AISC)?** What is the trend in these costs over the last few quarters or years? Importantly, what costs are being guided for the quarter and year ahead by the company? *See the future now…*

- **What are the overall mineral resources and reserves for the company?** (Reserves have higher confidence in being mined and resources may fall into several categories of various degrees of confidence). With oil companies it will be proven and probable barrels of energy equivalent.

- **What is the remaining life at each mine, based on their technical reports?** For oil/gas companies it will be more around understanding what their well decline rate is (this reflects how quickly they are being depleted and future well life).

- **What is the jurisdiction** and is there an appropriate premium or discount for operating in that area of the world, country, or state/province factored in?

- **What is the upside case for development projects or exploration projects?** Essentially, what is the growth case for the company organically, within their own projects, and are some of these not being valued appropriately?

Maintaining a solid weighting of mid-cap and small-cap commodity producers inside my resource portfolio has always been part of my personal approach in this sector, ever since transitioning from investing in common stocks over to the wild and wacky world of speculating on resource stocks back in 2010.

It didn't matter whether it was gold, silver, copper, oil, natural gas, lithium, or uranium — I wanted to be positioned first and foremost among the actual producers of those commodities.

Of course, there are still fantastic opportunities in the developers, advanced explorers, and early-stage greenfield explorers in the commodities sector.

Investors should have a preference to be diversified across various stages of resource stocks to capture different risk/reward opportunities at different points in the cycle.

About Shad Marquitz: Shad Marquitz has been investing in commodities and resource stocks for the last 15 years and is the Co-host of the Korelin Economics Report, interviewing economists, fund managers, commodities experts, technical analysts, and resource company management teams: www.kereport.com. Shad also writes the *Excelsior Prosperity* newsletter over at Substack: https://excelsiorprosperity.substack.com/

Andrew Packer

Markets & Portfolio Update: Uncertainty = Opportunity

TIMES of peak market fear are times to buy. And as President Trump upends decades of Washington consensus that's hollowed out America's middle class and industrial base, it's peak chaos in the markets.

Investors have short memories. Yes, we don't know how the tariff uncertainty will play out. Stocks may get worse before they get better in the months ahead.

But the steep selloff in markets over the past few months is a sign of rapid de-leveraging from January's record levels of market leverage.

That's a good sign.

The selloff of up to 50% in some high-flying tech stocks is something usually only seen in bear markets.

The two-day decline of 10% in the S&P 500 on April 3 and April 4 has only been matched three other times since the index was created in 1952.

All three were near market lows. The most recent? March 2020. Don't you wish you could buy back at those prices?

The last two-day 10% decline occurred in late 2008. Investors had a few months of pain ahead, but the chance to buy at late 2008 prices today would have many investors taking out a second mortgage.

The market volatility index, or VIX, topped 45 in early April. Historically, that level has usually led to positive returns in just a few weeks. And it's always led to positive returns just 12 months down the road.

Amid this market turmoil, with uncertainty still raging, one idea stands out: Buying safe, income-growing assets.

For instance, consider one idea I pitched to my first financial publisher back in 2010…

Although the stock market had bottomed the year before and was trending higher, investors were still fearful…

Yet interest rates were at zero percent for the first time — and although we wouldn't know it, they stayed that way until late 2015.

It was clear that investors couldn't get meaningful income owning bonds, or keeping cash in the bank. Many bank accounts paid zero interest (and some still pay barely any). Bond income was higher, but after taxes on the interest, it was hardly worth it.

That's why I wanted to focus on finding high-quality stocks that investors could own that paid out growing dividends.

I outlined one stock in particular that I thought was attractive.

It's still conceptually attractive today.

It provides a necessary service that can't be outsourced.

Yes, there's some room to improve the service with AI and robotics. But it still requires human judgment and will for some time.

S&P 500 after VIX reaches 45, first case in a month

@SubuTrade

	1 Day Later	2 Days Later	3 Days Later	4 Days Later	1 Week Later	2 Weeks Later
October 28, 1997	-0.29%	-1.97%	-0.78%	1.86%	2.05%	0.21%
August 31, 1998	3.86%	3.47%	2.61%	1.74%	6.91%	8.40%
September 21, 2001	3.90%	4.81%	4.27%	5.47%	7.78%	10.93%
July 23, 2002	5.73%	5.14%	6.91%	12.69%	13.17%	7.76%
September 29, 2008	5.42%	4.94%	0.71%	-0.65%	-4.48%	-9.32%
May 20, 2010	1.50%	0.19%	0.23%	-0.34%	2.94%	-0.63%
August 8, 2011	4.74%	0.12%	4.75%	5.30%	7.60%	0.39%
October 3, 2011	2.25%	4.08%	5.98%	5.12%	8.70%	9.25%
August 24, 2015	-1.35%	2.50%	4.99%	5.05%	4.17%	4.02%
February 6, 2018	-0.50%	-4.24%	-2.80%	-1.45%	-1.19%	0.23%
February 28, 2020	4.60%	1.66%	5.95%	2.36%	0.61%	-8.23%
August 5, 2024	1.04%	0.25%	2.56%	3.04%	3.05%	8.14%
April 4, 2025						
Average:	**2.57%**	**1.75%**	**2.95%**	**3.35%**	**4.28%**	**2.60%**
% Positive:	**75%**	**83%**	**83%**	**75%**	**83%**	**75%**
Average Max Loss	-0.18%	-0.63%	-0.63%	-0.71%	-1.03%	-3.58%
Average Max Gain	2.75%	3.19%	3.90%	4.68%	5.72%	6.99%

It's also a company with a small oligopoly. There are few competitors. Getting started is tough, keeping new entrants at bay — what Warren Buffett would call a strong moat.

And in 2010, it was a fairly-valued stock trading for about $35, while also paying a quarterly dividend of $0.32.

More importantly, they hadn't reduced or lowered the dividend payout during the Great Financial Crisis. Instead, they were one of the few companies to *raise* their payout.

Plus, this company usually signed multi-year contracts with escalation clauses. That would allow them to not only grow their earnings, but come out ahead in case inflation ever reared its ugly head again.

In short, it fits into this category of what Addison calls a "nearly perfect stock."

That reflects the idea that no stock is perfect. But many stocks can provide you with long-term growth, income, and downside safety. You just have to know where to look.

So what did my publisher say when I pitched this idea?

"You can't run with that idea. It just isn't exciting enough."

To be fair, she wasn't wrong. Because the stock I was pitching 15 years ago was **Waste Management (WM)**.

And since the idea wasn't "sexy" enough to sell in a financial newsletter, I ended up buying some shares in my Roth IRA instead.

I still own them to this day. Even after falling 5% on April 4 amid the market bloodbath, every $35 share I bought now goes for $225.

Over the past 10 years, Waste Management has returned nearly 330%. The S&P 500? A still-impressive 182.9%.

In the 15 years I've owned shares, they're up 872.5%. Not as exciting as a tech stock, but it also has avoided the kind of 50% drawdowns that tech companies face when market fears strike.

But here's the real kicker: Waste Management's quarterly dividend hasn't stayed flat like a bond payment. It's no longer $0.32 per quarter.

As of March 2025, it's now $0.83 per quarter. That's a $3.32 annual payout.

That's a 260% increase in income. Not as good as the capital gains in shares, but a company with a rising dividend tends to see the share price rise as payouts do.

A year before I bought Waste Management, I bought shares of McDonald's. In early 2009, right as the market was bottoming, I figured if people couldn't even satisfy their Big Mac Attack urges anymore, capitalism as we knew it was cooked.

Shares of McDonald's have gone from $55 to $300, shooting up six-fold. The dividend growth has been higher than Waste Management, however.

The point with these positions isn't to brag. It's to make sure you're focused on the goal of investing: not only creating wealth over time, but protecting it by owning the right companies.

That's why, even amid this tariff uncertainty, it may be time to pick up shares of businesses with strong brands, a strong balance sheet, and are industry leaders.

If they're in an industry like Waste Management with few competitors, so much the better.

And if you can buy great companies now, stuff 'em into a retirement account, and ignore their returns for 10 or 15 years, you'll be pleasantly surprised when you take a closer look at your returns… and be glad you didn't sell out during every market speed bump along the way.

Look at that chart of Waste Management again. Some

years it trends steadily higher. Sometimes it trades sideways for 12-18 months. McDonald's has done the same thing.

However, given enough time, growing earnings and growing dividends will push shares higher, and give you a simple, effective way to safely match or beat the market's return without having to trade on every single news headline Mr. Market throws your way.

The only real downside with these companies is that may take 15 years for a boring stock to become an exciting story. However, these are the kinds of companies that we gravitate towards in our model portfolio.

Speaking of…

Beyond Stocks: A Breakdown of Our Asset Allocation Model

After a discussion with our Grey Swan Investment Fraternity contributors, we've come up with a suggested asset allocation model for investing in today's markets.

We first revealed this asset allocation model in our first Grey Swan Live! **on April 3. Check out our Video Archives to see our walkthrough**.

But in case you haven't seen the video yet, or want a version you can print out:

This model strikes a balance between safe growth with common stocks (like the ones in our open portfolio), more aggressive stocks, and several non-stock holdings.

We selected a 45% allocation to common stocks and 15% to aggressive stocks with the idea that investors may be trading in and out of aggressive stocks more often. And that aggressive stocks may offer bigger capital gains over a shorter timeframe. As they grow to be a larger part of your portfolio, they can be trimmed.

Investing just $1 in aggressive stocks for every $3 in a conservative stock strikes a balanced, safety-first approach to investing with an upside kick.

■ **GOLD**: For gold, we marked out a 15% allocation here. Most traditional financial advisors, if they even talk gold at all, might say 5-10%, and hope you'll go on the lower end and buy funds from them instead.

We still see gold's importance in overall portfolio diversification. It offers protection against inflation. Against government defaults. And you can hold it in your hand, your home, your safe, without the counterparty risk of a stockbroker.

Our gold allocation also includes gold stocks, which have been trending higher with gold's price in recent months. See our **library of special reports for more details on those gold stocks**.

■ **CASH:** Over time, cash will lose out to inflation. However, cash also provides you with a cushion against short-term uncertainty, which is certainly the market's flavor of the moment. 10% is a reasonable target, especially as cash in a brokerage account is still earning close to 4% annualized returns today.

Thanks to dividends from stocks and other investments, cash should increase over time to be put to work strategically.

■ **ALTERNATIVES:** Alternative assets can be a bit of a catch-all category. That's by design.

It should include assets where your specific knowledge and expertise isn't represented elsewhere in this portfolio.

That could include real estate outside your home (which isn't part of our asset allocation model). It could include collectibles like art or rare coins (but not gold or silver bullion specifically, as that's covered elsewhere). If you invest in private equity or private debt deals, that could also fall under this category. As could undervalued bonds bought under par value, which could deliver reasonable income with some moderate upside.

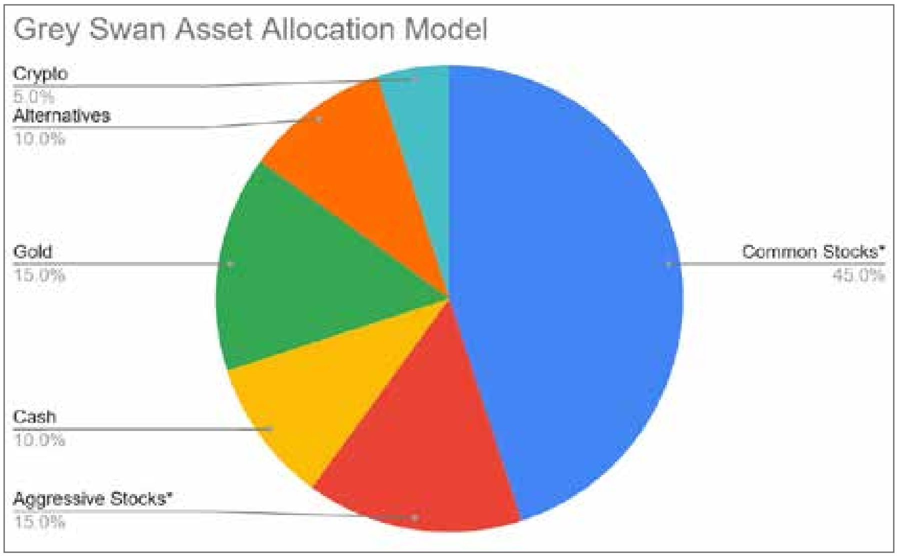
All of these assets tend to deliver returns in excess of the stock market over long periods.

■ **CRYPTO:** Most investors still don't have any allocation to cryptocurrencies, even though the creation of bitcoin ETFs has made it easier than ever. Our view is that if you don't own any, you should get off of a zero percent allocation, and start with bitcoin.

If you want to diversify, look at the 50 largest cryptocurrencies by market cap and select projects that you find interesting. Most of the thousands of cryptocurrencies today are little more than ultra-small-cap in size and should be avoided, or lack a coherent project that solves a real-world problem.

Obviously, our asset allocation model is just that: a model. Your comfort level in your investments will vary at times.

But for current market conditions, owning great companies for the long haul, riskier growth companies for a shorter timeframe, alternatives, and crypto, provide a balance between income and growth that looks attractive,



Typically, bitcoin will sell off with tech stocks heavily. The crypto's 2020 liquidation down to around $3,500 coincided with the Covid Panic market low.

What's different this time around? Investors are thinking ahead. Bitcoin isn't subject to tariffs. The Trump Administration is pro-bitcoin. And bitcoin prices tend to rise with global liquidity, which has also been trending higher this year.

In short, don't write off bitcoin yet either — it may shock investors and disconnect from the stock market and soar even amid a market panic, as could gold.

while also remaining resilient against many of the Grey Swan events we've been predicting for 2025 and beyond.

Gold and Bitcoin Shine Through Turmoil

Since last summer, Addison has been warning in these pages about the high valuation of the Magnificent Seven stocks.

You know them well by now: they're the big tech players that have generated the bulk of the stock market's return since the end of the last bear market in October 2022.

With the market selling off, what went up the most has now started to come down the most. And while these companies have amassed hefty market caps in the trillions, there could be more pain ahead.

On a valuation basis, these companies never reached the height of the dotcom boom. But their sheer market concentration has been a major issue now coming to a head.

Amid this turmoil, we've been pointing out the opportunity in gold, which continues to trend higher. The metal topped $3,150 recently, and gold has been making similar highs against other global currencies.

We expect that trend to continue, although it won't be in a straight line. It's not too late to buy gold, including physical gold, which has escaped the latest round of new tariffs (as of this writing).

Another unusual sign is a potential flight to safety emerging in bitcoin. Bitcoin prices traded flat the first week of April, even as the Nasdaq fell 10% and recession odds soared.

Actions to Take This Month

■ **Action #1:** Make sure you're investing in companies you're comfortable with. It's a wild market, and that stock you thought was great in 2023 and 2024 as markets had back-to-back 20% rallies may not work anymore.

■ **Action #2:** Focus on high-quality, dividend-growth stocks. Over time, that's a consistent way to beat the market. Buy shares of great companies, check on 'em once a year, and if the business hasn't fundamentally changed, don't sell 'em. It's as simple as that… but it does take discipline.

■ **Action #3:** You probably don't own enough gold or bitcoin. Check out our latest asset allocation model for the latest details on how much you should own, and determine a model that's appropriate for you.

■ **Action #4:** With the market selloff and fears running rampant, it's a great time to review some of our latest research opportunities, such as nuclear energy/uranium, gold, and natural gas. We send out email alerts when new special reports are available on our website.

About Andrew Packer: Andrew Packer is a senior investment analyst and managing editor for the Grey Swan Investment Fraternity. A 15-year industry veteran, Andrew has covered diverse topics, from finding overvalued companies likely to fail, to the growth potential of bitcoin. Andrew has published four investment books and three novels.

They Said What!?!

"THE OPERATION IS OVER! THE PATIENT LIVED, AND IS HEALING…"

SO began a Truth Social post from President Trump on Thursday, April 3. Markets were selling off sharply to digest the April 2 "Liberation Day" news.

Investors had expected either universal tariffs of 10%, or selected tariffs on some countries and goods that would be higher than others. Instead, President Trump delivered both.

Markets didn't like that. Neither did China, who slapped on a reciprocal tariff on April 4, sending investors into a tailspin.

We've said it before, and we'll say it again: Tariffs are a tax. They don't work. It's an artificial barrier between a buyer and a seller. It's just not good economics, in our free-market-oriented opinion.

We get that Trump is looking for better trade deals. And that other countries have already come out suggesting lower tariff rates or unwinding them entirely.

But until Trump budges, it's not clear that the operation is really over, so much as that it's just beginning.

"I think it's going to go very well — markets are going to boom," Trump told reporters on April 4, amid a two-day collapse in the market that has only been seen in March 2020 amid the pandemic collapse and the market meltdown in 2008.

If these tariffs hold, markets may continue to drop down further. Higher tariff rates mean lower trade. Which means lower earnings, which will mean analyst downgrades.

And reshoring jobs back to the United States, reversing a 60+ year trend, will take time. More time than forward-thinking markets tend to have.

In the meantime, many in the news media are reporting that tariffs are inflationary. While that may seem to be the case, given that tariffs raise the price of goods, lower overall trade tends to bring prices lower.

That can be seen via Truflation:

Truflation tracks over 60,000 goods in real-time. Since Trump reignited his trade war with the first round of sanctions against China, inflation has dropped from about 2.4% to 1.2%, or roughly in half.

By the time this shows up on government statistics, the Federal Reserve will likely be back in rate-cutting mode.

That will give financial markets some relief, but also provide the U.S. government with a substantially lower cost of borrowing as it looks to refinance about $9 trillion in Treasury bonds this year, and over $20 trillion over the next two years.

It may be a full year before we truly know the "prognosis" for the American economy.

For now, President Trump has given a dose of shock treatment in a way designed to bring manufacturing jobs home, lower interest rates, and cut government spending with the findings of the Department of Government Efficiency (DOGE).

We'll see if Trumponomics delivers a goose that lays a Golden Age, or just lays an egg.