**Transcript: August 2015**

**Glenn Neely and Ike Iossif discuss the Greece economy, the Gold market, and the impending “D-Day” for both stocks and bonds**

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Ike Iossif: Good evening, I'm Ike Iossif, your host for Market Views. Today's guest is my good friend, Mr. Glenn Neely. Hi Glenn, how are you?

Glenn Neely: Hi Ike, how's it going? Long time again.

Ike Iossif: Yeah, well, I've been quite busy but quite a few things have happened the last two or three months.

Glenn Neely: Yes, and your country has been in the news quite a bit.

Ike: Well, yeah it has, and I think it will remain on the news for the foreseeable future.

Glenn Neely: Yes, I think so. The question is, why do you think it's happening? What do you think it's going to do, if anything, to the rest of the world? And what's really going on behind all the political shenanigans?

Ike Iossif: Well, Glenn, something that is quite different between the economic crisis in Greece and the crisis in Portugal, in Ireland, in Spain is this: the economy here is controlled by the government to a degree of about 65% to 70%. Now, what is more problematic is that the majority of the people believe that this is okay, and they want to it stay like that. It's remarkable. Greeks pay probably the second or the third highest bill in electricity. And they still want the electrical company to remain state-owned. So the problem here is that, without the people themselves believing in a free economy, then the necessary reforms that need to be done in order for the economy to grow cannot happen. That is different, because in Portugal, in Spain, in Ireland, people do not have this problem and this is what makes Greece different and unique, and that is: the majority of the people here still believe in a state-run economy. And that is why I believe Greece will continue to stay in the headlines for quite some time. And two things will happen: Either Greece will collapse or, miraculously, the majority of the people will realize that they cannot continue on this path and they cannot expect the state to provide everything.

Glenn Neely: Based on world history, all socialistic and communistic systems come to an end. It's just a matter of when. There's an old saying that says, "Socialism is great until the rich run out of money." So that's what eventually has to happen. Eventually, there's just nobody left to support the system, then the system collapses and you have to figure out something else. And so it's just a matter of when that's going to happen. It's apparently not a very large economy for the rest of the world. Ike, you and I have been talking for years now regarding how this all relates to the Gold market. Every time a country defaults, or stops paying a loan, or the debt is written off, that continually reduces the amount of currency in circulation around the world. That reduction in the supply of money means every dollar or every Euro is worth more and more money. That's why things like the Gold market keep going down, because the currencies are slowly becoming more valuable as less currency is in circulation in almost every country in the world. Ike, do you feel that this is happening in your country? Do you see that there's greater purchasing power for your currency or is it staying the same or going down for you inside of your country?

Ike: It has pretty much stayed the same. Since you mentioned Gold, it seems to me that from where Gold is at right now, we can easily see another $150 decline before...

Glenn Neely: Easy.

Ike Iossif: ...before we see a meaningful rebound.

Glenn Neely: Right. Actually, based on what I think is the current wave count, the drop, not off very high but the drop of about a year and a half later from about 800 or 1700, somewhere in there. That first drop, which was massive, about 600 or 700 points I think it was...

Ike Iossif: Yeah.

Glenn Neely: ...to about 1100 or 1150? That first drop, I think, is the first phase of a pretty large ongoing decline. And that means, based on the shape of it and the psychology of this environment, that most likely the next drop is going to be bigger. So I think we could even break 800 in the Gold market over the next year or so, which can be quite substantial and that would indicate, I think, massive write-offs, massive defaults, and so the currency just keeps getting worth more and more in the U.S. because there's just less and less of it going around as banks... when banks loan money, they're creating out of thin air based on the deposits they have and they're leveraging what they have. And as that deleveraging occurs, then less and less money's in circulation so it's just worth more and more and that's why Gold is declining.

Ike Iossif: Well, I think something that is worth paying attention to is the fact that if you take a look at the XAU. The XAU is near the lows of 2001. Yet, in 2001, Gold was at 275 – $850 below where it's at now. The fact that Gold stocks are back to 2001 lows and Gold is holding up where it's at, that creates a massive divergence. To me, it means something. But on the other hand, let me get your thoughts on this, I also think we're pretty close to some important developments in the U.S. equity market. I find it remarkable that, for example, the U.S. market is the only major market this last three months that has never a holdup, and not had a 10% or 15% correction. You look at the Japanese market, you look at the German market, at the French market and all our major commercial partners have had a 10% or 15% decline. Yet you look at the U.S. market, and it's only about 3% percent below its highs.

Glenn Neely: Yeah. I think the U.S. stock market has become the "flight to quality" economy of the world, so I suspect that those who left these other countries moved their money to the U.S. stock market, which has kept our market afloat. But I do agree with you that we're probably gonna be the last shoe to drop and that it's getting dangerously close. I can't say it's just one month, two months, three months. I think before the year is up, we're going to have a substantial high in place and possibly a pretty major decline. Just timing is still a little difficult to hone in on right now.

Ike Iossif: If you look at the market action from February until now, you will have expected already to have that burst to the upside.

Glenn Neely: Exactly. And that's not happening.

Ike Iossif: And the fact that it's not happening, it tells me that the market is really running out of time here.

Glenn Neely: That's right, I totally agree. That's why I even warned my customers about today. I said, "We really should have rallied. We're running behind schedule. It's just not performing. It's about the same price we were seven months ago. It's had plenty of opportunities to rally and it's not. We're running out of time for this pattern." So it's starting to suggest to me that it just doesn't have any more power anymore. But I think the most significant event, which is sort of unusual, is that while we're going nowhere for seven months, the economic news is improving. The public sense that things are getting better is improving. And unemployment is theoretically declining, at least the way they measure it. So it seems to me things are getting better when you talk to people and watch the news. But it's happening without the market going anywhere and that's a little strange and that's not a good sign normally. It's much better if you rally and you have sentiment going up or people are more optimistic. If we're to feel that way when it's going nowhere, I think is dangerous.

Ike Iossif: Well, Glenn, do you have any other thoughts that you'd like to share with me or anything else you'd like to catch up on?

Glenn Neely: Well, maybe discussing the potential correlation of the U.S. stock market declining a lot and how that might affect bonds, because of course bonds have been going up for years and years. My wave structure implies we're going to get at least a decent rally that's going to hold up for a quite a while and maybe go back to the 2% range or below the 10 year cash yield. I'm just wondering what you think – if we get a big stock market sell-off, do you think it's going to be typical, where bonds are going to rally? Or you think that they might decline together?

Ike Iossif: I think initially, we will see the same thing we have seen the last few years where the bond market acts as safety net.

Glenn Neely: Right, a contrary indicator.

Ike Iossif: A safe haven. Exactly. But I think after that, we will see a prolonged period where both stocks and bonds go down together.

Glenn Neely: Yeah, I think so. I think that's going to happen as the stock market declines or maybe even while it goes nowhere. But I think if the stock market drops a decent amount, we're going to see bonds rally for at least quite a few months and it could easily go into the early part of next year. And then maybe after that, you're right, it could start declining with the stock market and create a whole uncomfortable 1970s kind of environment where everything is going wrong. Well, that's about all I have to say. It's just getting closer and closer to D-Day, you might say, but we just aren't there yet.

Ike Iossif: Well, Glenn, thanks for taking the time again to chat.

Glenn Neely: You too.