

High Level Investment Report

Trusted Advice & Peace of Mind

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Ryan Coburn, B.Mgt, CIM
Vice President, Co-Branch Manager
Wealth Advisor & Portfolio Manager

Westmount Branch - Lethbridge

Tel: 403-382-3498
ryan.coburn@nbpcd.com

Jocelyn Leeds

Administrative Assistant

Tel: 403-331-2026
jocelyn.leeds@nbpcd.com

“Libra’s and Bitcoin and Bullion, Oh My!”

The current psychological state of investors could easily be depicted by that famous scene in *The Wizard of Oz*, where Dorothy, the Scarecrow and the Tin Man begin their skip through the woods, concerned as to what lies ahead (the Cowardly Lion). The anxiety about what lurks around the corner is prevalent everywhere right now, with added uncertainty in the ability of traditional investments to continue to go up in the face of differing opinions regarding recessions, China Trade and so on. I thought it was a good time to touch on a few assets that have reasserted themselves on to the financial stage.

Like the sparkling Ruby Slippers, there is always something in the market that someone is after, and capital is constantly in motion. As fear rises in one market, it brings money into other markets. Ten years ago, the housing market was one bubble that fell on more than the Wicked Witch of the East, and there will always be uncertainty that drives markets up and down. Since 2008, there have been two other such market “pops” in a couple of assets we will discuss (gold & bitcoin). Both look to be in a new recovery as money moves back to them for different reasons.

It was just over two years ago that I wrote my Spring and Summer article on Cryptocurrency, Bitcoin and the Blockchain, as an educational piece for clients on a level that was merely to introduce something that would soon become more heavily discussed in the general public. As it turned out, it was great timing as Bitcoin surged in price from \$3000 to \$20,000 by the end of that year. It also fell dramatically after it, punctuating the point of that article.

At the time Bitcoin and cryptocurrency were not well known to the average person, as even in the main stream media they weren’t regularly discussed often. However, as mentioned in that article, as soon as the price of something starts rising dramatically, greed and speculation will soon bring it to many peoples attention. The price of Bitcoin surged, and many people in December 2017 and January 2018 were scrambling to open a crypto account and start to trade Bitcoin and other cryptocurrency, many not even really knowing what it is they were buying. This marked a temporary top in Bitcoin, and two years later, most people are still not certain what it is and if cryptocurrency will be long lasting or just a fad. There is something being introduced that may eventually change that.

What’s a Libra?

No, it’s not a Lion crossed with a Zebra. Facebook is planning to launch its own form of “cryptocurrency” and Blockchain called the Libra Blockchain and Libra Coin.

The introduction of the “Libra” by Facebook will introduce a whole new group (billions) of people to the world of alternative currency, cryptocurrency and methods of payment. It has come at a time that could ignite the crypto market again. For those who weren’t interested in the last version of Crypto, a user interface such as Facebook, where people feel more comfortable, is likely to raise public interest in the year ahead.

The Libra will be a “coin”, backed by a group of currencies such as the U.S. Dollar, British Pound, the Euro, and the Japanese Yen, which makes it much different in structure than Bitcoin (*bitcoin doesn’t have currency backing, but rather gains its value from only having a limited supply of Bitcoin and because it’s the “anti-currency” by many of its initial users*). However, perception and the everyday usage eventually by people, will find Libra and Bitcoin lumped into the same basket of Digital Currency.

The announcement by Facebook only 4 weeks ago has come under Government scrutiny and panic, as there are fears spreading that the new Libra coin will find criminal use such as money laundering, no different than the concerns voiced around Bitcoin. In response, Facebook has recently come out to confirm it won’t go ahead until it has full Government approval and regulatory oversight at this time, but it is only a matter of time before the Libra is moved forward.

Bitcoin Revival, but where is everybody?

In 2019, we have seen Bitcoin rise back up from \$3,800 to a high of \$13,970 at the end of June, which was almost a 4x return in price. It has since declined to \$9,500, but even with this movement, there are crickets from the average person.

Chart of Bitcoin from July 2017 through July 2019



Source: Binance.com - Bitcoin to US Dollars

The prior 2017 move in Bitcoin had people very giddy. I knew of a local professional who was mining bitcoin in his garage, as well as University students giving it to family as Christmas presents. However, the massive decline and “tornado” that whipped through Kansas and the Crypto Market, 2018 left a lot of wreckage and has created many “cowardly lions” after such a scare financially. Such an experience makes sense, and it happens with any asset or investment that goes through these sorts of price periods of major strength, followed by a large decline and extended period of recovery.

This price rise and decline will likely keep many of those who bought Bitcoin (or considered it) out of the current and future rally. It won’t matter that much however, as the next leg up for Bitcoin and Crypto will be driven by a now much larger and broader user base because of the platform and users of Facebook. The focus for Facebook will be Libra, but it will extend into people having a greater comfort for all digital assets and cryptocurrency in my view.

Bullion: My Clients’ Yellow Brick Road

Most of my clients are aware that I am a strong believer in holding gold bullion as a foundation for everyone’s portfolio. For many of my long term clients, we have held gold since the price was \$400 USD, well before the Financial Crisis or the decline from the high of \$1900 per ounce in 2011.



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For the past 15 years, my number one investment recommendation has been to hold a position in gold bullion and I haven’t deviated from this plan. I also maintain that these purchases be made at all times, during ups and downs, as it builds a path of portfolio protection into the unknown market that lies ahead. My clients are asked to basically “follow the yellow brick road”, and like in the movie, it is not a straight road, but winds through troubled forest, and enchanted lands. It is not always shiny either, and

has potholes and broken bricks, just like the path of the price of Bullion over time.

Like Bitcoin, Gold Bullion has had a recent surge to higher levels this spring and summer. No matter what the asset, there are always technical trading patterns that exist. After significant run up in price, especially when over a short period of time, all asset values that shoot up like a rocket, then tend to decline near fifty percent of the rise in price, and then take several attempts to rise in price again.

Below, shows a chart of Gold Bullion in the past 10 years. The chart captures the strong rise in 2011 to \$1,900, followed by a significant decline down to \$1,046 in December 2015.



Source: Thompson Reuters as of July 31, 2019

The chart also illustrates a flat blue line, that shows the cap in price of \$1,385 per ounce, which the price attempted to break above over 5 times since 2013. Finally, in June of 2019, the price of Gold not only broke through \$1,385 but also the psychological level of \$1,400 per ounce.

Of note, the price of Gold Bullion in Canadian Dollars is at an all-time high of \$1,900. Gold Bullion was recently mentioned to be making new all-time highs in over 70 currencies by the World Gold Council, reflecting its ultimate investment purpose of holding and protecting purchasing power over time.

No Canadian should be down on their Gold holdings.

The timing of this report I believe is important as we are seeing shifts increasingly in the amount of money being allocated to Precious Metals at the same time as we were seeing another significant rise in the cryptocurrency markets. With real estate in many countries at all-time record highs and becoming unaffordable for the average person, money is looking for alternative places to hide.

Government bonds are offering historic low interest rates globally, not attracting many investment dollars outside of the Governments buying for themselves, as investors understand for the foreseeable future returns will be muted.

The challenge is what to do? That is what creates the excitement of markets. For the record, I think the stock market is going to be fine for some time to come. We had the 2018 market corrections, and we are past those. Investors are still waiting for a shoe to drop, and as in the Wizard of Oz, the Ruby Slippers protect those who wear them. So for now, I feel like the market is keeping its Ruby Slippers on, and we should be fine. But the uncertainty as investors skip along the Yellow Brick Road, is what is causing other asset prices to rise (Bitcoin and Bullion), and allowing interest in new assets to come to market (Libra).

My final comment will be to please do not compare or categorize Bitcoin with Bullion, as they are two very separate and distinct investments. They are different as the Wicked Witch of the West and East, but it is interesting the price rise has come for both at the same time. As always, this is more for informative reading to draw attention to some areas of investment outside the stock market.

Have a great summer!

Take Care,

Ryan Coburn