

Biiwii Commentary

eResearch Corporation is pleased to provide an article and video, courtesy of Biiwii.com, and written by Charlie Bilello (link to the Author is provided on the following page).

The article, starting on the next page, is entitled: **“Gold Bugs Versus Stock Market Bulls”**.

Biiwii.com was created in mid-2000 solely as a way to help get the message out about deeply-rooted problems about too much debt and leverage within the financial system. The concerns were confirmed and the message proved justified 3 to 4 years later as the system began to purge these distortions, resulting in a climactic washout extending from October, 2008 to March, 2009.

Along the way, a geek-like interest in technical analysis, a long-time interest in human psychology, and various unique macro market ratio indicators were added to the mix, with the result being a financial market newsletter (and dynamic interim updates), Notes From The Rabbit Hole (NFTRH) that combines these attributes to provide a service that is engaged and successful in all market environments by employing risk management first, and opportunity for speculation second.

But It Is What It Is: You can access Biiwii at its website: www.biiwii.com.

Notes From The Rabbit Hole: You can access NFTRH at its website: www.NFTRH.com

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Gold Bugs Versus Stock Market Bulls

By [Charlie Bilello](#)

July 19, 2018

Which is the better investment: Gold or Stocks? It is a battle as old as the markets.

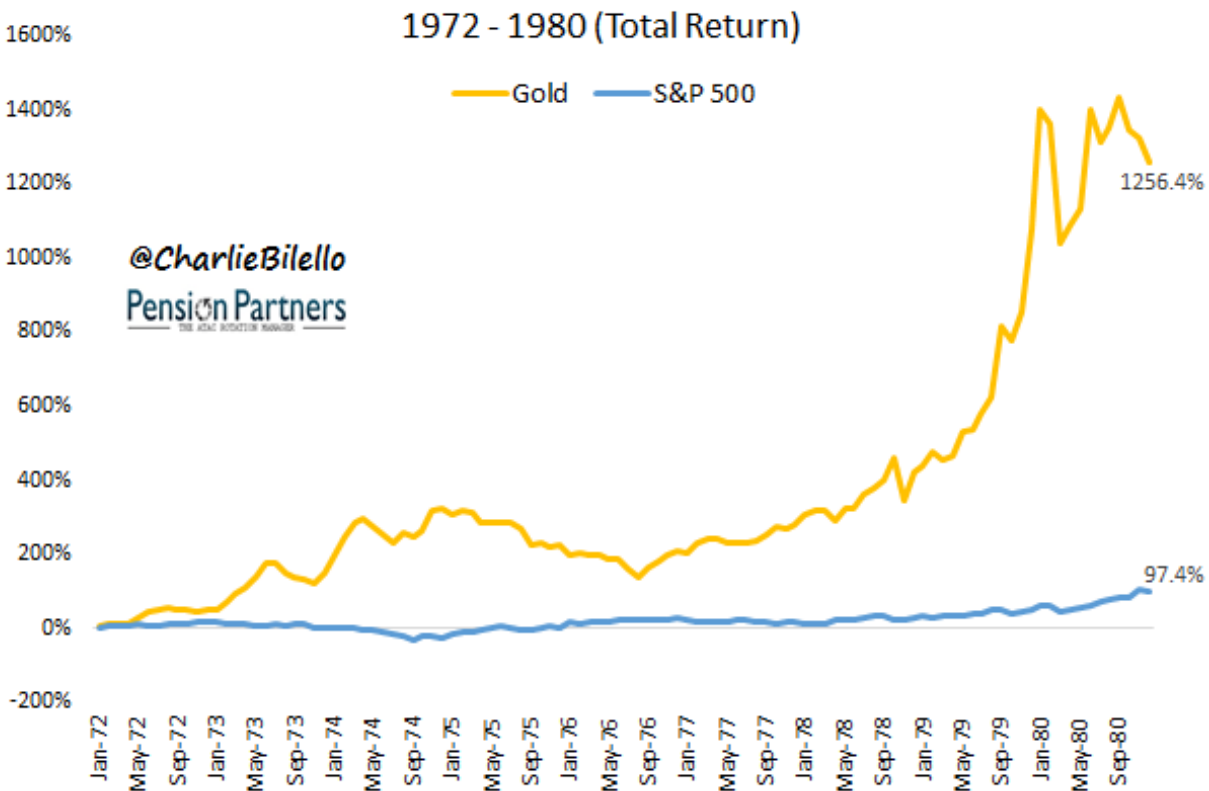
Gold Bugs and Stock Market Bulls are equally fervent about their investment of choice, often with complete disdain for the other side.

The story (since the gold standard was completely abandoned in 1971) goes something like this...

1972-1980

Gold Return: +1256%; S&P 500 Return: +97%

Narrative: Gold is the best investment in the world, and will continue to be so forever. There is hyper-inflation in the U.S.A. and a secular stagnation in real growth. The only way to protect yourself is with Gold and, by the way: no one should own stocks.



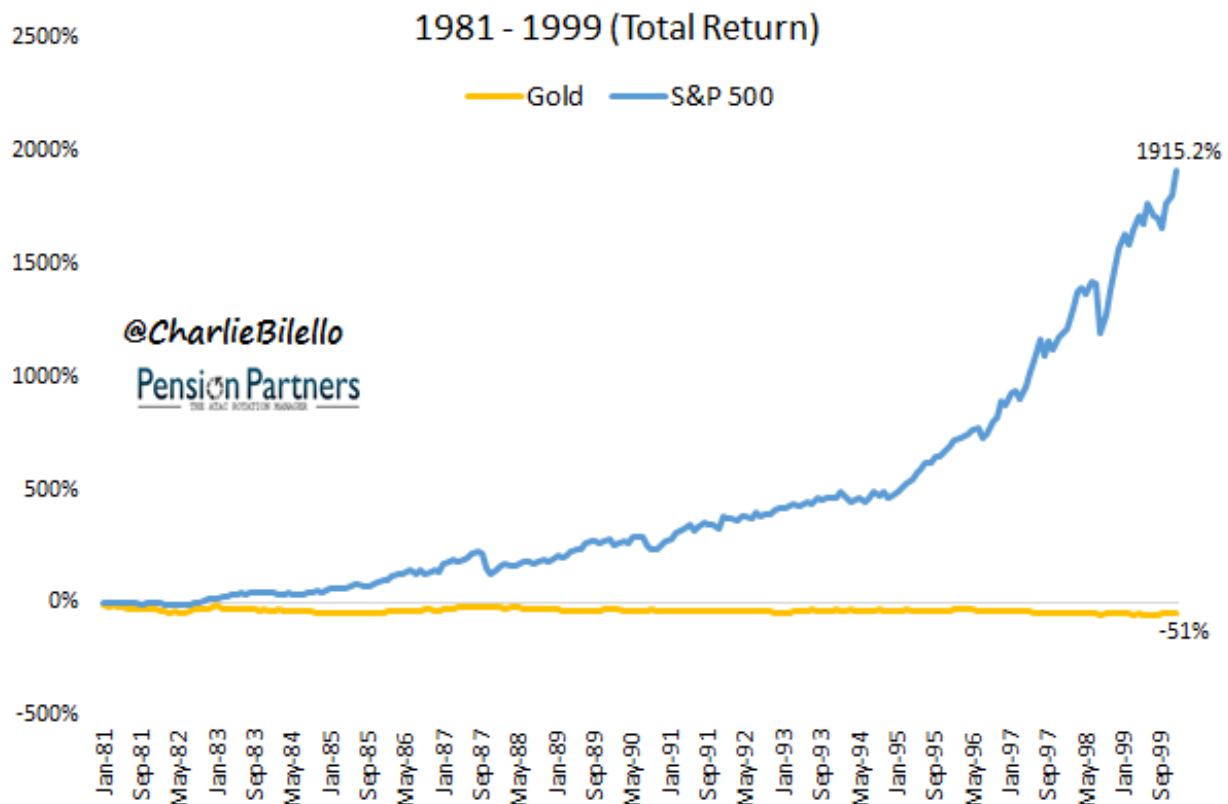
Data sources for all charts/tables herein: Stockcharts.com, Bloomberg.



1981-1999

Gold Return: -51%; S&P 500 Return: +1915%

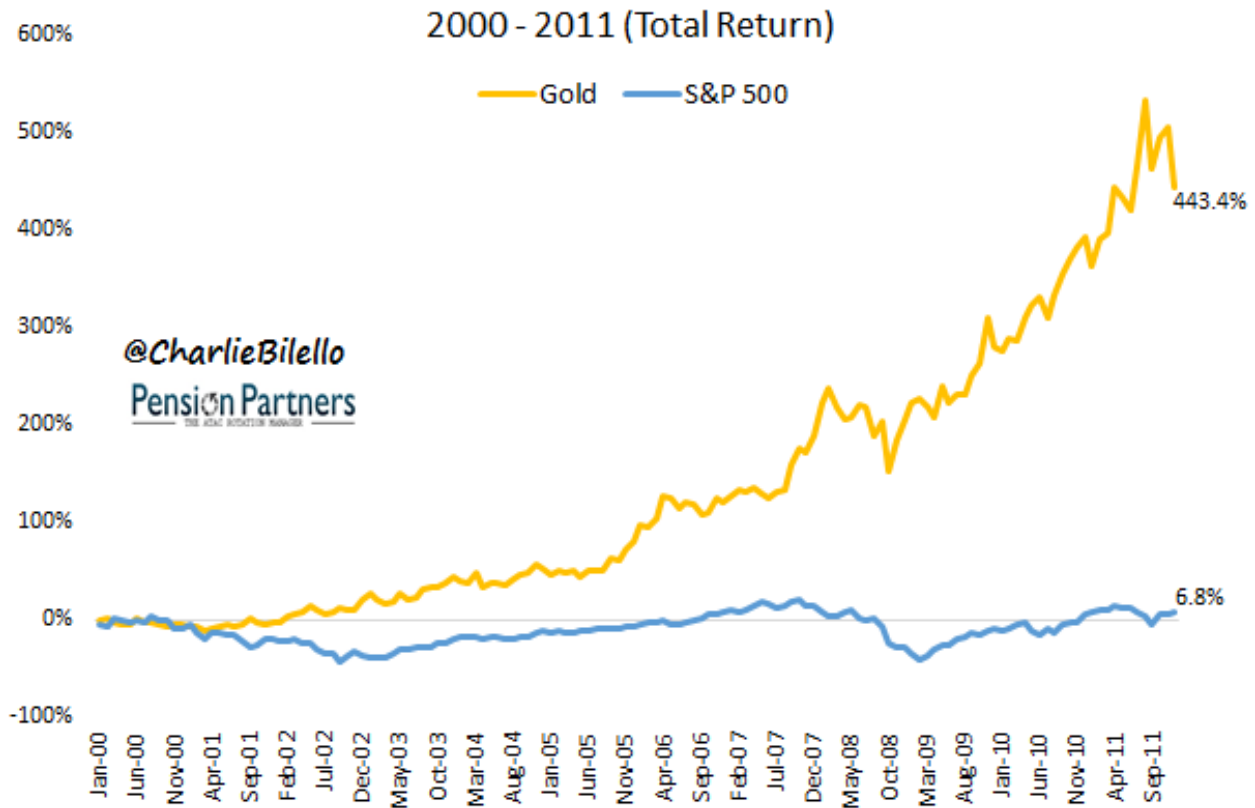
Narrative: Stocks are the greatest investment the world has ever known, and will continue to be so. The internet age has forever changed investing returns and valuations; there is no upward limit to the growth in stocks in the coming years. The only way to participate in this new golden age is to be long and strong and, by the way: no one should ever own Gold.



2000-2011

Gold Return: +443%; S&P 500 Return: +7%

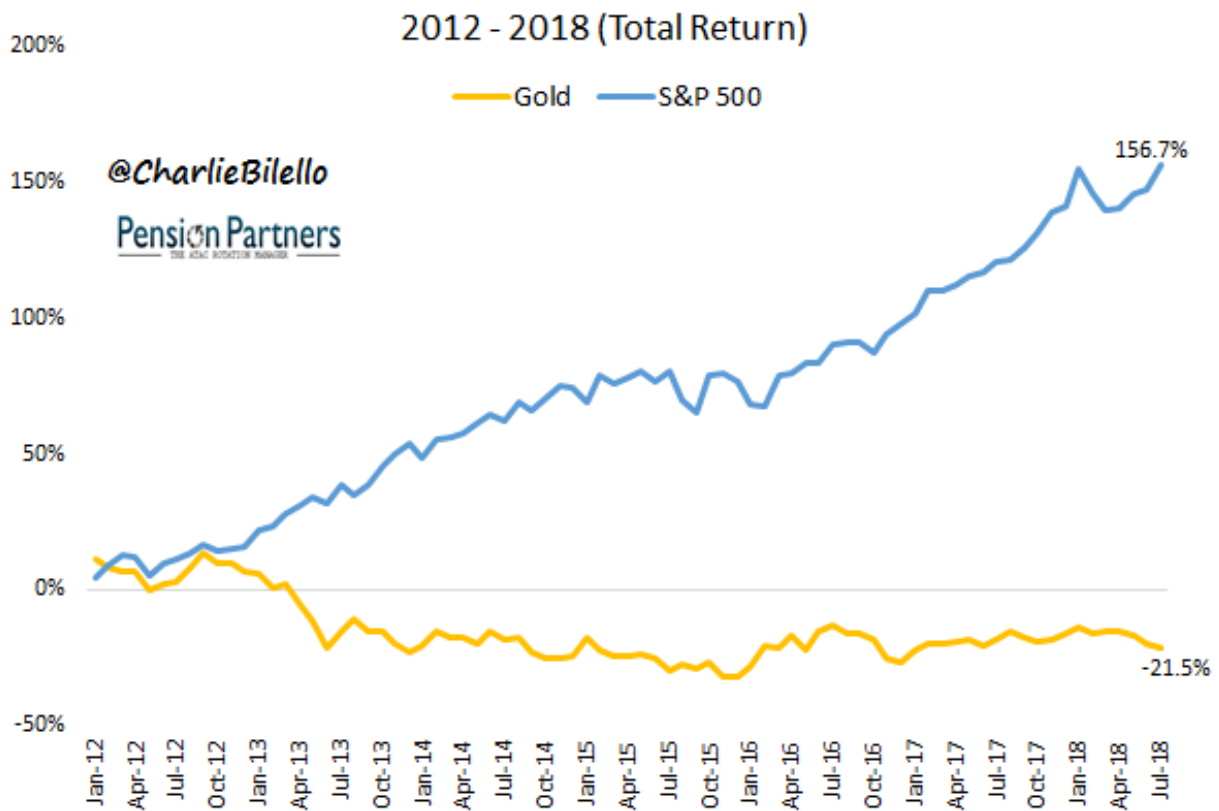
Narrative: Stock investors have suffered through two 50% bear markets while Gold has more than quintupled. These are deflationary, depression-like conditions and only Gold can protect investors from what is to come. This is especially true given the endless “money printing” by central banks and, by the way: stocks are terrible investments.



2012-2018

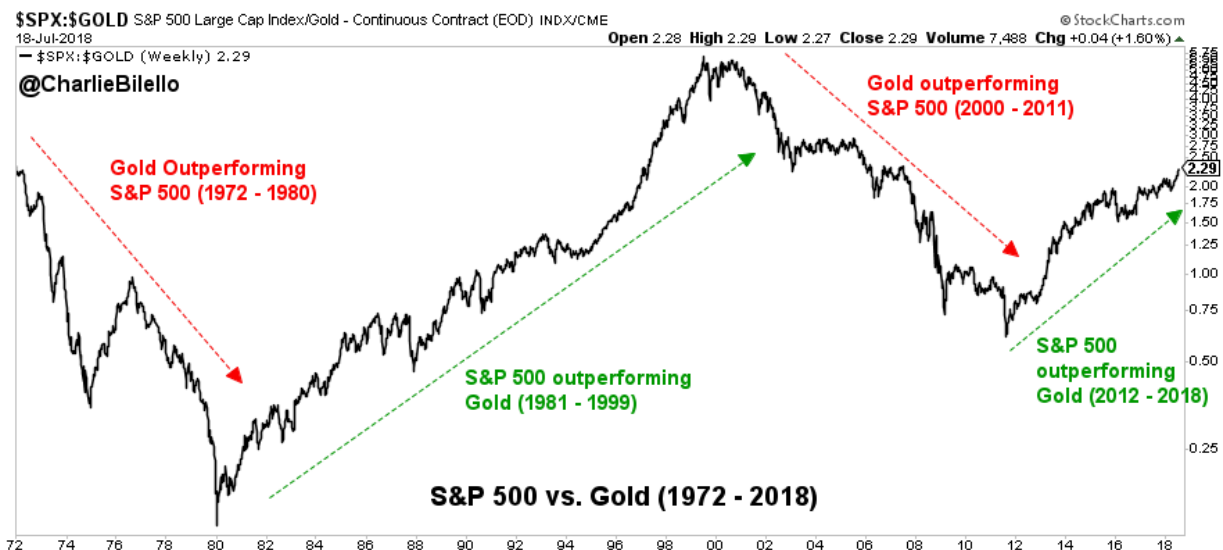
Gold Return: -22%; S&P 500 Return: +157%

Narrative: We are in a Goldilocks period of low inflation and easy money. This is unbelievably bullish for stocks and very bad for Gold. This environment will continue forever, and, by the way: Gold is just a pet rock.



So Who Wins The Battle?

As we have seen in the above charts, it depends largely on the time frame you choose. In 1980, Gold was Mohammed Ali. In 1999, the S&P 500 was Rocky Marciano.





By changing the start and end date, you can frame almost any argument you want in this business.

Overall, since 1972, the S&P 500 has had a higher return (10.6% vs. 7.4% for Gold) with lower annualized volatility (15.0% vs. 19.8% for Gold).

S&P 500 Total Return Index vs. Spot Gold (1972 - 2018)					
Year	Spot Gold	S&P 500	Year	Spot Gold	S&P 500
1972	47.0%	19.0%	1996	-5.0%	22.9%
1973	67.0%	-14.7%	1997	-21.4%	33.3%
1974	72.3%	-26.5%	1998	-0.3%	28.5%
1975	-23.7%	37.2%	1999	-0.1%	21.0%
1976	-4.1%	23.9%	2000	-5.5%	-9.1%
1977	22.6%	-7.2%	2001	2.5%	-11.9%
1978	37.0%	6.6%	2002	24.8%	-22.1%
1979	126.5%	18.6%	2003	19.4%	28.6%
1980	15.2%	32.5%	2004	5.5%	10.9%
1981	-32.6%	-4.9%	2005	17.9%	4.9%
1982	14.9%	21.5%	2006	23.2%	15.8%
1983	-16.3%	22.6%	2007	30.9%	5.6%
1984	-19.2%	6.3%	2008	5.8%	-37.0%
1985	5.8%	31.7%	2009	24.4%	26.5%
1986	19.0%	18.7%	2010	29.6%	15.1%
1987	24.5%	5.3%	2011	10.1%	2.1%
1988	-15.3%	16.6%	2012	7.1%	16.0%
1989	-2.2%	31.6%	2013	-28.3%	32.4%
1990	-4.6%	-3.2%	2014	-1.4%	13.7%
1991	-7.7%	30.3%	2015	-10.4%	1.4%
1992	-5.3%	7.6%	2016	8.6%	12.0%
1993	16.8%	10.0%	2017	13.7%	21.8%
1994	-1.9%	1.3%	2018 YTD	-6.3%	6.4%
1995	1.0%	37.5%	Twitter: @CharlieBilello		

Note: 2018 year-to-date as of July 18, 2018.

On this basis, Stock Market Bulls would say equities are the better long-term investment. Agreed, but how many equity investors would be willing to sit through an 11-year period (2000-2011) with essentially no return and two 50+% drawdowns in between? Very few, just as there are very few Gold Bugs who would sit through a 19-year period (1980-1999) where their investment was cut in half.

Which is why the real winner is neither Stock Bulls nor Gold Bugs.

It is the investor who can actually remain invested through tough times in a single asset class by maintaining a diversified portfolio of multiple assets: stocks, bonds, real estate, commodities, and alternative investments. Combining uncorrelated assets has been shown to reduce overall portfolio volatility and improve risk-adjusted returns.



Don't bother trying to explain that to the Gold Bugs or the Stock Market Bulls. They both seem to have perfect foresight at all times, with the Bugs predicting another 1972-1980 and the Bulls forecasting another 1981-1999. Anything that does not confirm their existing bias falls on deaf ears, especially if it means something as simple as *diversifying* because no one can predict the future.

Biiwii/NFTRH on the Web

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Biiwii.com is proud to be included in the **50 Blogs Every Serious Trader Should Read** from [TraderHQ.com](#).

Biiwii: but it is what it is

NFTRH: Notes From The Rabbit Hole