

# **THE ANTI-BUBBLES CONTRARIAN INVESTMENT FRAMEWORK**

**RISKS AND OPPORTUNITIES FOR VOLATILITY AND GLOBAL MARKETS**

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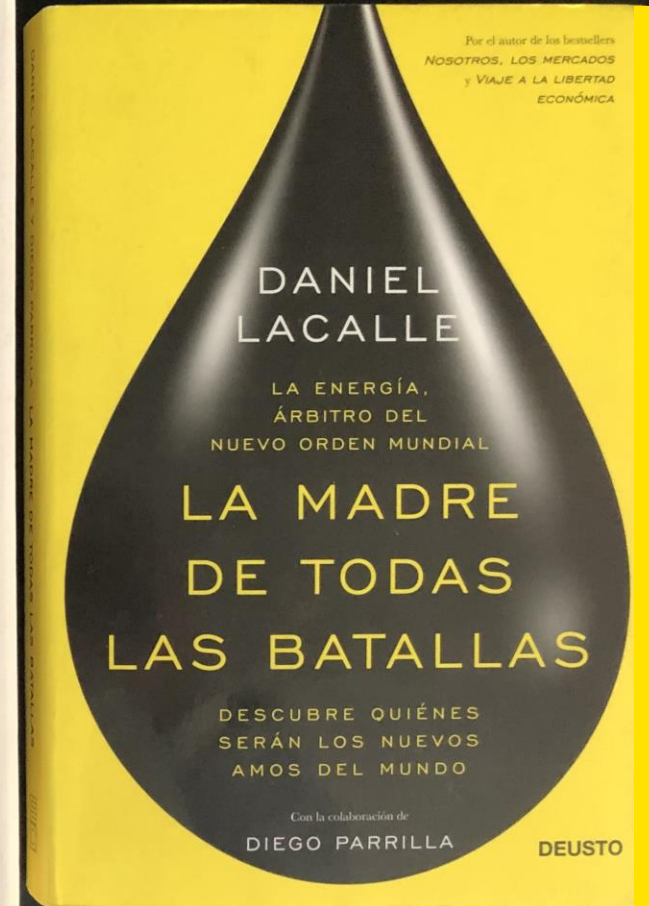
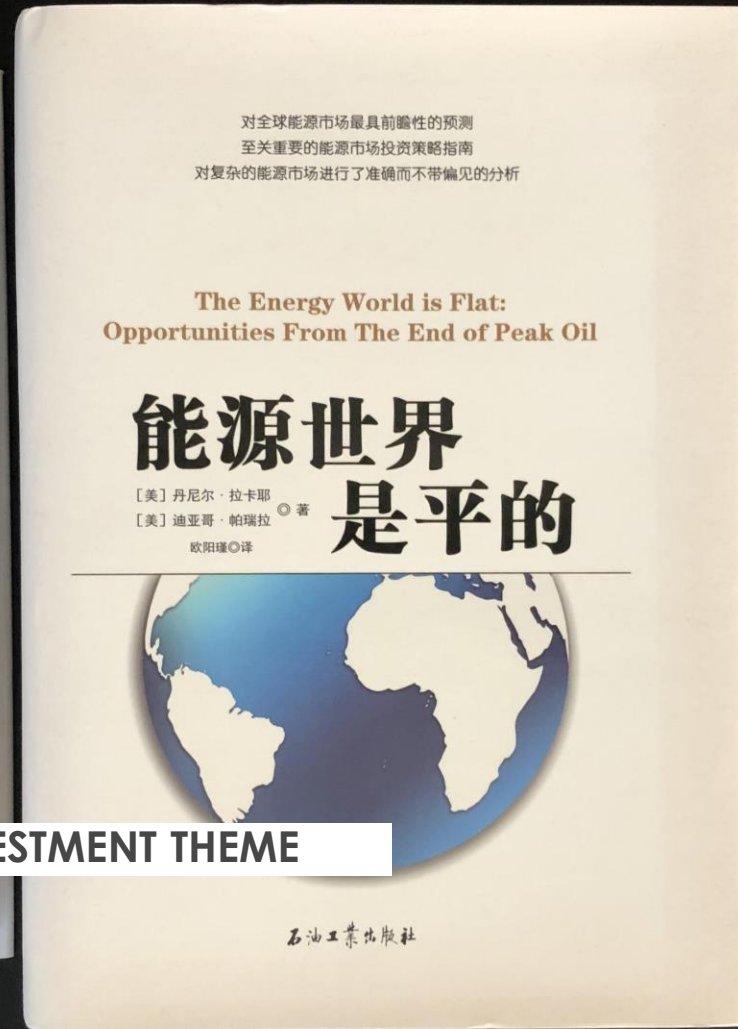
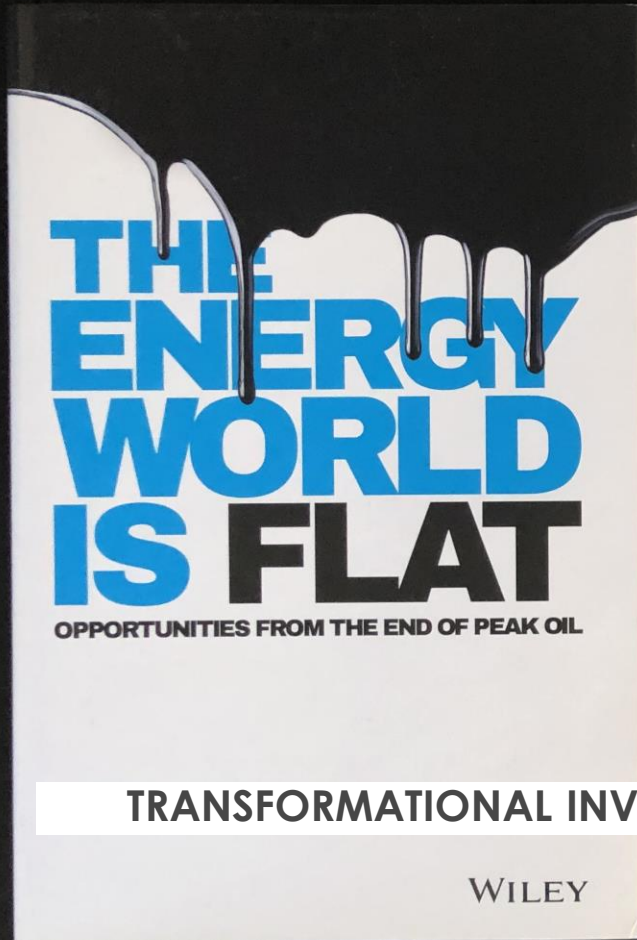
Prior to joining Quadriga, Diego worked in **London**, **New York**, and **Singapore** for two decades and held senior leadership roles across macro commodity markets at **JP Morgan**, **Goldman Sachs**, **Merrill Lynch**, **BlueCrest Capital** and **Dymon Asia**, amongst others, including roles and responsibilities such as Global Head and Management Committee.

In addition to his experience on the buy and sell side, Diego is co-author with Daniel Lacalle of best-selling “**The Energy World is Flat: Opportunities from the End of Peak Oil**” (Wiley, 2014) and sole author of “**The Anti-Bubbles: Opportunities heading into Lehman Squared and Gold’s Perfect Storm**” (BEP, 2017), and has collaborates selectively with the media, such as Financial Times, CNBC, CNN, Bloomberg TV, Real Vision TV, or El Mundo, amongst others.

Diego holds **MS Mineral Economics** from the Colorado School of Mines, **MS Petroleum Economics and Management** by the French Institute of Petroleum in Paris, and **MS Mining and Petroleum Engineering** by the Madrid School of Mines.

Diego is married and father of 3 children and is passionate about sports, foreign languages and cultures, and fluent in **Spanish**, **English**, and **French** and a keen student of **Mandarin Chinese** and **Italian**, amongst other languages.

# THE FLATTENING OF THE ENERGY WORLD



TRANSFORMATIONAL INVESTMENT THEME

# FINANCIAL TIMES

WORLD BUSINESS NEWSPAPER

TUESDAY 9 AUGUST 2016

UK £2.70 Channel Islands £3.00 Republic of Ireland €3.00

## Data mining

UK plans for sweeping surveillance powers fuel protest — BIG READ, PAGE 9

## Perfect storm

Why gold bulls believe this year's rally has further to go — MARKET INSIGHT, PAGE 24



## Tawdr

Time to ov  
system —

## May hits out at Southern rail strike 'misery'

Travellers prepare to board a Southern train at London's Victoria Station yesterday on the first day of a five-day strike called by conductors in a dispute over plans for drivers to take over responsibilities for closing doors. Theresa May weighed into the dispute strongly condemning the strike. "It's only going to cause more pain and misery for passengers," the minister's spokeswoman said. Thameslink, which runs South London services, said almost 90 per cent of its curtailed service had run successfully. But the RMT union said despite the strike was "rock solid". Passengers held protests against Govia's long-running dispute. [Thames strike page 2](#)



## THE ANTI-BUBBLES

TRANSFORMATIONAL INVESTMENT THEME

## THE ANTI-BUBBLES

OPPORTUNITIES HEADING INTO  
LEHMAN SQUARED AND  
GOLD'S PERFECT STORM

Diego Parrilla

Co-Author Best-Seller  
"The Energy World is Flat"

Foreword by Daniel Lacalle



BUSINESS EXPERT PRESS

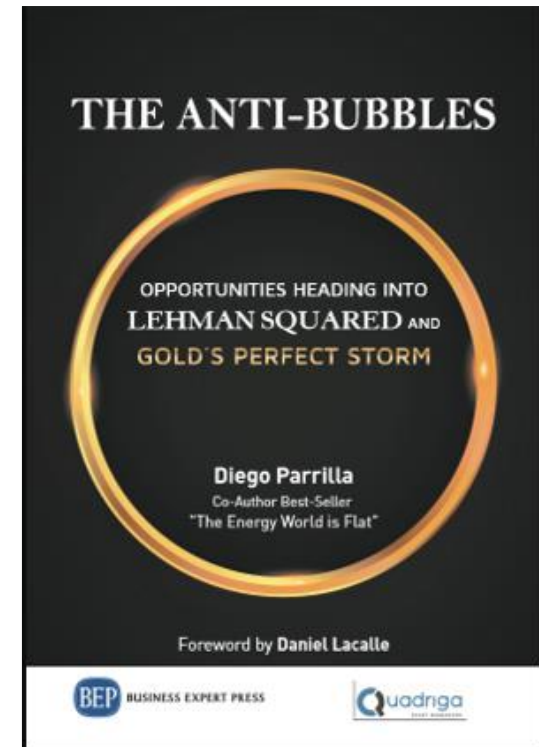


# ANTI-BUBBLES

## BELIEFS VS MISCONCEPTIONS

### ANTI-BUBBLE MEANINGS

- 1 **ARTIFICIALLY CHEAP VALUATIONS**  
DISTORTED MIRROR IMAGES  
VALUE INVESTMENTS
- 2 **SYNCHRONOUS CATALYSTS & TIMING**  
HEDGE AGAINST BUBBLES,  
LIKE ANTI-VIRUS OR ANTI-MISSILE
- 3 **SYMBIOTIC PROCESSES**  
REINFORCE EACH OTHER  
RISK PREMIA



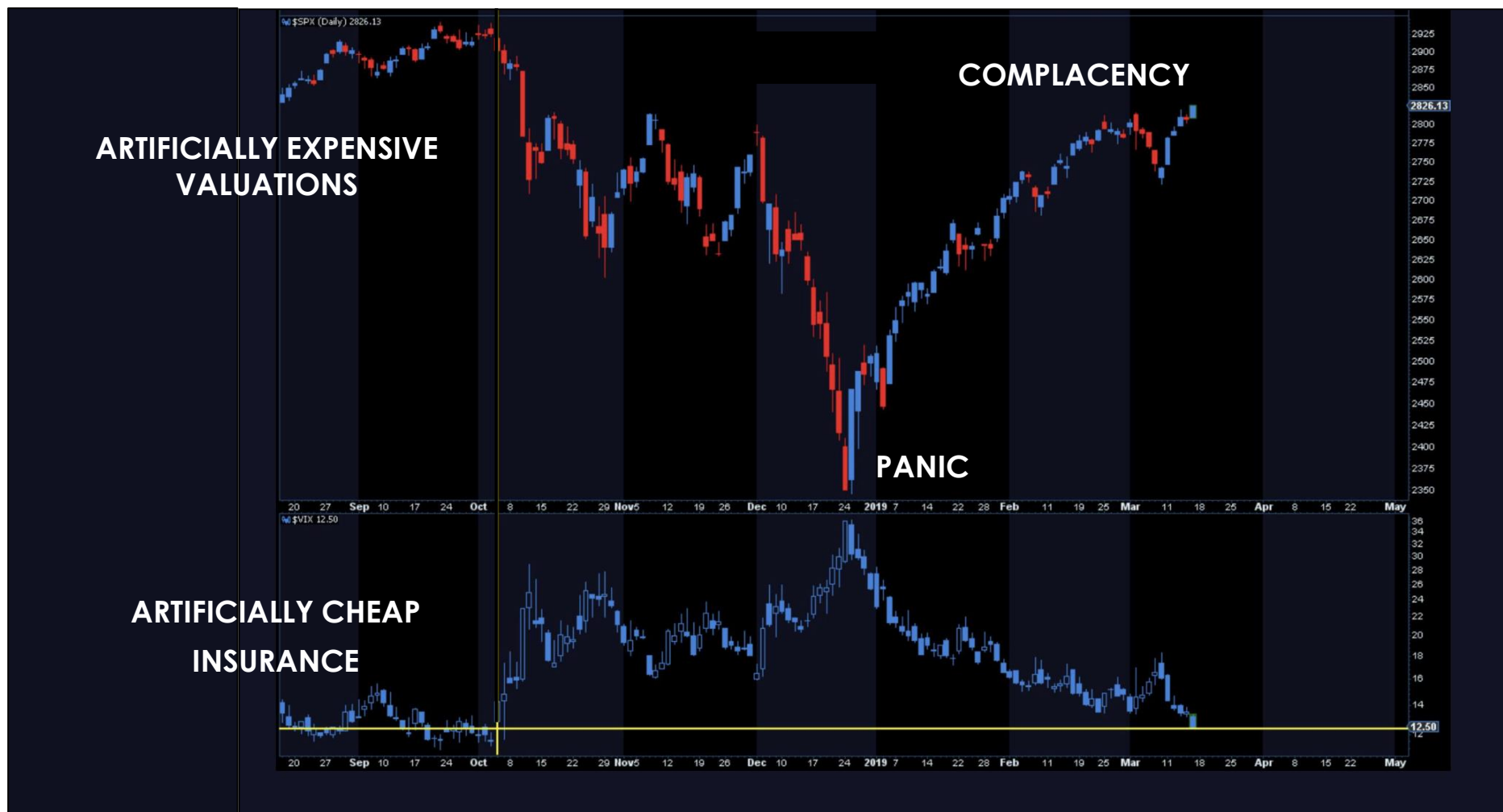
***“Financial Bubbles don’t grow out of thin air.  
Bubbles have a solid basis in reality,  
but a reality that is distorted by a misconception”***

George Soros



# BUBBLES VS ANTI-BUBBLES

## EQUITY VALUATIONS (SPX) VS IMPLIED VOLATILITY (VIX)



# BELIEF #1 “THE CENTRAL BANK PUT”

“MONETARY AND FISCAL POLICIES HAVE NO LIMITS”

- 1 **ZERO INTEREST RATES**  
THE POINT OF NO RETURN
- 2 **QUANTITATIVE EASING**  
MANIPULATING LONG TERM YIELDS
- 3 **BUYING CREDIT AND EQUITIES**  
MONETARY NATIONALIZATION
- 4 **NEGATIVE INTEREST RATES**  
MIND THE BANKS
- 5 **HELICOPTER MONEY**  
SOLVING DEFLATION AND INEQUALITY
- 6 **FISCAL EXPANSION AND MMT**  
LARRY SUMMERS “PRUDENT IMPRUDENCE”

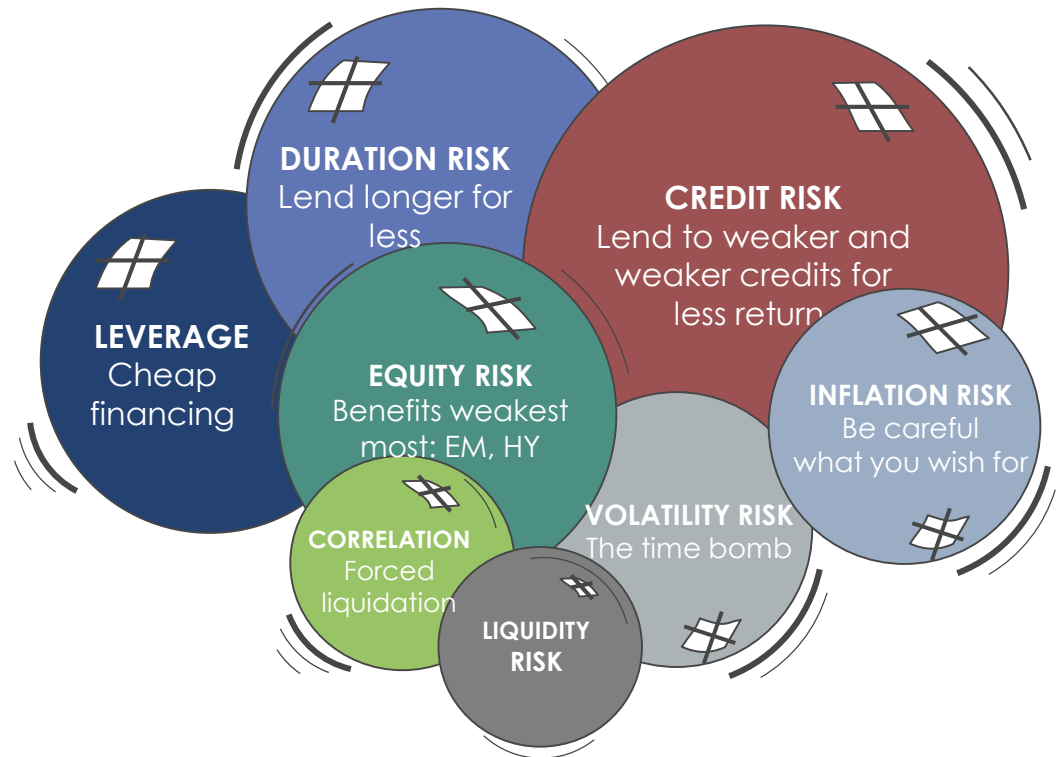


*“Delaying and Enlarging  
(NOT SOLVING)  
Problems”*

## BELIEF #2 “THE COMPLACENT DESPERATE SEARCH FOR YIELD”

“FROM RISK-FREE INTEREST TO INTEREST-FREE RISK”

- 1 **DURATION RISK**  
LEND FOR LONGER MATURITIES
- 2 **CREDIT RISK**  
LENDING TO WEAKER CREDITS
- 3 **EQUITY RISK**  
EVER INCREASING VALUATIONS
- 4 **LIQUIDITY RISK**  
CAPTURE LIQUIDITY PREMIUM
- 5 **LEVERAGE RISK**  
GREATER NOTIONAL
- 6 **INSURANCE RISK**  
GROSS MIS-SELLING AS INCOME



**“False Diversification  
Global Synchronous Bubbles”**



# THE ANTI-BUBBLES

## ARTIFICIALLY LOW VOLATILITY AND CORRELATION

1

### VOLATILITY

ARTIFICIALLY LOW RISK

### INSURANCE

ARTIFICIALLY LOW PREMIUMS

2

### CORRELATION

FALSE DIVERSIFICATION

3

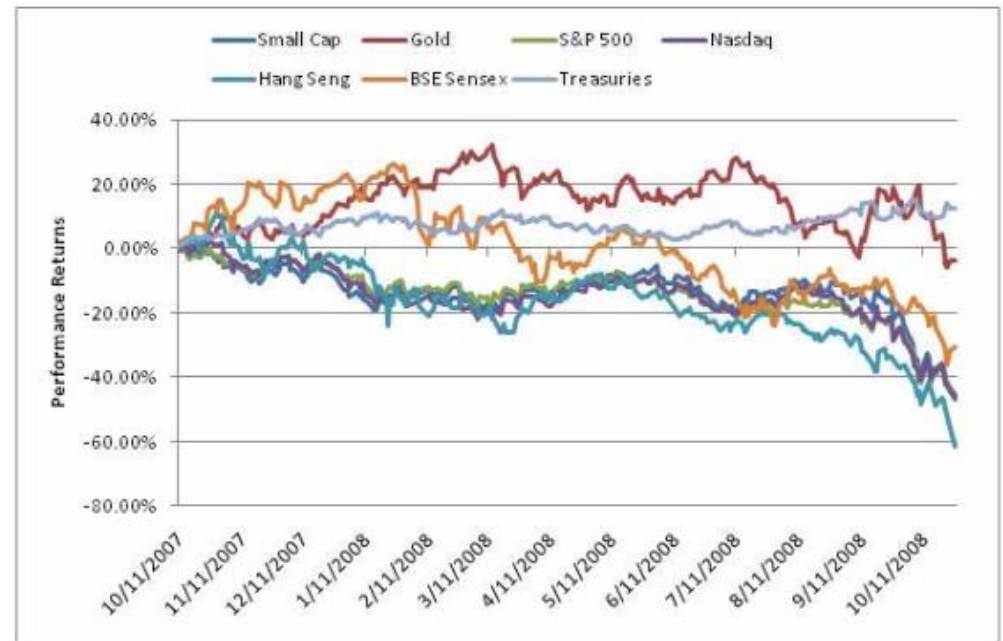
### LIQUIDITY

FORCED LIQUIDATION

4

### REFLEXIVITY

PRICES ALSO DRIVE FUNDAMENTALS



***“Hidden Leverage  
Artificially Low Volatility  
and Correlation”***

# THE END GAME

## TRANSFORM TOO BIG TO FAIL BUBBLES INTO INFLATION

### ① BUBBLES BURST (“CONVENTIONAL CRISIS”)

4Q18 INFLECTION POINT

CHINA

HIGH YIELD

### ② ANTI-BUBBLES BURST (“HIDDEN RISKS”)

VOLATILITY SHOCK

GEOPOLITICAL SHOCK

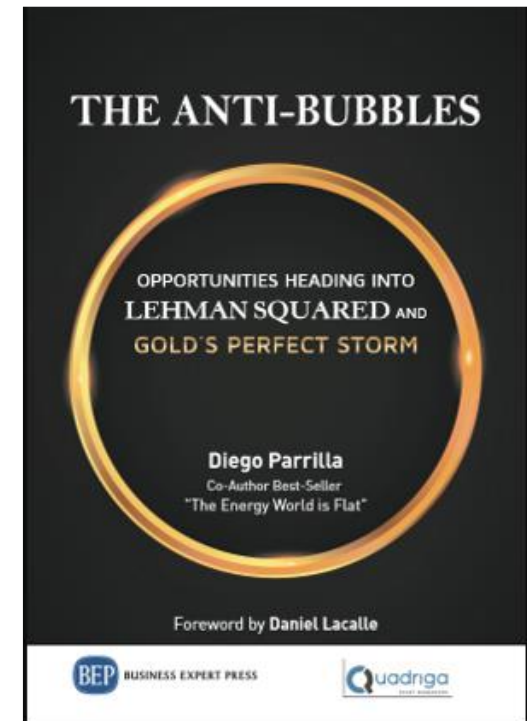
FORCED LIQUIDATION

### ③ TRANSFORM PROBLEM INTO INFLATION

GOLD

CURRENCY WARS – “BEGGAR THEY NEIGHBOUR”

TRADE WARS – “DEFEND FROM BEGGAR”



***“If you devalue by 20%,  
I will tariff you by 20%”***

# IMPLICATIONS FOR PORTFOLIO CONSTRUCTION

## FOOTBALL TEAM ANALOGY

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1	INCOME & CAPITAL GAINS	WIN BY SCORING GOALS
2	FALSE DIVERSIFICATION & HIDDEN LEVERAGE	PLAYING WITH 11 STRIKERS
3	CASH	STRIKER IN THE BENCH (NOT DEFENDER)
4	FIXED INCOME	FRANZ BECKENBAUER 60/40 BALANCED PORTFOLIOS “NO MORE”
5	TREND FOLLOWERS	DEFENDER OR STRIKER?
6	THE ANTI-BUBBLES	GOAL-KEEPERS CAPITAL PRESERVATION AND COMPOUNDING
7	TIMING	NEGATIVE YELLOW AND RED CARD EMBRACE (DON'T FIGHT) STUPIDITY

***“You are not as good as your last trade,  
You are as good as your last crisis”***

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