

Erik: Joining me now is New York Times bestselling author and Bear Traps founder Larry McDonald. Larry has prepared a slide deck as he usually does for us. Registered users will find the link in your Research Roundup email. If you don't have a Research Roundup email, just go to our homepage, macrovoices.com.

Look for the red button above Larry's picture that says Looking for the Downloads. Larry, it's great to get you back on the show. It's been way too long. I wanna start with what is it exactly that started last Friday? 'Cause it certainly seems to be the beginning of something significant in the markets.

Is this the market finally waking up to the Iran conflict, or is it a reaction to the jobs reports and maybe expectations of rate cuts being harder to come by, or is it something else? And by all means, refer to the slide deck as we dive in.

Larry: Sure, yeah. It's definitely a fourth quarter 2021 redux where Everybody's kinda been in a transitory trance.

Inflation is transitory again, which we were in, in the fourth quarter of two thousand twenty-one. And if you recall, the moment it appeared that inflation was not transitory, equities lost about thirty-five, forty percent pretty quickly between two thousand twenty-one and twenty-two. The Nasdaq lost about seven trillions-- seven, eight trillion dollars evaluation.

And so you have a decent economy, but the Strait of Hormuz closed for 100 days, all this AI CapEx, and it's really just crushing the little guy as inflation is just so sticky. And it-- you could see here on, on slide two. One of the things, Eric, I wanna make very clear, there's no I in team. So as part of the Bear Trap report, we host a conversation every day with the biggest hedge funds, mutual funds, and pension funds in the world.

And what I'm gonna do today is kinda share the insights, the valuable insights that I'm getting from the top institutions around the world and triangulating that information. And that's why I love this platform, because I wanna democratize the information. I want, your phenomenal audience to, to really have a front-row seat as to what the in-- top institutions are talking about.

The biggest thing in recent weeks is the consumer oil inflation. And you could see here on slide two, junk bonds. The high-yield market as a whole is okay, but the tertiary parts, and these are the, typically the leading indicators. The tertiary part of the high-yield bond market, which is CCCs, as you could see there, really kinda blowing out.

The last time stocks were all at all-time highs, CCCs were much lower in yields, and I think that's, really telling you a lot about the consumer.

Erik: You mentioned the big IPOs. It seems to me like that's a key part of this story as well. So I'm trying to sorta sort out, okay, we got on Friday, the jobs report kinda led to a lot of people thinking that rate cuts are less likely than they were on Thursday for whatever reason.

We've also got these big looming IPOs, and I'm not sure if the market's finally woken up to how big of a deal the Hormuz crisis is. What are the experts in your fund community telling you in terms of how they're perceiving what the most important drivers are? It feels like Hormuz is probably not it.

Larry: And it's indigestion, really. So if you go to slide sixteen, if you think about it, it was-- you're talking about an IPO that's six percent of US GDP. If you think of Facebook 2012, that was an enormous IPO at the time, \$100 billion, and it was less than 1% of GDP. The SpaceX IPO would be 6% of GDP.

And always remember that The biggest IPO ever was Saudi Aramco at 25 billion. So if you do the math, if you take the secondary offering from Google last week of shares, 80 billion plus the SpaceX, you get \$150 billion. 150 billion. And so net-net, a lot of people have to sell stocks in the market to make room for these, two absolute beasts that have come out.

Erik: If you take SpaceX, as you said, it's a \$2 trillion valuation. The actual raise, which is the money that, that we need to come up with someplace to, to pay for the shares being offered, is 80 billion. Okay. Add that 80 billion, Google's And add to that Anthropic is coming up. We're gonna have OpenAI coming up.

There's about 200, 250 billion of immediate raise, but here's the thing that I'm actually focusing more on, Larry, is six to 12 months after that, all the insiders and the VCs and the early investors in those companies, it's not 200 billion, it's like 3 trillion of capital that gets unlocked as those restricted shares become unrestricted somewhere between six and 12 months after the IPO.

It seems to me that's the point where, how do we absorb all of that equity into the market?

Larry: If you look at the SpaceX program in terms of the lockup and unlock, it's much more aggressive than previous IPOs. And so for investors listening to us right now, it's extremely important.

If you remember the Facebook IPO in 2012 once again, once the lockup started coming out and the shares, like you just nailed it, in that first year, you had a 40, 50% drawdown in s- in Facebook. And I think what's happening is the VCs were... think about capitalism in America. These companies are coming public

think of Tesla, came public at a 2 billion valuation, right? Facebook at 100 billion valuation, and now here SpaceX two-- almost 2 trillion valuation. So it's e- essentially 11, 12 times the size of Facebook. So these companies are coming public much far later in the maturity cycle, which means that the IPOs are very unattractive and you're much better off waiting.

If you have to, buy a little bit of the IPO, but you're gonna probably be able to buy, SpaceX IPO 50% off sometime in the first year

Erik: Yeah, obviously a lot of people think SpaceX is, going to be a huge thing and it's the future. It feels to me like these IPOs are very reminiscent of 2000 or so when, y- frankly the smartest tech leaders w- had the wits to say, "Let me sell my equity to retail bag holders and let them ride out what happens in 2000."

So it feels like 1999 to me.

Larry: And to look at chart number 15, this shows you a lot because it's the S&P versus the equal weight. And if you think about it, the biggest, most liquid stocks are the easiest to sell, right? So lo and behold Huge underperformance in the last 10 days of the S&P versus the equal weight.

You can see that on the chart number 15. And what that's telling you is that people are selling the Mag Seven, which is essentially unched to a little bit negative since October now. They're selling the big Mag Seven equities, which are very liquid, and they're raising capital for all these IPOs. That's inter- like you said the Time Warner deal in 1999, 2000, it's just too much coming into the market at the same time.

Plus, we have a lot of private equity deals coming out in recent months. There's just too many sellers. And the last thing, remember, in the '90s, I founded convertbond.com. And for investors listening to us right now, always remember, the smartest sellers in the world are chief financial officers. And guess what, Eric?

The amount of convertible bonds that have been coming to the market in the last couple of weeks, from, say, three, four weeks, is up a lot over last year. It's up on, to... And the same thing happened in 2021 in the third, fourth quarter. And

so what's happening is, as the stock market rips, CFOs see, "Oh, my stock's up a lot," and they're coming to the market with convertible bonds.

Inside those convertible bonds, there's lots of equity. And so right now, chief financial officers are selling their equity in the convertible bond market at a very fast rate of change speed, which is similar to 2021 in that third, fourth quarter. And never forget what happened in '22, 30, 40% drawdown. So I think the CFOs smell something and they're coming to market, and they're also dumping.

So you have Elon's dumping stock with the SpaceX crowd. You got Google dumping stock, and you got CFOs across all these different companies, Irin I could... There's seven or eight companies. They're also dumping a lot of stock at the same time.

Erik: So if I look at what's happened in the last few days, it feels oh, we're down a lot.

But really, if I just go back to the late March low when the market initially started to freak out about the Iran conflict, we got down to, what was it? Around 60, just about 6,400, a little bit below 6,400 on the S&P. If I look at the, since Friday, the down move as of Wednesday afternoon, we're really only looking at, I don't know it's nowhere close to a 38%.

It's about 25% has been retraced at most. How far are we going? Is this just the beginning of something really big, or are we just looking at a blip here? W- what do you think is coming?

Larry: Great question, and the perfect chart is number 13 for this. So 41 trillion in the Nasdaq 100 last week before the drawdown started.

41 trillion. And to your point in March, which was just forty-seven or maybe fifty, fifty trading days ago, in late March, there was thirty trillion in the Nasdaq one hundred. So the Nasdaq one hundred went from thirty trillion of value to forty-one trillion in less than fifty trading days. Nothing like that's ever happened in the history of markets

But let's go back to two thousand and twenty-one, twenty-two, the last time we had the inflation shock. Look at what ha-- And the last time the convertible bond market was on fire too. A lot of CFOs selling stock. So two thousand and twenty-one, twenty-two, we were up near nineteen trillion of value in late 'twenty-one, and we went down to twelve trillion in literally four quarters.

That's an example of what's about to happen, I think. So that kinda drawdown. And think about it, so we went from nineteen trillion in the fourth quarter of two thousand and twenty-one to twelve trillion in the fourth quarter of 'twenty-two, and then that all the way up to forty-one trillion. And that's why I think as money rotates out of financial assets, which are bonds and tech stocks, when you see this kind of value, the rotations can be amazing.

If you look back to two thousand and twenty-two, what were the big winners? Energy stocks were up a lot, I think well over a hundred percent. Also materials. I think the same thing's gonna play out this time around again, and it's a repeat two point zero.

Erik: And so does that give you any targets or expectations in terms of valuation levels that we're headed towards?

Larry: That's what's amazing about the market now. The free cash flow yields in the energy space are so cheap, natural gas equities, energy equities materials. So you've got one part of the market that's really cheap, but the Nasdaq one hundred valuations are really all-time high CAPE ratios, PE ratios.

So there's two different markets. One part of the market, technology is really at the highest valuations almost ever. And then, but in the energy space in, in the material space, you've got beautiful free cash flow yields, which are probably the cheapest part of the market.

Erik: Larry, I apologize for jumping out of order a little bit there.

You've got so many different fascinating topics I wanna come back to. I got you a little jumping around the slide deck. Why don't we go back to the beginning around page three? Tell us about this S&P versus restaurants chart.

Larry: Sure. So th-that's kinda the main point, is that the bottom the bottom sixty-five percent of consumers are really only ten, fifteen percent of consumption now because the wealthy have so much money in money market funds, and money market fund yields are up a lot But the bottom 60% of consumers are in a lot of pain, and that's why you're seeing these wacky divergences, restaurants, getting really hammered this year.

Same thing on the next chart with Home Depot. Home Depot almost 30% off. Think of these brands, Lowe's, Home Depot McDonald's. All these stocks are essentially close to 20... fif- n- 19 to 20% off. Home Depot almost 30% off. And so it's, once again it's two different consumers. One, one part of the market's in a

lot of pain, and the other part of the market, technology and semiconductors, are partying like it's 1999.

Erik: Larry, I see you've got Agnico on the next page. L- let's talk about the big picture of gold and gold miners even before we get into the specific stock. We're taught to think of gold as something you want in your portfolio as a hedge against big geopolitical events. If something like the Iran conflict happens, gold's gonna go up, except for it went straight down.

What gives, first of all, with that? Is that about inflation expectations? Is it gonna continue? And why don't we transition from there into the slides and what in terms of the gold miners?

Larry: Sure. Eric, so we just talked about the consumer and how weak the consumer is. You could see this in a lot of the conference calls.

You could see it in the restaurants, you could see it in Home Depot. You can see it in so many different parts of the market. So it's very tough for the Fed to hike rates. But the market gold miners are really having this kind of what I call recency bias. So in 2021, '22, we had that big inflation spike, and the gold miners now have really sold off for a bunch of different reasons.

One, one important one, is we've gone from three rate cuts to potentially one rate hike in terms of the SOFR futures or the expectations market of the Fed funds. So when you go from like rate cuts, three rate cuts to one hike, that knocks a lot of steam out of the gold miners. But the best trades in the world, Eric, the best trades of our careers are what I call the hot money flush.

And so I love a sector that just had what we call a hot money flush. Think of a poker table A lot of weak hands at the poker table, and that's the gold miners. So in the third, fourth quarter and the first quarter of last year, so many tourists, Eric, so many tourists came into the gold miners. Think of the heavysset guy, the Hawaiian shirt, and the glasses and the camera, right?

That's the type of investor, weak hands, tourists getting off the bus, buying the gold miners with both hands in the third, fourth quarter. Next thing they get hit over the head with central banks, with this shock, with the Middle East. Think of Turkey, all these emerging markets, central banks, co- There's a lot of countries in the emerging market space that don't have a lot of access to energy.

And so when you have an energy shock, they have to sell something to raise cash flow. Emerging market central banks have been dumping gold the last

couple of months. And so you had the kind of the problem with the rate hikes and inflation and then the b- oh, never forget the one year Treasury 12 m- is up about forty basis points.

So think of like on a million bucks, you're getting close to forty grand a year. Forty grand a year of interest on a one-year Treasury versus say maybe thirty grand a year, six month, six, nine months ago. I'm exaggerating a little bit to b- trying to make it simple. So the bottom line is, the gold miners have been hammered.

Look at Agnico here. It's trading at forty percent off, right? Five point nine enterprise to EBITDA. And we can go back twenty, 30 years. That's one of the cheapest valuations. They've got six to seven billion of free cash flow, Eric. Six to seven billion of free cash flow. They're buying back two billion dollars worth of stock.

When I sat down with David Einhorn of Greenlight Capital, the famous hedge fund manager in my new book, he said, "Larry, I love to buy Companies that are producing beautiful free cash flow and buying back the stock when the stock's down thirty, forty percent. Because it's not a floor under the stock, but when you're already down forty percent, it's pricing in a lot of pain.

But your valuation is the cheapest of all time, and the company is buying back two billion dollars worth of stock. So to me, your risk reward of buying Agnico here is probably ten, fifteen percent down and two hundred percent up. Because this time next year, with that wounded conser- consumer, the Fed really can't hike that much.

You go into a slow growth economy with high inflation, gold should be sixty-five hundred an ounce this time next year, which would put Agnico Eagle up much higher, potentially a hundred percent higher a year from now.

Erik: Larry, I could not possibly agree more with your basic thesis here, which is that flush of the hot money, it's clearly come out of gold since the Iran conflict started.

Was around March 2nd that gold the-- there was just an inversion of the usual correlation between geopolitical events and gold. I think it's because of those rate cut expectations, exactly as you said. But here's the thing. I agree with you completely that for a long-term trade in gold, it's gonna be just an incredible buy, and it's gonna pay off in spades.

But is there a chance that it's still too early? And the reason I say that is it seems like it's pretty darn clear that it's the Iran conflict and the Hormuz closure and probably some of those central banks in the Middle East selling their gold is playing into this. I don't think this Hormuz thing is over yet.

I don't think it's close to over. I think it's got a long way to go. If you have that view, is it time to buy gold now, or is it time to sit in the sidelines a little longer?

Larry: Yeah, I'm with you. I think it does have a ways to go. I think that the strait's been closed a hundred days. Trump's really annoyed with Iran.

Iran's pushing back hard, and you saw it this week, right? So it's a standoff. So that's why in our trade alerts, we've got over two thousand financial advisors and family offices and high net worth individuals that do our trade alerts. We're buying only like one-thirds and one-quarters in the gold miners.

We did a nice exit in the first quarter in the gold, in the GDX. But as you can see here in chart number six, you have to be very careful on entry. But net-net, I do Buying gold miners like Agnico down 40%. Okay, are they gonna drop 50%? Possibly. But if you look back to 2021, '22, when we had that big inflation shock, front-end Treasuries went up a lot in yield.

And I know it's, for people listening to us right now, over time, gold's a great inflation hedge. But let's make something very clear. When front-end yields on T-bills go up a lot, it sucks money out of gold, because if you can get 40 grand a year in a one-year T-bill instead of 30 or 20, people just naturally will buy that.

But, so that's what creates the buying opportunity. So yes, probably a little early here. Buying, we're buying in thirds and quarters, and we're looking to add on further weakness.

Erik: Okay. So you do see the further weakness coming, but it's time to start scaling in is basically where you're at now.

Larry: Yeah. The, the old theory, o- only monkeys pick bottoms, right?

So what I try to do is we have a capitulation model that measures the tourist flush, and you wanna start just e- buying in one-thirds or quarters into s- into something like that.

Erik: You've got on page seven the twos, 30s spread the yield spread. What's going on this chart, and why does this come up?

Larry: So this is a, this is an example of another flush where, everyone thought with the Trump economy, growth, capital investment in artificial intelligence, big deficits, the steepener was a really popular trade for much of the last year. You can see that. All the money came into it '24 when Trump was elected, '25.

And now we've had a real flush as people are concerned about longer term growth with the consumer, like I said, the McDonald's, the Home Depots, the Harley-Davidsons are all off 20%. In some case, it's more. And and that, if you look at the Home Depot suppliers I went through on Bloomberg, there's probably 50% of Home Depot suppliers are down 20, 30, 40%.

And so that means the growth expectations are coming down. But at the same time, you've got this shock in the Middle East where the Fed might have to hike and a muscle memory of, okay, inflation, the Fed has to hike. This is, to me, a facade. The Fed really can't hike. Never forget, Interest on the debt today is at tw- two, 1.1 trillion over the next 12 months.

1.1 trillion. When the last time they started the hiking cycle in '21, '22, it was 300 billion, right? So the muscle memory in the market thinks the Fed's gonna hike. That's causing this flattening of the curve in two 30s. But to me, it's a facade. It's a, o- it's a mirage. They really can't hike that much, and that means the curves are gonna steepen a lot over the next year.

Erik: So you like the twos, 30 steepener, long the two-year and short the 30-year?

Larry: Yes. And one way to play that is the IVOL ETF, which has been battered. I, the famous IVOL ETF founded by Nancy Davis, I-V-O-L.

Erik: Okay. Let's move on now to page eight, which is year-over-year inflation in the Bloomberg Commodities Index, BCOM.

What's this comparison telling us?

Larry: This is a blood-curdling chart. For the love of God. You've got all this data center spending two, 2 trillion bucks and another 5.4 trillion over the next four or five years. That's what the street's expecting. 5.4 trillion up from three and a half trillion 18 months ago.

And so you got big deficits in Washington, \$1.9 trillion deficits. You have the Strait of Hormuz closed for 100 days, and all the supply chain risk that comes with that. There's a lot of inflation coming at us. So this chart basically tells us that inflation's going back to five, six percent.

And today, Eric, super core CPIs, the super core, which you can't fake super core. It's of all the big macro people look at it. If you annualize the last three months of the super core inflation that came out, you're coming out to five point two percent by year-end of super core inflation. That's, that means core inflation or inflation headline's gonna be five, six, something more like six, seven, eight percent a year from now.

And listeners, you'll see the super core chart is on page ten of the slide deck. Go ahead, Larry. It's very hard to fake super core. And I think the some of the best macro traders in the bond market look at super core inflation. The thing that's the real eye-opener for me, and this gets back to the core thesis of our book, *How to Listen When Markets Speak*, is when you go into an elevated inflation regime in a multipolar world.

Think about multipolar global conflicts, higher interest rates, higher inflation, stubborn oil prices in a war. What that does is it creates a rotation. And if you look at super core, we're at three point seven percent. Look at that lost world, that previous decade, your high was three percent. So you're in a whole new regime, which is creating a colossal migration from what we call financial assets, which are bonds and stocks and a lot of tech stocks.

You can see the software's names are really being sold. There's other parts of the market that are being sold, and people are moving into hard assets and companies that control hard assets and not paper certificates. So we're, that's where it's really what we call in the book, the great migration is coming at us.

Erik: Larry, your book has gotta be the best title for a finance book ever *How to Listen When Markets Speak*, because it's about the market. It's not about what you think the market should be thinking. It's figuring out what the market's thinking. Let's apply that now and talk about some rotations that are going on in the market, moving onto page eleven in the deck.

Larry: Okay. So think about this, Eric. You go from a ten-year disinflation regime when in a unipolar world with less glob-global conflicts and you rotate into a multipolar world with more global conflicts, higher interest rates, higher inflation, that means your portfolio construction needs to have a totally different view.

Companies that control hard assets and also value. So look at here. Growth versus value has failed here a lot since two thousand and nineteen. Big move over the last week. Big move. And I think this is the beginning of a colossal move over toward value. 'Cause if you think of value companies, like if you look at Buffett.

Buffett, Berkshire, big outperformance the last week or so from Berkshire. But they own a lot of companies that control hard assets, the Occidentals, Petroleums of the world, right? So value companies, many of them today, control oil and gas, natural gas, materials, and so that's a really colossal under-owned part of the market.

And so if you have forty-one trillion on the Nasdaq one hundred, which is a lot of that's growth stocks, and you got this big IPOs and like a massive overdose in the market on technology, when this rotation comes, you're gonna see a big move out of growth into value. It's... You can see it's really started this week, and I see a lot more ahead And then on slide 12, if you look at right there, big move out of the S&P 500, which is a lot of tech stocks, over toward the Russell 2000.

And you gotta-- you're breaking that down wedge there, which I think is pretty powerful move. So if you go into a period where there's too many IPOs that are coming in, there's too much money being sucked out of the market with new offerings and bond deals you'll see a great migration out of the S&P back over toward the Russell 2000.

And so that's an important part of this trade. The next one is oil services on slide number fourteen. Big outperformance this year. A lot of value names in there, the Weatherfords of the world, the Schlumbergers. They control a lot of valuable assets. The artificial intelligence potential of Schlumberger or SLB is literally the one of the most exciting trades or investments I can think of in the market today.

Everyone's in the chips. People have to start thinking of other parts of the market that are gonna benefit from artificial intelligence. The oil services is a big one, and you can see their big outperformance versus the S&P.

Erik: Larry, let's stay on that AI theme. What other parts of the market are beneficiaries of artificial intelligence?

Larry: Eric, number 18 slide. This is the mind blower, right? So over the last thirty years, we've been lectured and lectured, especially the last ten years, that

the baby boomers are turning eighty years old. The average boomer is probably seventy, seventy years old. They control seventy-nine trillion of wealth.

Wall Street's been lecturing us, "You have to be long healthcare. You have..." Every analyst has been preaching this for the last fifteen, twenty years. And lo and behold, healthcare, as a percentage of the S&P 500, has gone from sixteen percent to eight percent with all of these baby boomers. One of the reasons why it's accelerating is people are selling healthcare stocks to make room for tech stocks, right?

To make room for the Space Xs of the world. So the cheapness of healthcare relative to tech is extremely attractive, and it goes back to the year 2000, like you said, with that AOL Time Warner deal. You kinda had a big break, and healthcare and staples really destroyed technology from 2000 to 2002. But at the end of the day, healthcare today is such a cheap part of the market, and you've had...

In the last two months, you've had a, not only people selling healthcare to make room for tech stocks, but you've had a lot of quantitative momentum players in the market. And guess what they're doing They've been going long momentum, which is what we call high momentum stocks like semiconductors, and they've been short low momentum, staples and healthcare.

So it's like a perfect storm. You've got a lot of quants playing this game that are... they're really creating incredible cheapness in the healthcare space. But at the same time, you have a lot of asset managers that are selling down healthcare to make room for all these big tech IPOs.

To me, this creates a colossal opportunity, an incredible opportunity looking forward for the next five years. You wanna be selling down your exposure to technology and increasing your to healthcare. Look at slide number twenty, Eric. Look at this factor momentum factor. It's way out of whack relative to the previous regimes.

And so once again, momentum, you see there, everyone's long aggressive momentum, which is the semiconductors. Everyone's short healthcare. And as you can see here, we're at very rare territory. And I think with quarter and month end coming up at the end of the month into the second half of the year, the probability that we have a huge turn here, I think is a very high probability of a move out of high momentum into low momentum.

So out of the semiconductors and aggressive growth over toward healthcare, I think it's gonna be a big winner the second half of the year.

Erik: Larry, everything you're saying is really resonating for me, but it's from a different angle I wanna run past you, which is, so many tourists are looking at this saying, but AI, the computers are so smart now."

And my reaction is, wait a minute. The humans who invented artificial intelligence are pretty darn smart too. And what they all seem to be doing, the very smartest of them, ones who truly invented this stuff, is they're selling their equity to bag holders as fast as they can. There's a race on right now between Anthropic and OpenAI and SpaceX.

All of these big technology private unicorn companies are either going public or in the case of Google, doing secondaries. Seems like everybody's trying to sell stock to retail at the same time. Am I interpreting that correctly as reinforcing what you just said about this transfer from momentum to value?

Larry: Yes. Jack Bogle, r- God rest his soul, is rolling over in his grave. The S&P 500 was constructed and invented with the best of intentions, and passive investors have crushed it. The S&P 500, the Nasdaq, these are passive indexes. In the old days, active managers that run money had more capital than these indexes.

Today, I have a theory that we laid out in our book, Eric, is that once you get near 60%, 65% passive versus active, and all that means is so much capital is in indexes that are not thinking, they're just owning things. And When that happens, the indexes become, can become more and more gameable. And you're seeing this on S&P 500 inclusion.

Stocks like Lululemon come into the S&P 500. Everybody, the, the in the know crowd knows this and they buy it up ahead of time. It's so the same thing with these IPOs. The billionaire investors on the West Coast, the venture capital people, they have-- think of SpaceX, right?

\$30 billion valuation in 2019, 30 billion to now 1.8 trillion when it comes public. And so when they come public and they are accelerating these I- IPOs into the indexes like you saw with the Nasdaq, the S&P, it's gonna be over the next year. So passive investors are the bag holders up against really, billionaire investors that have been in these IPOs for d- a decade now and maturing.

In the old days, Microsoft came public at less than a billion dollars, right? Facebook came public at 100 billion, right? And now companies are coming public at 1.8 trillion. It's a colossal failure of common sense. They're gonna destroy indexing, okay? Because there should be rules against this, but the rules are being bent in favor of letting the billionaires dump stock in the hands of retail.

Erik: That sure feels like what's going on. Let's move on to page 21. What's Intuitive Surgical?

Larry: So last week, Eric, we hosted a private call with a billionaire family office, and what I try to do is I do these cage matches where I get a good bull and a good bear in the room, in a Zoom room, and I call them the cage matches.

And guess what? They fight to the death. It's absolutely hilarious, but you learn so much. And think about healthcare, everything we talked about five minutes ago with everyone's long momentum been selling down healthcare. Look at Intuitive Surgical. And then when you talk to people in the family office space that are in artificial intelligence medical sector, right?

So billionaire family office, they've got the-- They're on the front row seat. The intelligence that they have relative to most investors in that sector is off the charts. And they made the point to me that they love the Surgicals of the world, the Baxters, because guess what? Just think of Intuitive.

They have the best data. The best data. It's-- Think of Tesla ten, twenty years ago or t-ten years ago, what they've done with the data on the road. It's every road system in the world now, all that data is in the hands of Tesla, right? Same thing with Intuitive Surgical. Doctors today with robotics can operate on patients in other countries.

And the data in the future of artificial intelligence, the big beneficiaries are companies like Intuitive that have that incredibly valuable data. I think, and I'm hearing this from the, like I said, the top family offices in the AI medical field, these stocks are unloved, underowned, everyone's in the chips.

And if you buy Intuitive Surgical now on the two hundred week moving average, to us that's a really screaming buy because over the next ten years, five years, the data and the artificial intelligence that's gonna take that data, it's gonna turn Intuitive Surgical into a absolute profit beast.

Erik: What's tourmaline oil on page twenty-two?

Larry: Okay, that's our last idea. So another family office that we spoke to last week... we have a Bloomberg chat with hedge funds, mutual funds, and pension funds, and we do these ideas dinners in New York. Next week we're gonna be in Toronto and Montreal. And so the last ten days we got some of these big oil hedge funds, mutual funds, and pension funds in a room and we had a about trapped gas.

This is the next artificial intelligence play. So think about this. There's supposed to be 800 to 1,000 data centers built over the next five years in and around the world. Five trillion of spending, right? Some of those data centers are in the wrong places, what we call NIMBY, not my backyard, right?

And so you're seeing some political pushback around the country for data centers that are in the wrong places. Guess what? There are companies like Tourmaline in Canada that have gas. It's trapped. It's difficult to get to. Over the next five, ten years, all of this trapped gas in Canada, and especially in Texas, is gonna be harnessed and extremely valuable because you're gonna be able to take those data centers and move them in and create a, like a private turbine near that natural gas and really harness that cheap, relatively worthless natural gas because it's trapped.

And so you're taking trapped gas, and you're making it available to data centers. And Tourmaline's in discussion with hyperscalers right now. I think this is one of the best trades over the next five, ten years. Plus the political backdrop. Carney in Canada relative to is far less hostile to this investment philosophy.

And The last thing is with the war, the-- one of the points that the big hedge funds have been making to us in the chat, this war in Iraq and the Strait of Hormuz and LNG, what it's doing is it's making US natural gas and Canadian natural gas much more valuable. Because if you're a global buyer of L-LNG and your g- and your gas has been trapped in the Middle East, you're burnt, you're not happy.

And it's almost like America, attacked Iran, but what they've actually done is they've increased the value of US and Canadian gas assets. I don't know if that was intentional, but think about the buyers of natural gas globally, of LNG, the- - it's gonna benefit Tourmaline and US natural gas exporters dramatically over the next five, 10 years.

I think you're... I think Tourmaline, your downside's 15, 20%, your upside's 200%.

Erik: I wanna move on now to your final slide in the deck, slide 23, which is the Sprott Physical Uranium Trust. I'm gonna ask you to expand this topic a little bit more to also include the uranium miners, if we could talk about that as well, 'cause I've gotta tell you, I need some help listening when markets speak, and I-I'll tell you exactly why.

I couldn't possibly be more long-term bullish on uranium and uranium miners because I think the nuclear news flow couldn't possibly be better. Even before you consider all these SMRs and advanced reactors and all that stuff, we already had a uranium deficit on the horizon that just to run the reactors that are already in place that haven't been built yet.

So I just can't think of any reason not to be bullish long term, except for one thing, which is this is a famously high retail participation, high volatility sector. Not so much the Sprott Uranium Trust, but the miners are a really high volatility, high retail participation sector. And if what we just talked about a few minutes ago about the momentum stocks maybe being right on the precipice of a big sell-off, if we get a broad market risk event, if this Iran war gets worse and it, leads to a bunch of negative events in the market I can't imagine the uranium miners not getting slammed by that.

What do you do in a situation like that? I could be s-super bullish on one hand, but I'm really concerned about what could happen in the market next.

Larry: So what I've been thinking about, at The Bear Trap Report, we go back and forth between the uranium commodity And the companies, the Camecos of the world, the NexGens the Denison Mines.

And what I try to do is when the market-- when I don't like the market short term in terms of Strait of Hormuz, in terms of all kinds of things coming at us with inflation, like you said, Eric, high beta sectors get hammered much more than the commodity or in general. So it's-- Uranium, gold miners, they're a very high beta sector.

But what's interesting with uranium now, the SRUUF, it's down 5% year to date, almost 6, but Cameco's up 4% still. So the underperformance of the commodity gets me excited right now, and I think I wanna buy the URNM or the NUKZ, which is the ETFs that own these companies. I wanna buy them on a little bit more pain like we had last April, May of 2025 with the trade war.

You look at the drawdowns, like you s- just like you nailed it, Eric. These companies really are susceptible to market volatility. And so you wanna be in

the commodity if you expect volatility ahead, and then you wanna rotate into the miners during that big kind of huge drawdown in the market. So we hosted a call two weeks ago with a famous family office in the uranium space, and he made a couple great points.

First of all, he completely agrees with you around the 2027, '28 deficits. And but I think the sexiest part of his story is supply and demand. And it's p- the point that he made to me, and I'm hearing this from some of the most sophisticated investors in the world, and that is on the supply side, the NexGens, the Camecos, the Denisons, they tend to overpromise on production.

And so For example, that NexGen mine that's supposed to come on in later this decade. A lot of the people, a lot of the family offices that are close to the uranium space think that they're probably exaggerating by a year or two. And so you have a supply problem because of, bec-because of the kind of over-exaggeration of production in the years to come.

So that-that's where the supply s- problem is. On the demand side, it's so obvious with what we're doing in the United States, we need the, we need to build... the United States, this is a real s- this is a real national security problem, and so we're gonna really ramp up nuclear power the next two, three years in terms of nuclear power plants.

It's gonna take a while, right? And around the world, countries are more friendly now. The Germanys of the world, the Japans of the world. So you have this increase of demand that's coming at us. You got a shortness of supply, the amount, the about of time that it's gonna take NexGen to get that facility up and running, and then you have the big brain drain.

So if you think of brain drain, think of Saskatchewan, and think of like uranium assets around the world. They're hard to get to. There's environmental regulations, and a lot of the talent has moved into Bitcoin mining, for example. Like a lot of times what happens in bear markets is that the bear markets over five or 10 years that are really grueling, nasty bear markets, they actually, you see the best engineers, the best intelligence, the best brainpower, kinda leaves the sector for other hot parts of the markets around the world, whether it be artificial intelligence or whether it be Bitcoin mining.

And so to me, that's a really sexy part of the story. And so that's once again, that's a supply issue. So we're looking at two thousand and twenty-seven, twenty-eight, twenty-nine with a massive supply-demand problem. So SRUUF, we sold some in our trade alerts in the first quarter on that kind of move up.

We're buying, we've been buying down here and, I really see a beautiful outlook over the next two, three years. And guess what? The most important part of this story It's the contract buyers. The contract buyers, the major utilities, they've been sitting on their hands the last decade because once again, the bear market conditioned them to really not panic buy on uranium.

But when you talk to people on the front lines, the big family offices that are close and really on the front lines, boots on the ground type people, they see the contract buyers really starting to get nervous behind the scenes. You're gonna see the ramp up in purchases. In other words, uranium's not a spot market like in the commodity market.

There's no futures. So these contract buyers are really gonna have to step up the next 12 to 18 months because they see the supply and demand problem. So the risk reward in uranium now is absolutely one of the most attractive entry points for the commodity that I've ever seen.

Erik: But your take on it is invest in the commodity now, rotate into the miners only after the pain that hasn't quite happened yet.

Larry: And that's what we saw last year with the trade war. It was just absolutely ridiculous. The sector was viciously for sale. Same thing in the summer of 2024 with the Japanese yen crisis, the carry trade blowup.

In both instances the commodity, I'm sorry I should say the producers on the uranium side were down like 30, 40%, 45% in a short, very short order. 'Cause once again, like you said, retail tourists, some weak hands at the table, and all that means is m- imagine you're playing a poker game.

Somebody does a big raise, and that's like the same thing as a big shock in the market. A shock in the market knocks a lot of the tourists back on the bus, and they leave and go home. They take their ball and go home.

Erik: Larry, I can't thank you enough for another terrific interview. Before I let you go, let's just touch on what you do at The Bear Traps Report for our institutional audience.

You're also a bestselling author of a- what I think is the best title for a finance book ever conceived, which is How to Listen When Markets Speak.

Larry: I'm really proud of Eric. I can't believe that we have a two books with now about a million copies sold, over a million copies with *The Colossal Failure of Common Sense* and *How to Listen When Markets Speak*.

I'm so grateful to you and all of our supporters around the world. It's info@thebeartrapsreport.com. What we do for Macro Voices audience is we give people discounts because once again, it's an institutional platform where we share information, democratize information, but we wanna make it affordable for the smaller investor as well.

Erik: And that's at beartrapsreport.com. Patrick Ceresna and I will be back as Macro Voices continues right here at macrovoices.com.