



An SEC-registered Investment Advisor



ALHAMBRA
INVESTMENTS

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Elasticity

But What Is the Currency?

(Eurodollar University)



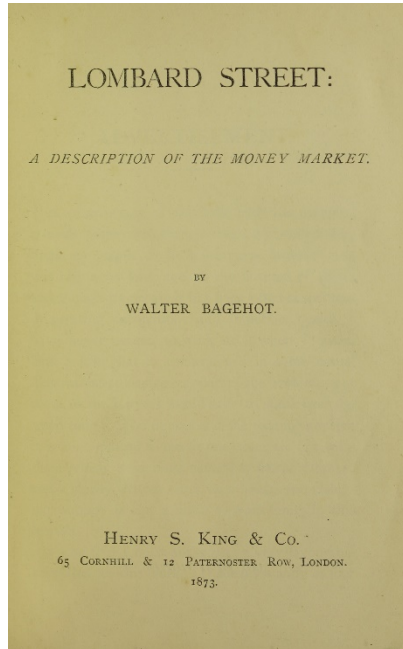


Widely Perceived	Eurodollar System
Central bank is central	Credit-based OFFSHORE system
Money multiplier, deposit-based	Reserve-less, currency-less ledger money
Traditional reserve pyramid	Wholesale, interbank; dynamic bank liabilities
Individual economies are closed systems	Globalized economy intricately linked
Gold Exchange (BW) replaced by US\$	Gold Exchange (BW) replaced by Euro\$
Bretton Woods ended in 1971	Transition to eurodollar-based system 1950's and 1960's

At Times Like These



In opposition to what might be at first sight supposed, the best way for the bank or banks who have the custody of the bank reserve to deal with a drain arising from internal discredit, **is to lend freely. The first instinct of everyone is the contrary.** There being a large demand on a fund which you want to preserve, the most obvious way to preserve it is to hoard it—to get in as much as you can, and to let nothing go out which you can help. But every banker knows that this is not the way to diminish discredit. This discredit means, 'an opinion that you have not got any money,' and to dissipate that opinion, you must, if possible, **show that you have money: you must employ it for the public benefit in order that the public may know that you have it.** The time for economy and for accumulation is before. A good banker will have accumulated in ordinary times the reserve he is to make use of in extraordinary times.



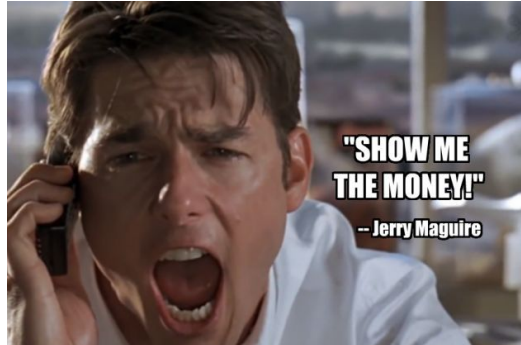
Walter Bagehot

Lombard Street: A Description of the Money Market
Chapter II: A General View of Lombard Street; Section 2
1873

At Times Like These



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"SHOW ME
THE MONEY!"
— Jerry Maguire

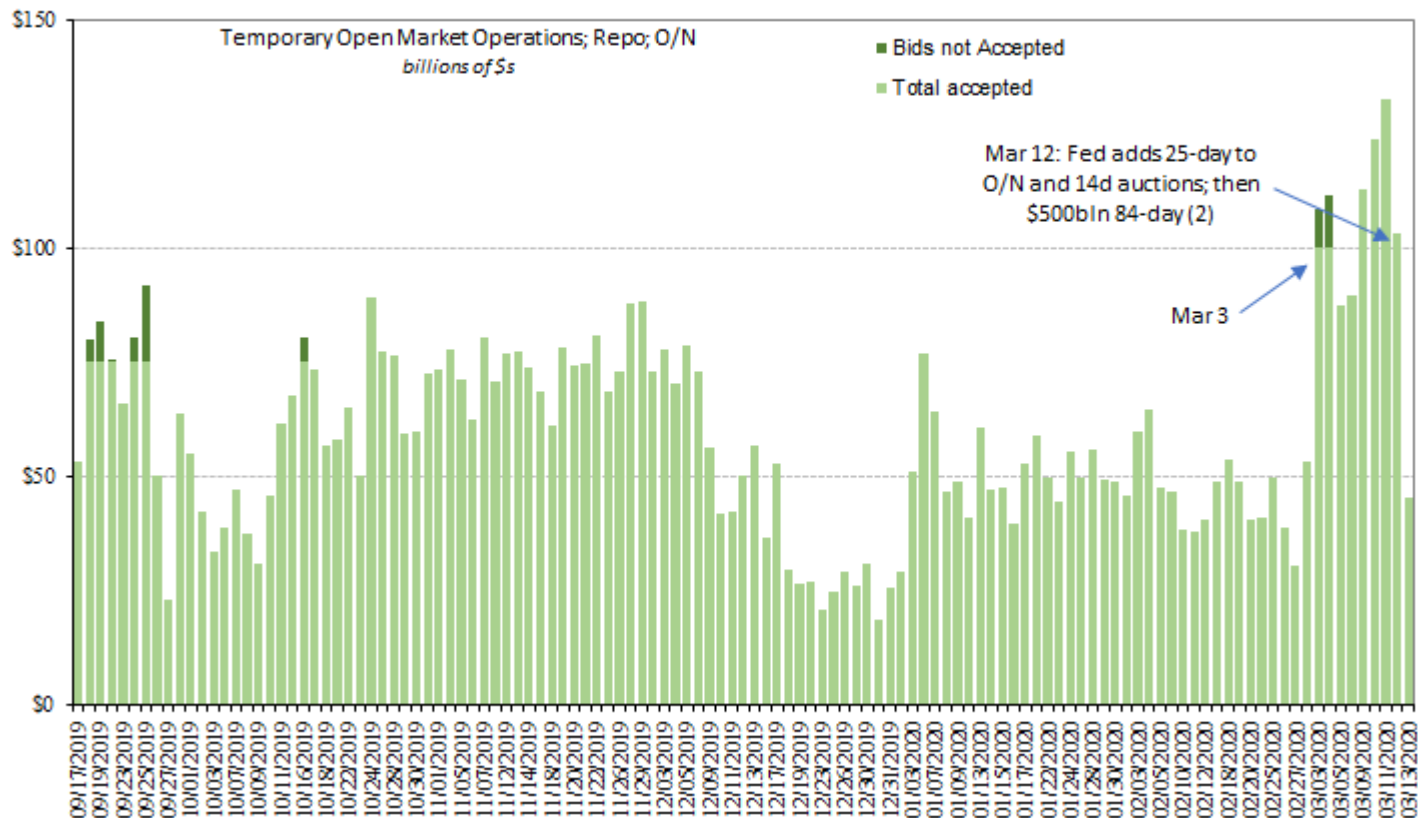


Walter Bagehot

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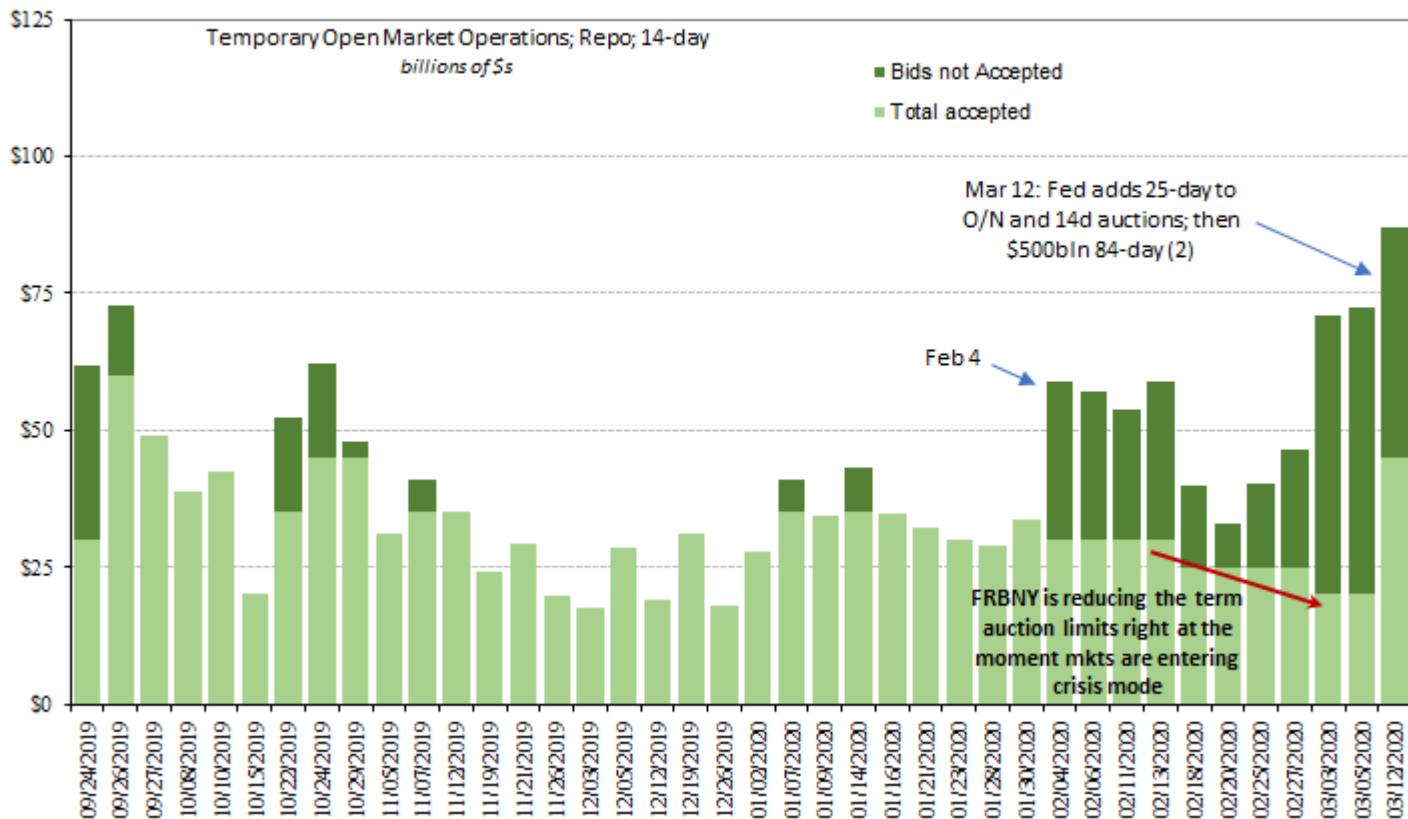


Fed Balance Sheet: TOMO



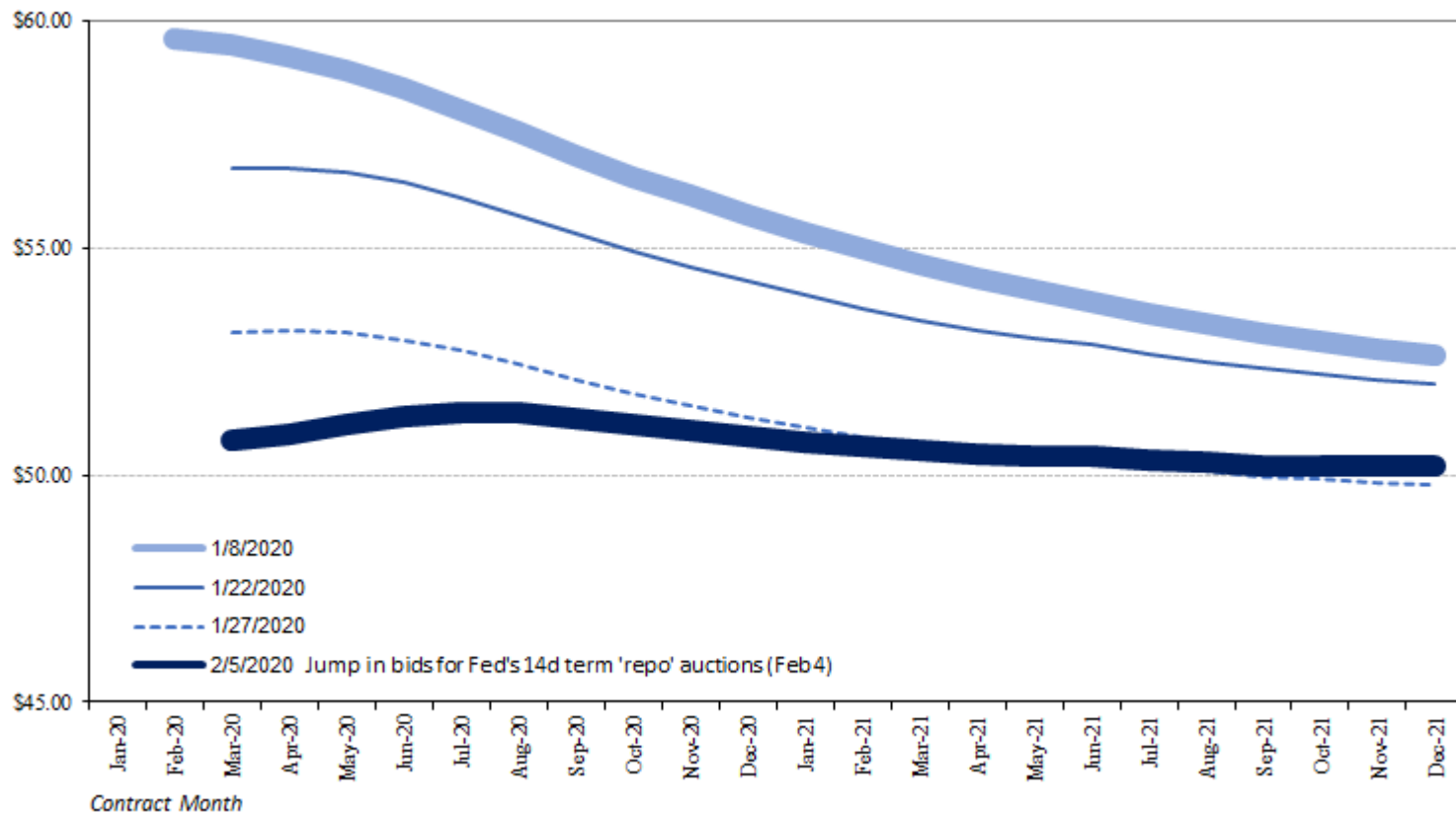


Fed Balance Sheet: TOMO



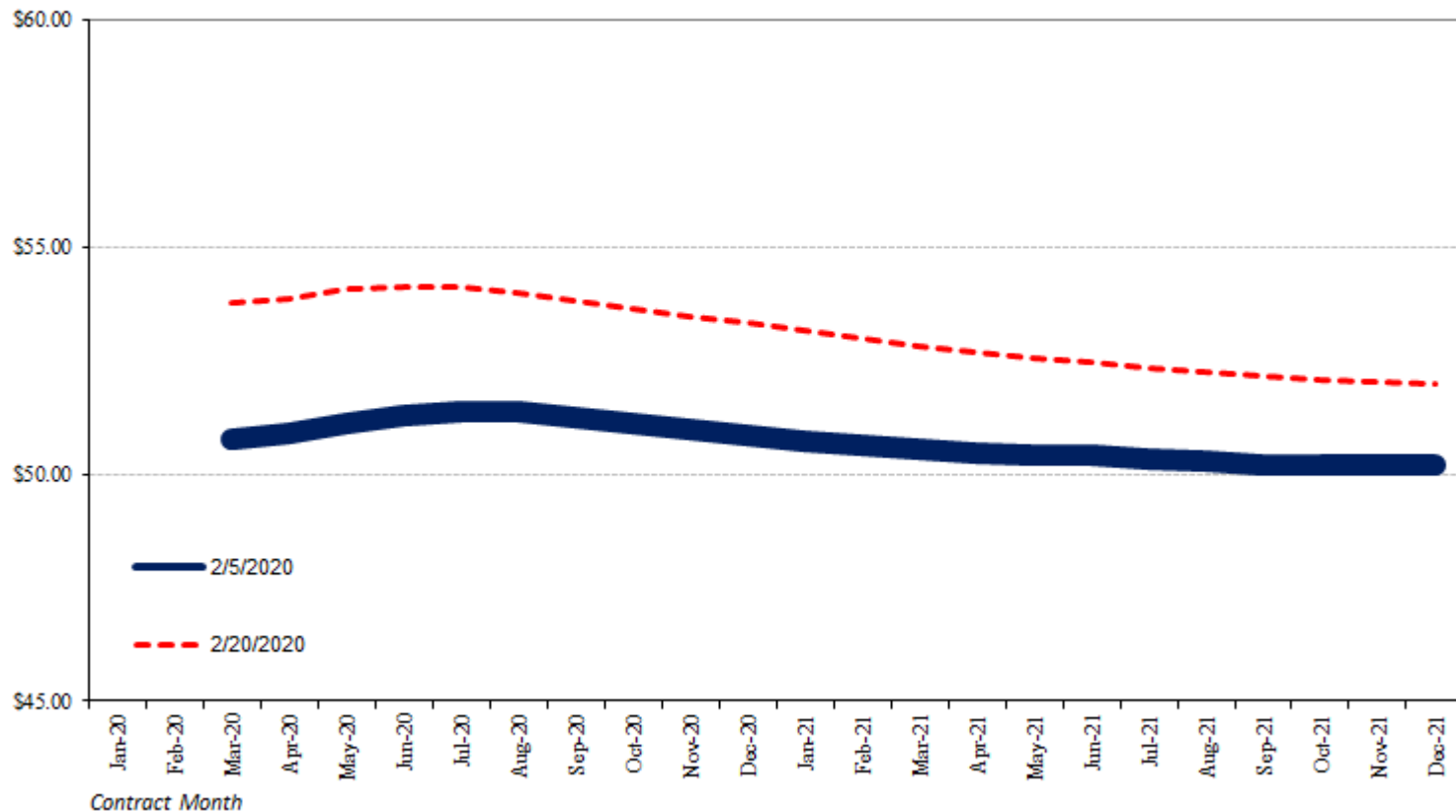


NYMEX WTI Futures



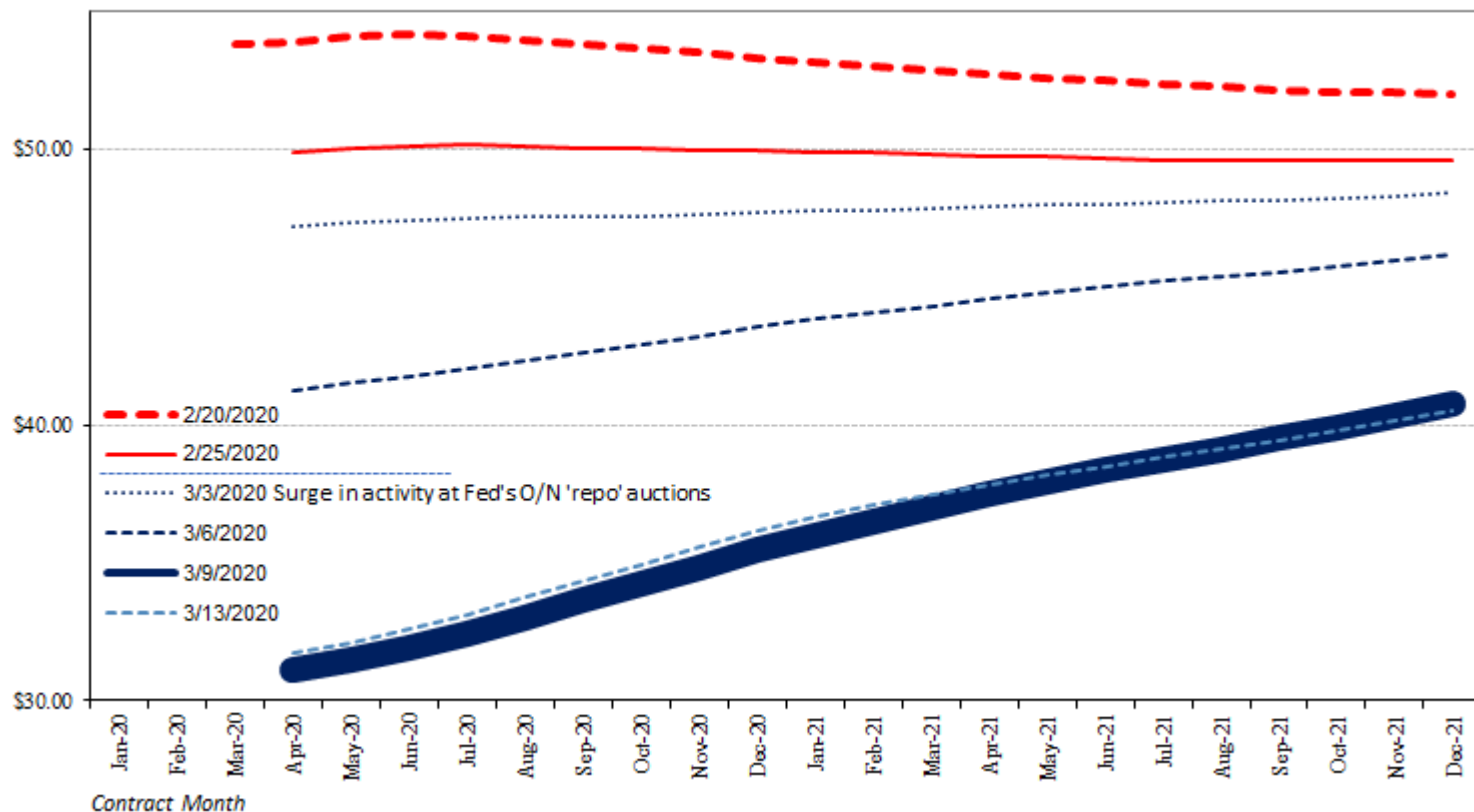


NYMEX WTI Futures





NYMEX WTI Futures



At Times Like These

“ **Over the last week, something clearly snapped.** More than the plunge in stock prices, the curve has morphed into the same kind of shape it did back in October/November 2018 – the first warnings of the impending landmine. Instead of backwardation past some minor initial contango, it’s now contango the whole way.

It may be that the reappearance of contango ultimately proves to be nothing more than a transitory factor that the market will sort out in good time. Then again, it might be like the summer of 2014, **the first big step toward ugly.**

Contango is term oil. **The comeback of contango right now, at this critical juncture, is turmoil.**

Alhambra Investments Research

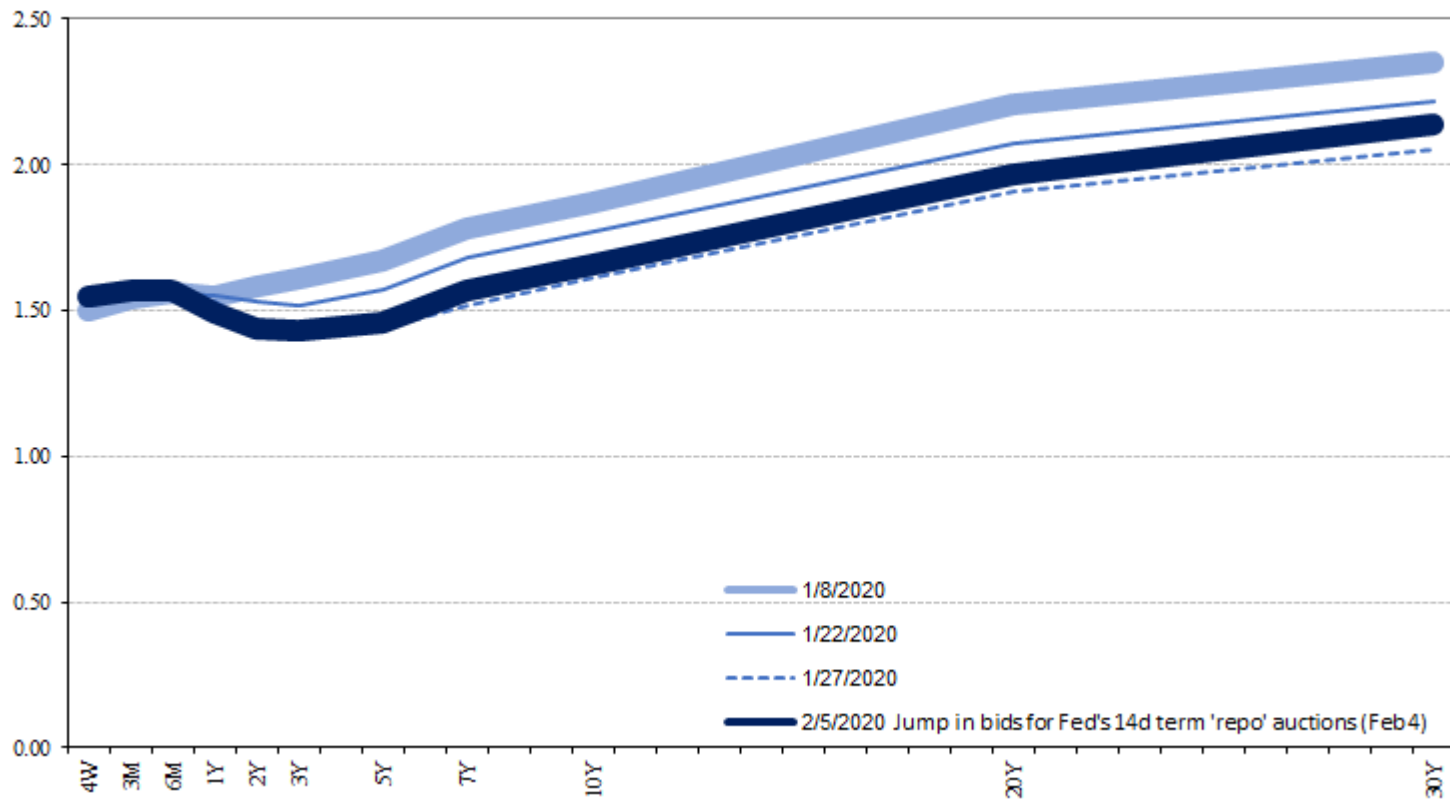
The Black Curve

February 27, 2020



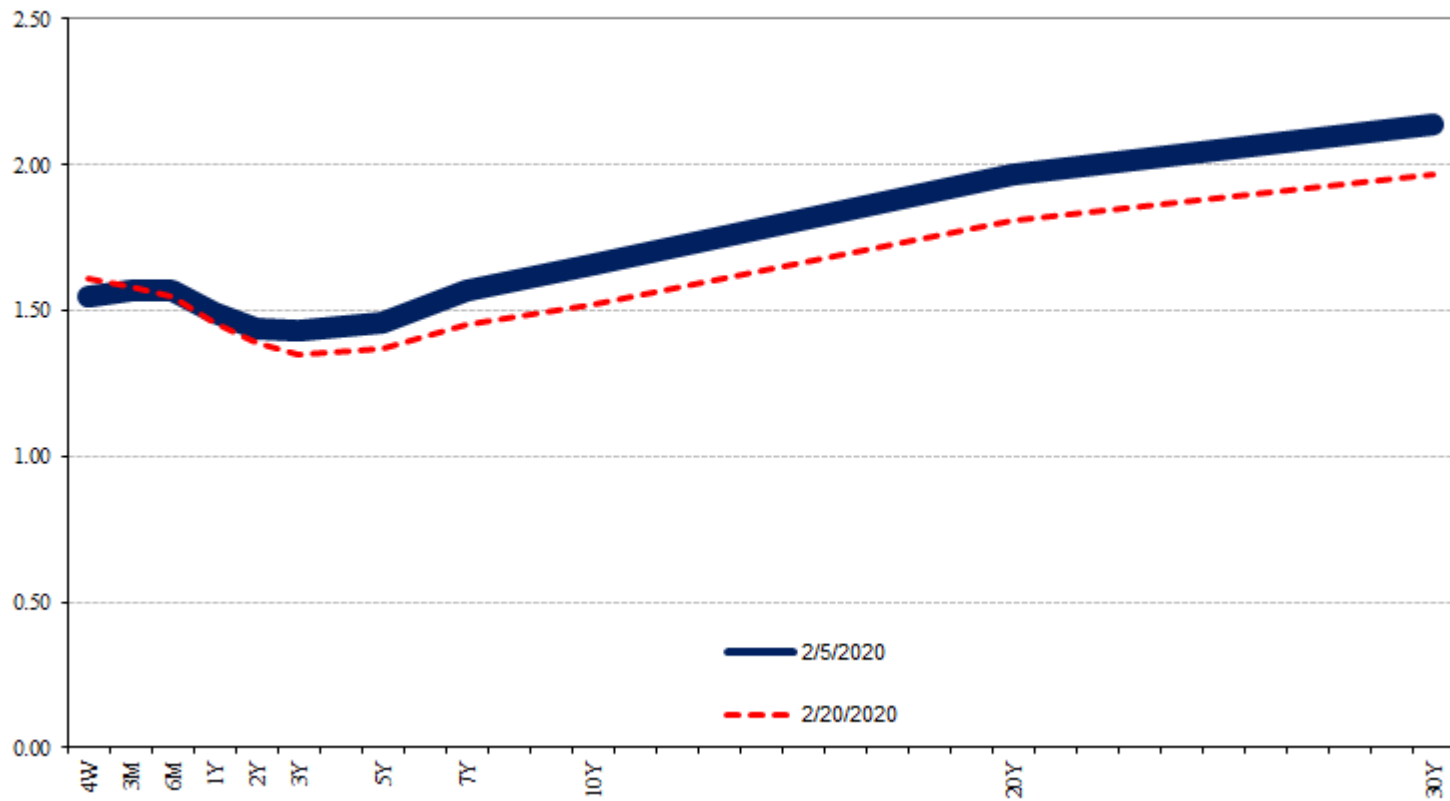


US Treasury Yield Curve



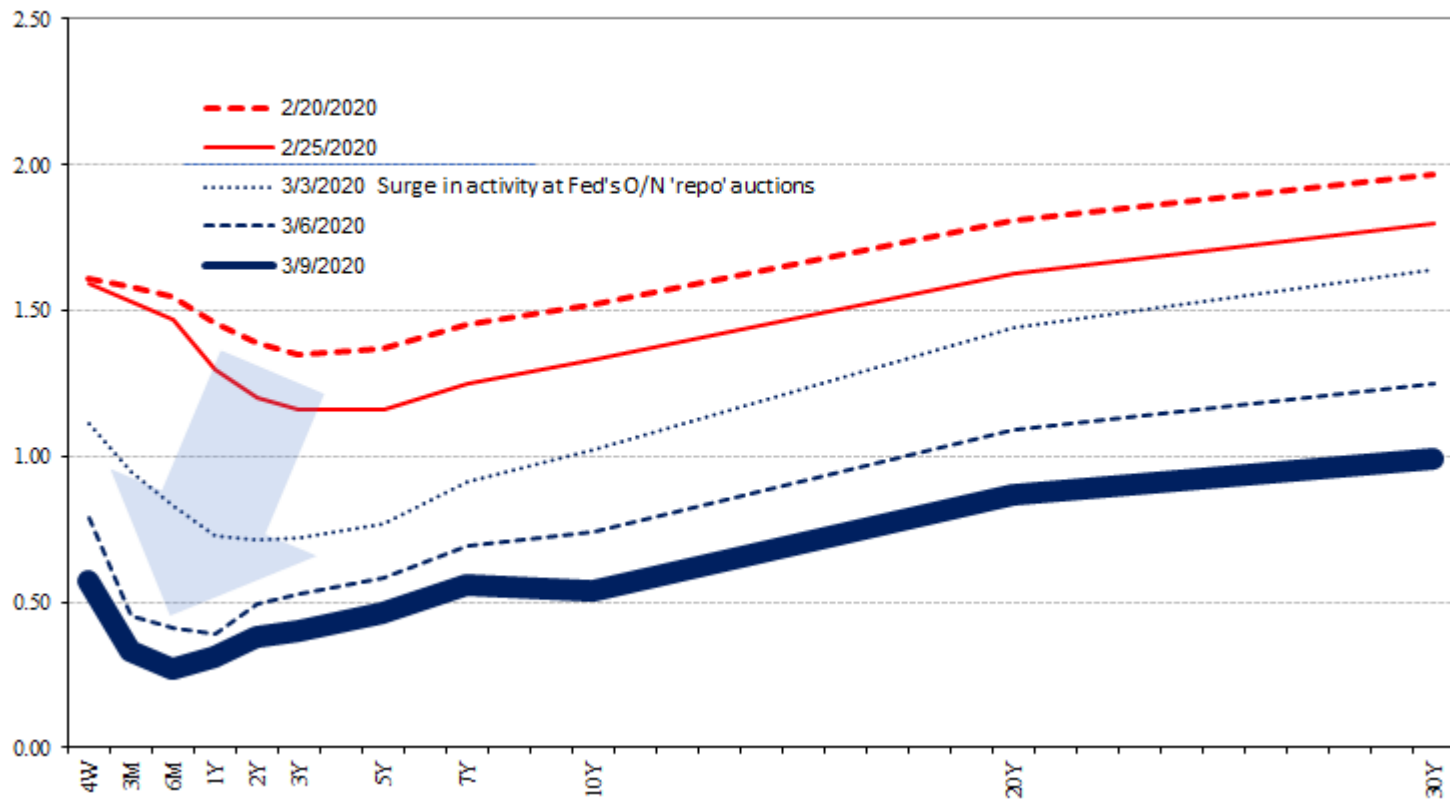


US Treasury Yield Curve



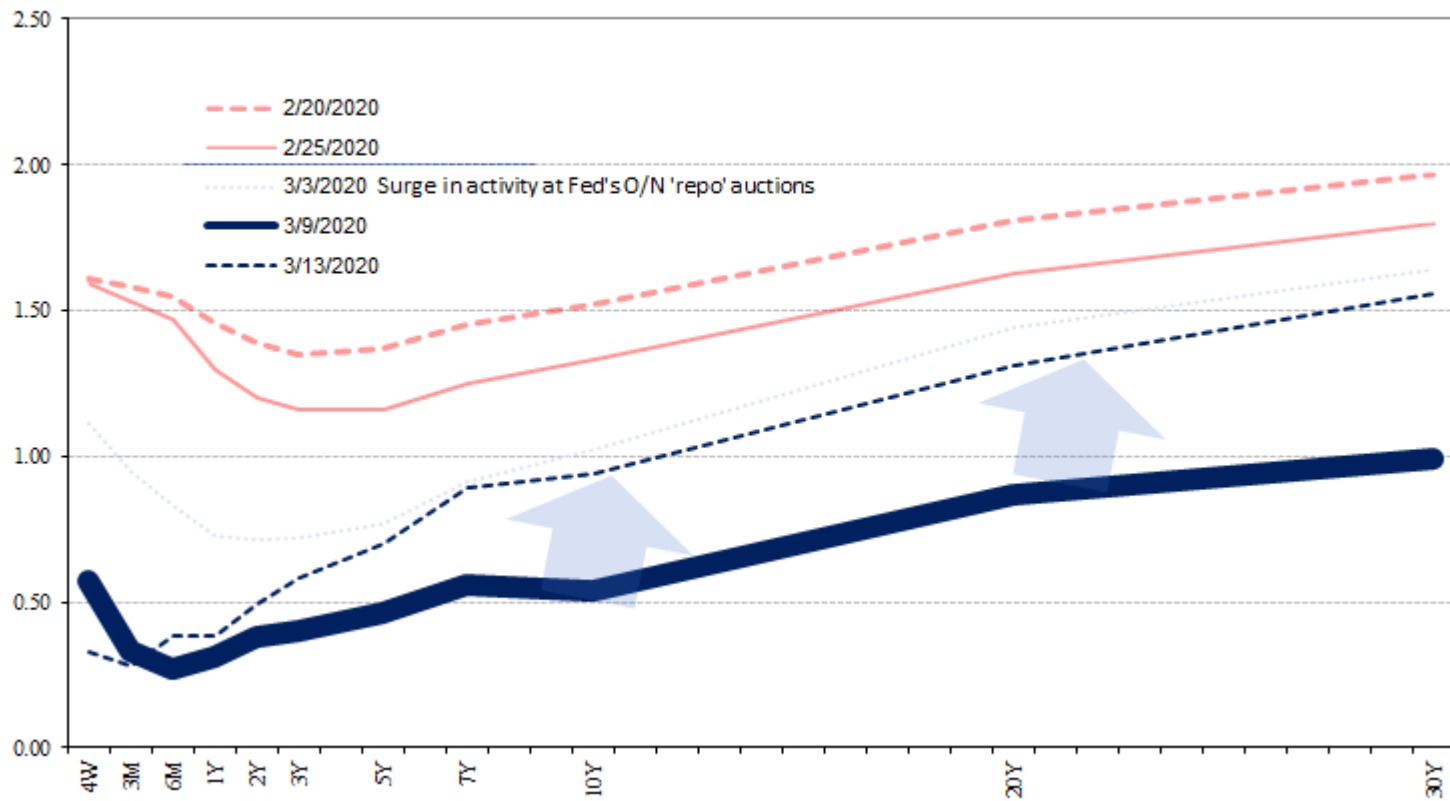


US Treasury Yield Curve



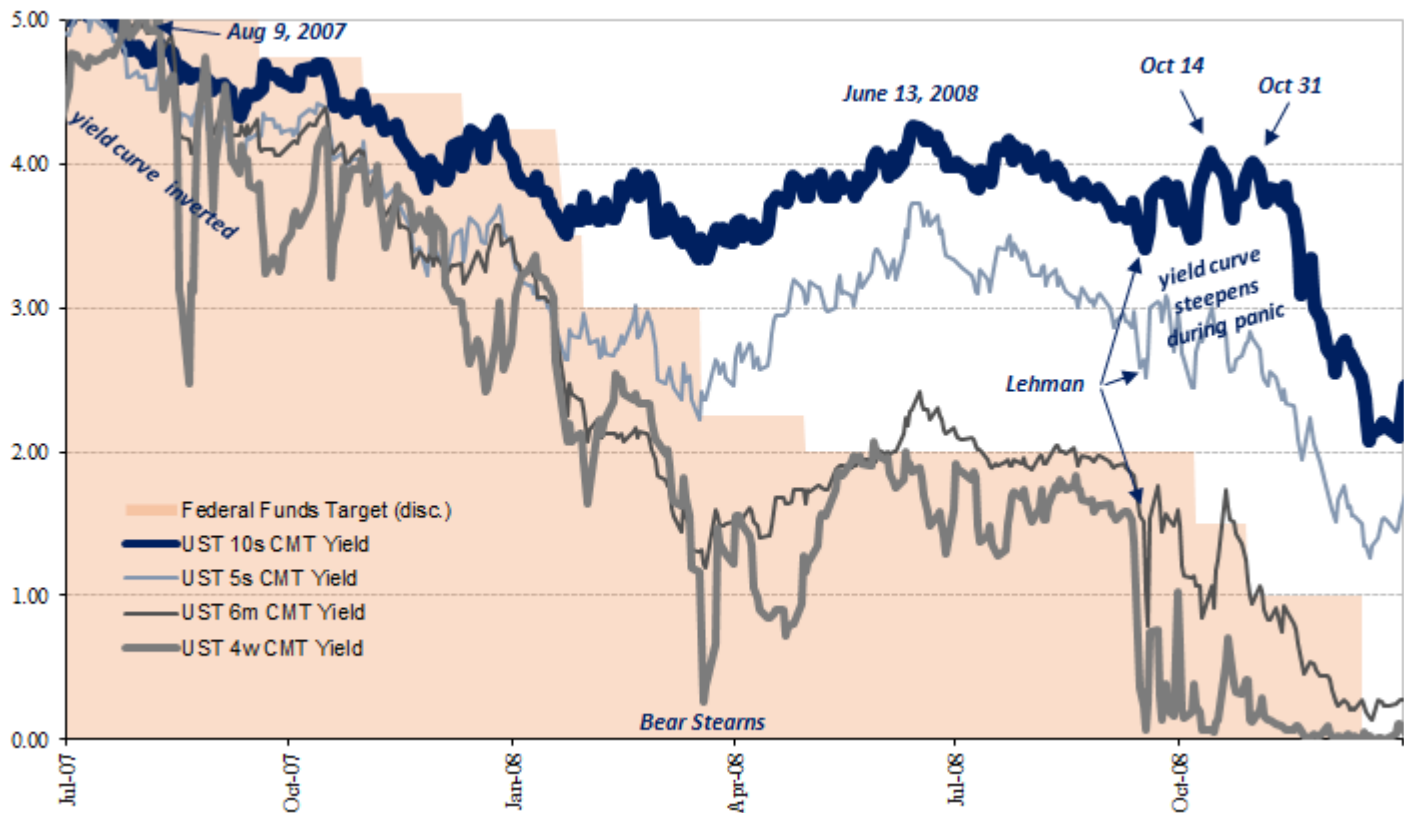


US Treasury Yield Curve



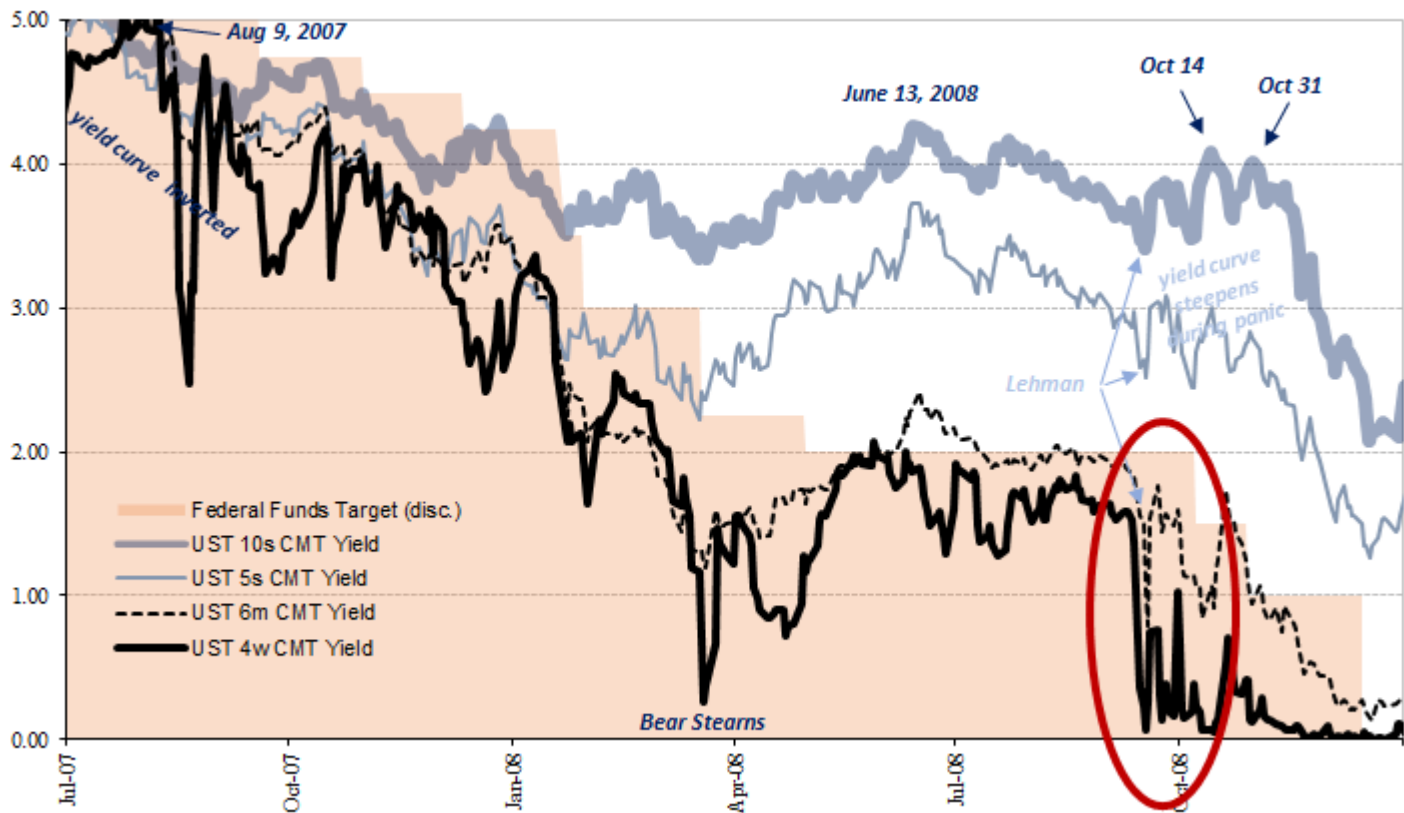


US Treasury Yield Curve



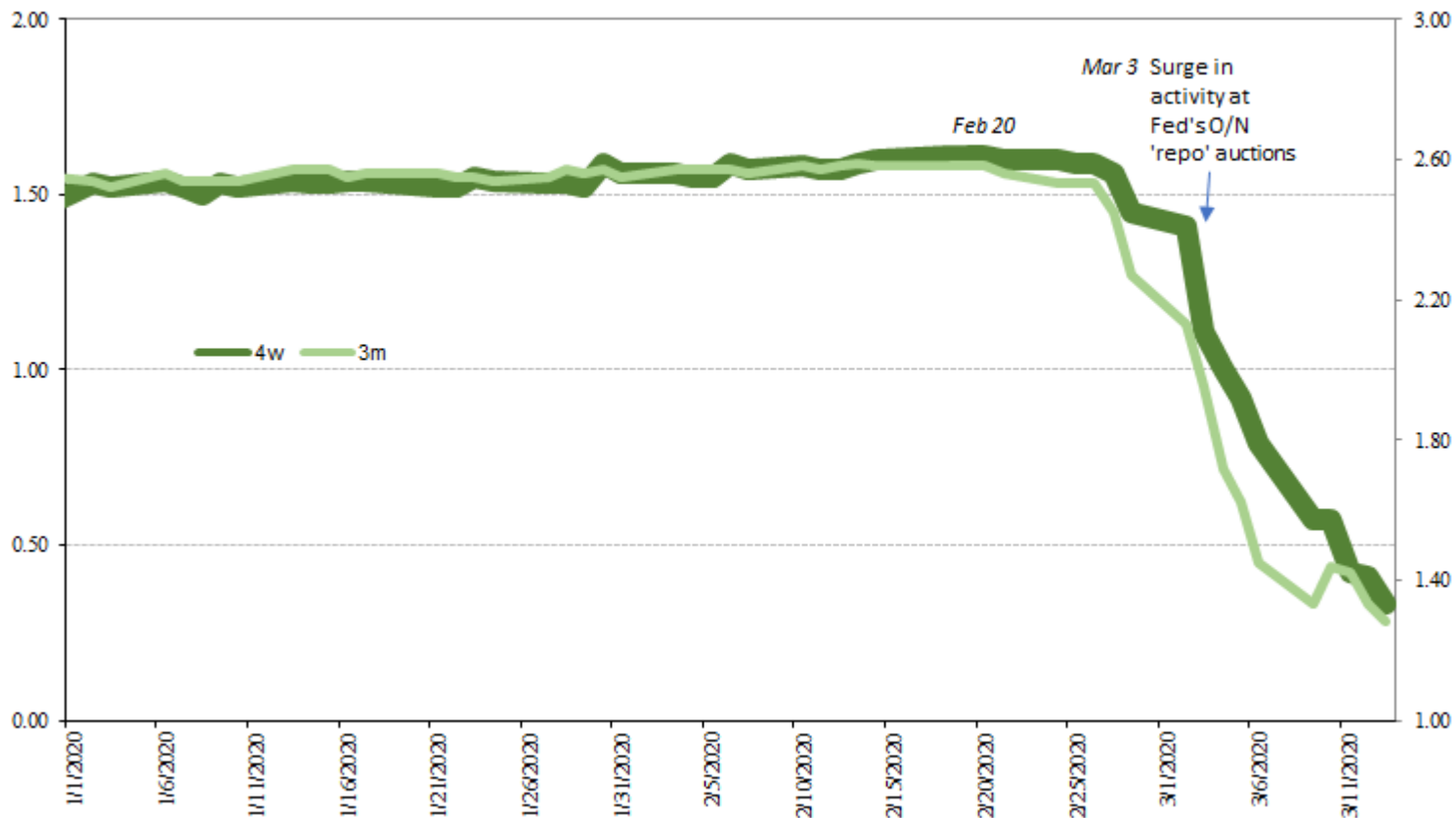


US Treasury Yield Curve



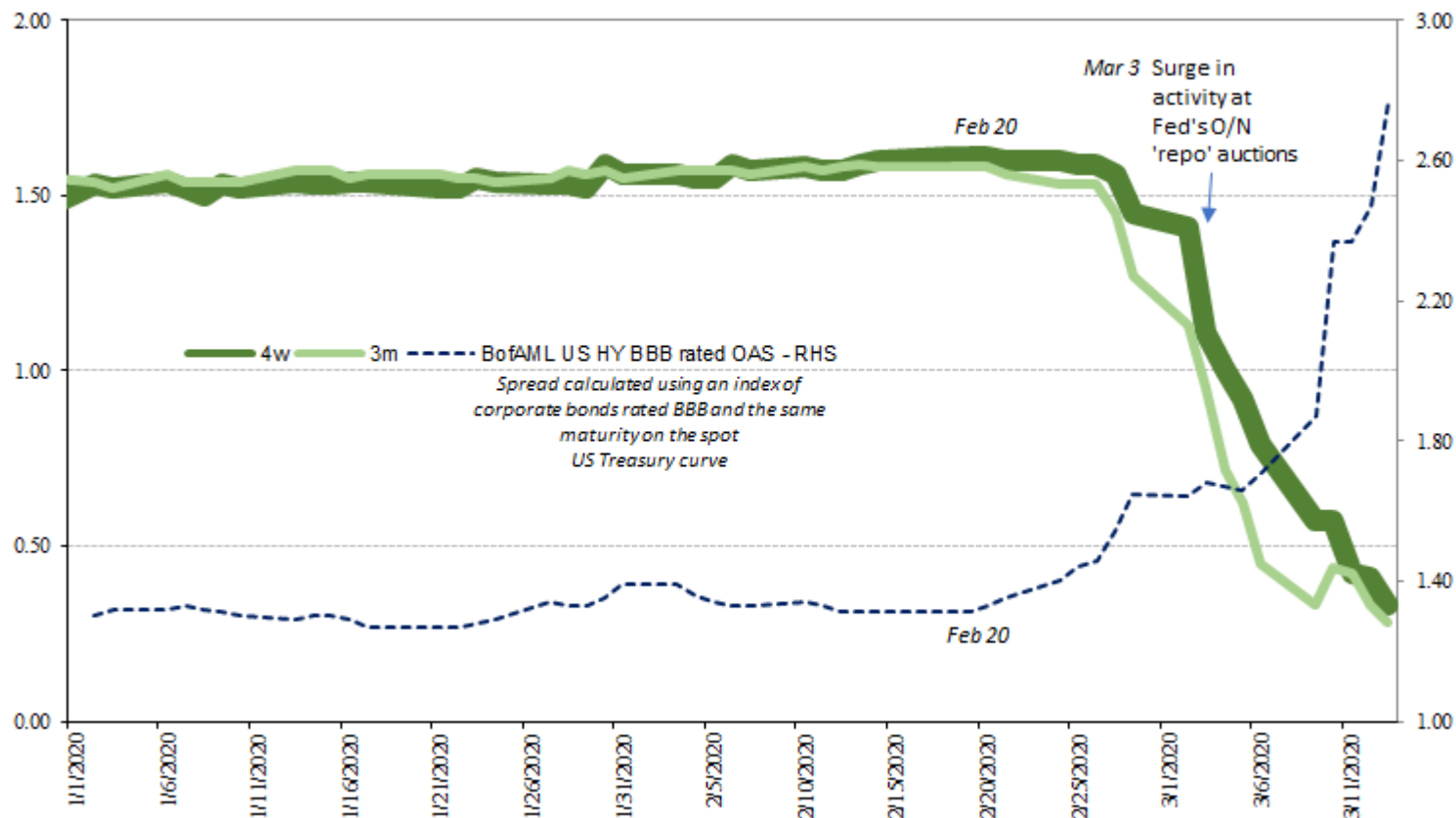


US Treasury Yield Curve (bills)



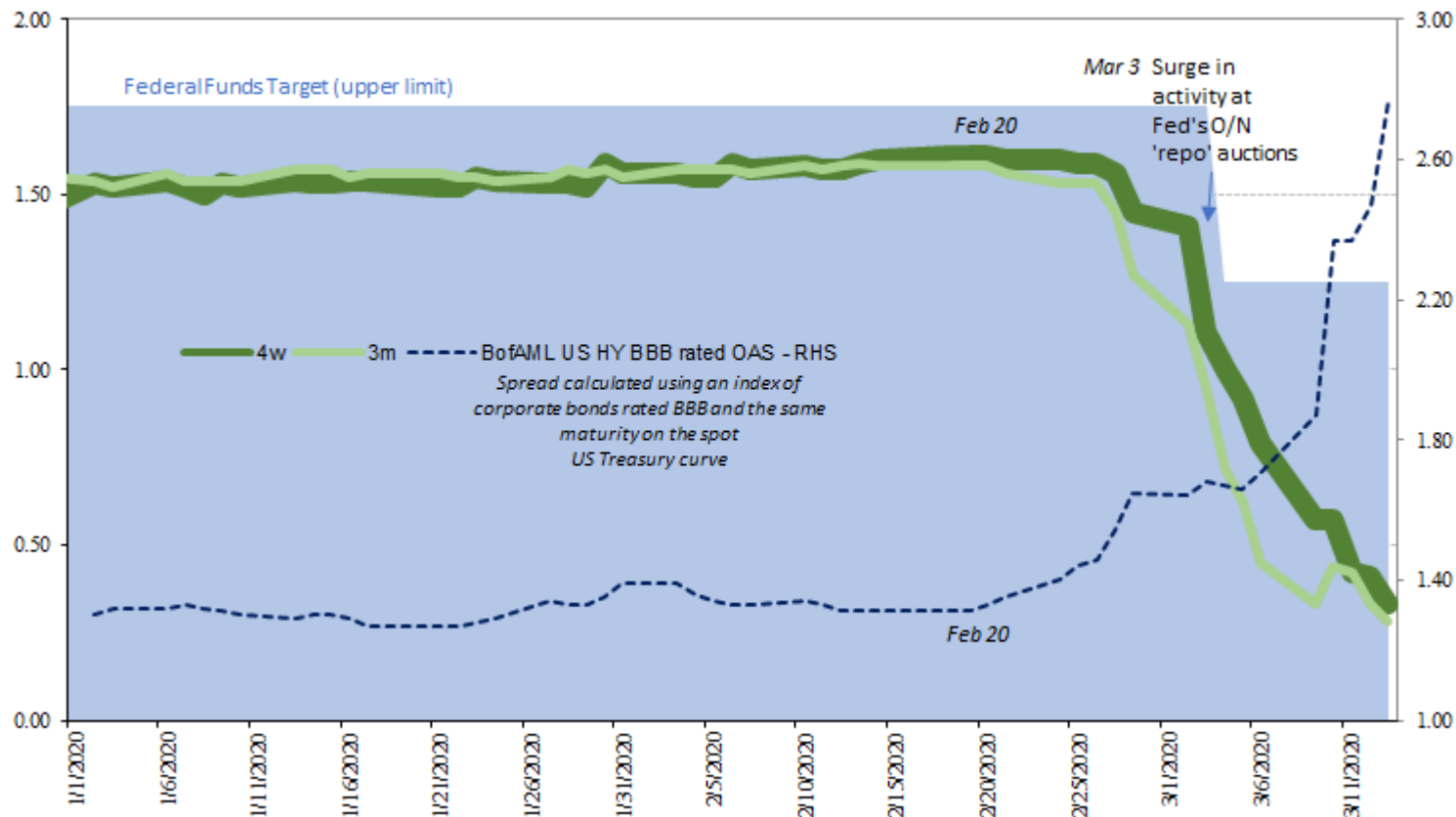


US Treasury Yield Curve (bills)





US Treasury Yield Curve (bills)





Gold Apr 20 (GCJ20.CMX) ☆
COMEX - COMEX Delayed Price. Currency in USD
1,589.30 -53.00 (-3.23%)
As of 9:52AM EDT. Market open.

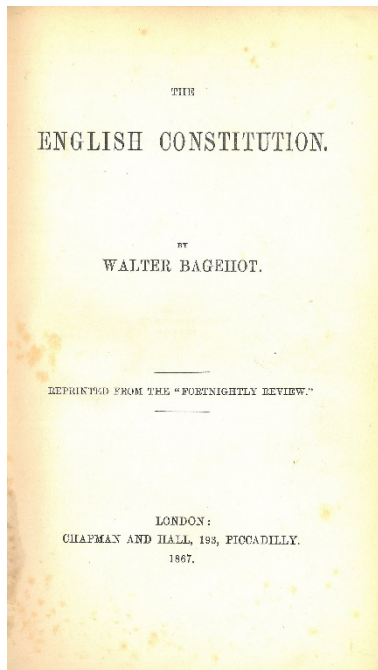
MARCH 12, 2020



At Times Like These



It is an inevitable defect, that **bureaucrats will care more for routine than for results**; or, as Burke put it, “that they will think the substance of business not to be much more important than the forms of it.” Their whole education and all the habit of their lives make them do so. They are brought young into the particular part of the public service to which they are attached; **they are occupied for years** in learning its forms — afterwards, for years too, **in applying these forms to trifling matters.**



Walter Bagehot

The English Constitution

Chapter V: On Changes of Ministry

1867

At Times Like These

“ Men of business in England do not like the currency question. They are perplexed to define accurately what money is: how to count they know, but **what** to count **they do not know**.



Walter Bagehot

*The General Aspect of the Banking Question
a letter to the editor of The Economist
1857*



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CONCLUDED

