Big time hedge fund money is eyeing Greece. After plunging 99% in the last few years, Greek bank stocks have an enticing upside as Greece tries to recover from its deep depression.
“You can’t get much more bombed out than Greece.”

So says money manager Mark Yusko, host of Real Vision’s new film Tragedy to Triumph? – Greek Banks.

In the film, Yusko and other prominent money managers (like Kyle Bass, Mark Hart) tackle a key question that’s been debated in hedge fund board rooms around the world:

Are Greek bank stocks – down 99% in the last few years – a good investment play today?

As we all know, the 2008 financial crisis and the European sovereign debt crisis disrupted the entire global economy. But no country was devastated as badly as Greece. The Greek economy plunged into a horrific depression that it only just appears to be emerging from.

Peak to trough, its economy shrunk 30%, and its stock market dropped 90%+. Unemployment shot above 30%, and youth unemployment surged above 60%. By many measures, it was the worst depression ever for a developed country.

In the investment markets, major dislocations often lead to big profit opportunities. “Anytime a market is down 90%, you have to start looking at it,” says Yusko.

That’s why we’re talking about Greece. In today’s world where many stock and bond prices remain near record highs, bargains are a rare thing. Rarer still are opportunities to buy a dollar worth of assets for a nickel or less. We may have that opportunity in Greek bank stocks today.

Calling the Greek banking sector “bombed out” is an understatement. “Decimated” or “obliterated” are more accurate. In late 2007, the stock price of the National Bank of Greece hit a high of $207. By 2016 it had sunk to $0.20. That’s a 99.9% loss that would have turned a $1,000 investment into less than a dollar.

Keep in mind, these are not what you’d typically think of as risky “penny stocks.” They are not speculative biotechs or junior gold miners that are expected to swing wildly in price. These are the biggest, most important banks in an advanced country that’s a member of the European Union.

No economy can function without banks. If Greece is going to recover, its banks will need to recover.

For that reason, buying beaten down Greek bank stocks is a high-upside way to bet on a Greek recovery.

Let’s quickly rewind to understand why Greece has been so slow to recover from its financial crisis.

Many economists agree that Greece has been screwed over by the euro currency system. Recall that Greece uses the euro, and therefore does not make its own monetary policy decisions.

Instead, it is at the mercy of decisions made by the European Central Bank. The ECB is heavily influenced by stronger members like Germany and France, and therefore does not necessarily act in the best interests of Greece.

This arrangement has led hedge fund manager Kyle Bass to call Greece a “prisoner of the Eurozone.”
In *Tragedy to Triumph*, Bass explained:

“If they had the ability to devalue their currency and make the adjustment the “easy” way, their currency would have devalued 60% or 70%. They would have become competitive again, they would have restructured their banks, and they’d already be off to the races.”

In reality, it’s taken 8 years for Greece to begin to recover. Finally, in late 2017, things seem headed in the right direction. For the first time in a long time, Greek industrial production, real estate prices, and new vehicle registrations are all trending up.

And after years of bailout negotiations, the Greek economy is growing again. GDP growth of 1.0% - 1.5% is expected this year. While not spectacular, this is a substantial improvement; Greece’s economy had shrunk in 12 of the last 22 quarters. So, the return of stable growth is a very big deal.

Meanwhile, the Greek stock market has staged a nice rally. From a trough of about 450, it has climbed to around 710, good for a 58% gain. To reach its previous high of around 6,350, it would need to rise approximately 800% from today’s levels.

Of course, this cannot happen overnight. But there’s one crucial factor that has many big hedge funds betting on a Greek recovery: China.

Greece occupies a critically important part of the world. It is located near where Africa, Asia, and Europe come together. This is why Chinese officials call Greece the “gateway to Europe.”

This is no small thing. China is engaged in the largest infrastructure build-out in history, known as the “One Belt, One Road” initiative. It’s an ambitious plan to modernize infrastructure to link East Asia, the Middle East, and Eastern Europe.

One Belt, One Road is expected to stretch all the way into the ports and rail systems of Greece. In other words, Chinese investment could bring an infrastructure boom in Greece.

Indeed, Chinese money is already flowing into Greece. Much of it has poured into infrastructure in the Port of Piraeus, a major point of entry of Chinese goods into the Greek and European markets. As a result of Chinese investment, it has become the most important port in the Mediterranean.

Also notable is that Greek Prime Minister Alex Tsipras recently noted that airlines are beginning to fly direct between China and Greece.

In short, investment from China should be a strong tailwind to aid in Greece’s recovery.

As for risks to investing in Greece... there are some substantial ones. Greek officials continue to work to fix the banking system, which has already been recapitalized three separate times since 2013. In Real Vision’s film *Tragedy to Triumph*, Kyle Bass shared his belief that Greek banks have enough resources to deal with any losses still left in the system. But this is far from a sure thing. The ECB is due to conduct its next “stress test” on Greek banks in February 2018. We’ll get a clearer picture then.

Analyst Miranda Xafa, also a contributor to Triumph to Tragedy, is less convinced that Greece has solved its biggest financial problems. She warns that a bad outcome to the stress test is possible:

“It’s too soon to tell, but there is a possibility of a fourth recapitalization. So, this should be a warning to potential investors of what may be coming.”
Greece’s government also poses a risk. The radical left-wing party Syriza controls the country. Led by diehard socialists, it is openly hostile to business. Obviously, this is not conducive to economic recovery.

For those comfortable taking on these risks for a shot at the sizeable upside in Greece, there are a few investment options. For Americans, the ETF “GREK” is possibly the easiest way to access Greek markets through a regular retail brokerage account. GREK invests in the largest and most liquid companies in Greece.

Importantly, it has a hefty 29% weighting to financials, making it an easy “one-click” way to bet on improvement in Greece’s banking sector. GREK is up 53% since bottoming in 2016.

If you’re interested in buying individual Greek bank stocks, we encourage you to watch Tragedy to Triumph (you can get a no-strings-attached free 14 day trial to Real Vision TV by clicking here). In our opinion, when it comes to making investment decisions, there’s simply no substitute for local, specialist knowledge which is why we created this film.

In it, Yusko, Bass, and Mark Hart are joined by a local Greek banking analyst who has spent years studying the Greek banks. Together, they parse the strengths and weaknesses of four of the biggest banks in Greece: National Bank of Greece ($NBGGO), Alpha Bank ($ALBKY), and Eurobank Ergasias ($EGFEY), Piraeus Bank ($BPIRD).

We’d like to emphasize that risk/reward asymmetry is the key to the Greek bank trade. As we’ve explained, a Greek recovery is not a sure thing. But it doesn’t always need to be a sure thing to be a smart investment.

A market that declines 90%, as Greece has, must rise 1,000% to get back to even. Meanwhile, the most you can lose on an unleveraged investment is 100%.

So, if you think the Greek stock market can eventually climb back to its pre-crisis highs, the risk/reward ratio is 10:1 at worst. And with smart risk management, the risk/reward gets even more compelling. A well-placed stop-loss could have you out of the trade well before you lose 100%.

Most professional investors would jump to take these odds. Legendary trader and friend of Real Vision Peter Brandt, for example, looks for risk/reward setups of 3:1 or better.

Wrapping up, although each of the contributors to Tragedy to Triumph is interested in investing in Greece, none of them are rip-roaring bulls on Greece. With a radical socialist government in place, it’s hard to be too bullish on Greece’s economic prospects.

Still, there’s a lot of upside here if things in Greece do continue to improve. And keep in mind, while we’d all like to see Greece embrace the free markets, this is not a prerequisite to investment gains.

What matters most is the trajectory of the economy. As long as things are improving, there’s likely money to be made. Or as Mark Yusko puts it, “you make the most money in emerging markets when things go from ‘truly awful’ to merely ‘bad.’”

Unfortunately for Greece, it qualifies for this adage. In 2013, it became the first country ever to be downgraded from “developed” to “emerging” status by index company MSCI.

See you next week.
Over the last 5 years the Nikkei looks remarkably similar to Germany’s DAX index. So much for Abenomics. Maybe Japan is just a higher beta play on global growth after all. Nothing more. Nothing less.
Last quarter was supposed to be a landmark for Tesla. Founder Elon Musk had predicted the electric carmaker would produce 1,630 highly-anticipated Model 3 cars in Q3. But... thanks to “production bottlenecks,” it only produced 260 cars. A shortfall of 84%.

According to the Wall Street Journal, the main ‘bottleneck’ is Tesla’s automated production line, which is still not fully functional. As a result, Tesla employees continue to assemble parts of these $35,000 cars by hand.

Meanwhile, Tesla lost $619 million in Q3, its worst quarterly loss ever. And perhaps worst of all, several members of the senior management left the company in 2017, including the CFO, the head of Tesla’s autopilot program, and a Vice President of Business Development.

To succeed in business, it’s said that a company should “under-promise and over-deliver.” Unfortunately, CEO of Tesla, Musk has habitually done the exact opposite.

For years, the financial community has largely given Musk a free pass and you have to hand it to Musk; he’s a wizard at using aspirational language to get folks excited about Tesla’s future while distracting them from the present.

The press and investors alike have been dazzled by his grand visions of sleek, clean and technologically advanced cars dominating the highways. Despite a complete lack of profits or positive cash flow, Tesla stock has soared 945% since 2013.

But public opinion seems to be shifting recently. In the wake of Model 3 production problems, major media outlets like the New York Times, Forbes, and Business Insider have all published articles critical of Musk and Tesla.
Tesla is not the only tech giant facing scrutiny. Amazon – the gargantuan online retailer that’s now the 4th largest publicly traded company in the U.S. – is also angering the public.

Those of us in the investment business have been hearing the “death of retail” narrative for a long time. But the consequences are now hitting main street harder than ever. According to S&P Market Intelligence, 35 U.S. retailers have filed for bankruptcy in 2017. These include the iconic Toys “R” Us, luxury retailer BCBG Max Azria, discount shoe store Payless, and True Religion Apparel.

Through its destruction of retail, Amazon has eliminated hundreds of thousands of jobs. The 1.3 million-member United Food and Commercial Workers International Union has asked the Federal Trade Commission to investigate Amazon, calling its practices “unfair” and “job destroying.”

Social media giant Facebook is facing perhaps the worst public backlash of all.

“God only knows what [Facebook] is doing to our children’s brains,” says Facebook co-founder Sean Parker. Parker, who left Facebook long ago, recently lampooned the company’s business practices in a much-publicized interview with Axios.

According to Parker, programmers purposefully designed Facebook to be addictive. It utilizes a “social validation feedback loop” that gives users a small hit of dopamine for every “Like” received, keeping kids coming back for more.

As if harming kids doesn’t make for bad enough PR, Facebook is also embroiled in a political controversy. Facebook admits that Russian “influencers” bought at least $100,000 in Facebook political ads in an attempt to sway the U.S. Presidential election.
The large tech stocks we’ve discussed here – Tesla, Amazon, Facebook – once enjoyed the adoration and awe of the public. Today, they’re increasingly perceived as greedy, job-destroying, child-harming corporations.

Public support is no small thing. Arguably, its helped keep regulators from asking questions about the monopolistic characteristics of these tech giants.

In Real Vision’s new (and highly rated) feature “The Fear of FANG Stocks,” analyst Jesse Felder makes a fascinating observation. “Historically, whenever a company has had the kind of power [Amazon has], it has been considered a monopoly and been regulated.” He also notes that Facebook and Google effectively hold a duopoly in digital advertising. The two accounted for 99% of all digital advertising growth in the U.S. last year.

Attention from antitrust regulators is a real concern for Amazon, and perhaps Facebook too. Keep in mind, President Trump is no fan of Amazon. Jeff Bezos, who owns the liberal Washington Post, is a Trump nemesis. It’s not hard to imagine the Trump Administration harnessing public anger to investigate Amazon.

Of the high-flying tech stocks, Tesla has the least to fear from regulators. It certainly isn’t a monopoly; it can’t even get its factory working right. Still, public perception is hugely important to Tesla. As we discussed, the stock’s impressive run is based on hopes and dreams, not strong financial results. To keep the stock price high, Tesla’s true believers will need to keep believing.

Public sentiment is a fickle thing. Once it begins to turn against you, it can be hard to stop the tide. We’ll be watching sentiment toward the all-important FAATNG stocks (Facebook, Apple, Amazon, Tesla, Netflix, Google) closely. If it continues to erode, the investment landscape could transform very quickly.
THINK TANK
LAUNCH OFFER ENDS
NOVEMBER 28
ACCESS 30 RESEARCH WRITERS
AND WEEKLY ANALYSIS FOR
LESS THAN A WSJ SUBSCRIPTION
GET IT NOW
THE TOTAL ENERGY CONSUMPTION OF THE WORLD’S BITCOIN MINING ACTIVITIES IS MORE THAN 40 TIMES GREATER THAN THAT REQUIRED TO POWER THE ENTIRE VISA NETWORK.

BY JAMES STAFFORD - OCT 26 2017 6:00PM CDT OF OILPRICE.COM
Hey Milton,

I’m really frustrated. I’m a younger investor looking to put some cash to work in the markets. I’ve been sitting on the sidelines for years now waiting for a return to reasonable prices... but markets just keep charging higher. They say buy the dip. What if there is no dip?

Tell me about it. Have you seen a chart of lumber prices recently? I’ve been waiting for them to come down so I can replace some worn out body parts. But the all-time highs just keep on coming. Looks like I’ll be paying an arm and a leg for my new arm and leg.

Look, it’s easy to feel like everything’s wildly overpriced if you just look at the U.S. indexes or FANG stocks that are talked about on CNBC 24/7. I mean, the S&P hasn’t had a 3% decline in a record 265 trading days. It’s madness.

But dig a little deeper and you might be pleasantly surprised at the opportunities you find. For starters, check out Japanese stocks. People seem to think of Japan as an old, tired, and declining country, but its stock market says otherwise. In fact, we just talked to some experts on Asian equities who are “pounding the table” on Japanese stocks as a great buy right now.

There are some good opportunities in the resource sector too. Check out the deep dive Real Vision just did on copper-related investments, which appear to be emerging from a multi-year bear market. Ditto for uranium. And of course, there are the dirt-cheap Greek banks, as discussed earlier.

But listen, as a wooden dummy who doesn’t age, I’ve seen more than a few bull and bear cycles. It ALWAYS feels like what’s happening in the present will last forever. Especially when you’re watching a raging bull market from the sidelines.

Don’t let the “fear of missing out” seduce you. Keep following your instincts to stay away from ridiculously expensive markets. When (not if) the turn comes, you’ll be glad to have cash on the sidelines that you can invest at much lower prices.
John Hempton, short-selling expert and Chief Investment Officer at Australian hedge fund Bronte Capital.

A compelling conversation on how to identify fraudulent companies and then short their stocks

Just under the surface - in the murky world of lying stock promoters, financial con-men, and fraudulent accounting

With stocks at all-time highs, there aren’t many good long opportunities about. But there are plenty of good short opportunities all around us right now.

According to Hempton, compelling shorts can be found “completely and utterly at will” today.

Hempton’s strategy is simple but effective: he shorts companies led by bad people who “you wouldn’t want to marry your daughter.” He’s accumulated a database of 1,500 financial “bad guys” used to inform his shorting decisions.

“What’s hot on Real Vision this week…

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WHAT PEOPLE ARE SAYING
“This is why I signed up for Real Vision...to get information you can’t find in Mainstream Media”
– SUBSCRIBER SAT P.