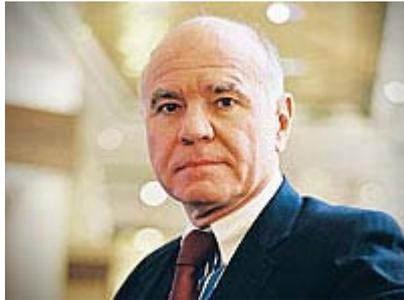


# Why Marc Faber Is Such a Bear

By: Alex Frew McMillan  
Special to [CNBC.com](http://CNBC.com)

The thing about predictions is that if you make enough of them, eventually they'll start to come true. Being a good enough prognosticator to hold the investor community's attention most of the time is an entirely different matter.



Axel Griesch | ASFM | Getty Images  
Dr. Marc Faber

That's what economist and market forecaster Marc Faber has clearly become. But even he isn't perfect. His best prediction of all time, he says, was also the worst investment call he's ever made.

"That was the prediction that the tech bubble would burst," which he made in 1998. "But it came two years too early."

Like good comedy, the secret of forecasting is timing – only less funny if you're the butt of the joke. The Nasdaq more than doubled after he made the call, before crashing in March 2000, so Faber still lost money shorting tech stocks.

**Identifying market lows is much easier than calling market highs**, Faber believes. Bubbles always seem to blow up further than expected. "I have always underestimated the madness of the investment community," he says.

In terms of timing, his best bet was to recommend selling stocks a week before the 1987 crash. But even that had more than an element of luck. "It was a coincidence that it happened a week later," he admits.

Still, it's those kinds of calls that have made Faber a favorite board member, panelist and prognosticator. Subscriptions to his monthly "**Gloom, Boom & Doom Report**" run as high as \$1,500 per year, or \$300 for an abbreviated market commentary.

"He sometimes gets it wrong," Hong Kong-based writer Nury Vittachi notes, "but one doesn't mind someone getting it wrong as long as they have taken a stance. It's the people that don't take a risk who don't get any respect."

## Plenty of Risk

Faber, 65, takes plenty of risk. He writes the newsletter and runs the Hong Kong-based company Marc Faber Ltd., which he says manages around \$300 million in assets but hasn't taken in fresh capital for years. He set up his own shop in 1990 after his previous employer, junk bond specialists Drexel Burham Lambert, went bust.

Although Faber has called Hong Kong home since 1973, he now lives mainly in Chiang Mai, in Thailand's northern hill country, a city preferred by many long-time expatriates for its mild climate. He moved to the city nine years ago, having married a Thai national, Supatra, 30 years back.

They met in Hong Kong, where Supatra was running a Thai restaurant of the same name in the then-fledgling bar area of Lan Kwai Fong, having left Cathay Pacific, where she was a flight attendant. They have a daughter, Nantamada Faber, 28, a former shoe model who now works in shoe wholesale, shuttling between Germany and Switzerland.

Besides making strong calls, Faber is also known for his love of the nightlife in Wan Chai – Hong Kong's former red-light district, known for its low-rent bars, and equally low-rent girls. Faber himself says that from 1990 through 2000, when he was mainly working as a broker trading U.S. markets, his nocturnal schedule would see him clock off at 4 or 5 in the morning and head to dives like Neptune or Strawberries.

How did that go down at home? "In general I have been a reasonably loyal husband," he says. "I suppose every marriage has its problems."

His outspoken nature, and deep knowledge of the history of financial markets, have made him a popular speaker. TV anchor Bernie Lo, who has interviewed him since the early 1990s, says he is one of the most anticipated guests, generating a flood of emails and inquiries ahead of any appearance.

"I've heard everything from him, and some of the most outrageous predictions," Lo says. "He doesn't toe the line."

Faber is one of the few Asia-based experts who command worldwide attention. He ranks along with investment gurus [Mark Mobius](#) and [Jim Rogers](#) in terms of the attention his predictions get, Lo says, noting it's standing-room-only to hear his addresses at investment conferences.

"People love him," Lo says. "He is entertainment and historical perspective, all in one package."

## Four Motorbikes

Given a hectic travel schedule, Faber spends only a week out of every month at home, and three weeks on the road. At home, he'll write, read and take a daily Thai lesson, wrapping that up with a beer at a local bar. Then he roars home on one of his four motorbikes. He has a pair of BMW road bikes and racing bikes from Kawasaki and Suzuki.

“People say I’m a pessimist,” Faber notes. “I always say no – if you drive motorcycles in Thailand, you have to be an optimist.”

Faber was born in Zurich, and grew up as a crack skier – he competed in two Universiades, the world student games, at Sestriere, Italy in 1966 and Innsbruck, Austria, in 1968.

His stark market calls and love of dangerous sports demonstrate a pleasure in taking great risk. But Faber says each risk he takes is calculated, based on practice and experience. He would love to hang glide, or race motorcycles, or get into base jumping.

But beyond giving bungee jumping a try, he’s not about to embark on such potentially deadly pursuits unless he can carve out the time to perfect them. Risk is a fabric of life, Faber feels. He’ll take ones that are backed by experience – and that make life an interesting experience.

“I know I will die, but I’m still living,” Faber says. “What do you want me to do about it? Should I kill myself in anticipation of certain death in 10 or 15 years time?”

The same kind of logic applied to his run on Wall Street, which began in 1970 at the firm White Weld & Co. with a role summarizing economic research to send to overseas offices, in the pre-Internet days. He got to know future U.S. Federal Reserve Chairman Alan Greenspan, who gave a briefing to the firm every two weeks.

“At the end I was the only person attending because all he did was summarize the Wall Street Journal of the previous day,” Faber says.

White Weld moved him to Hong Kong.

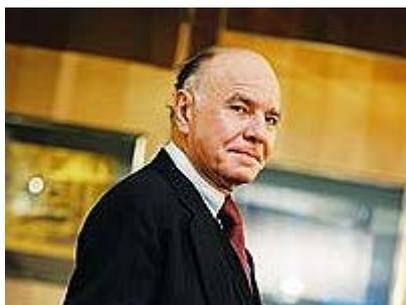
But Faber left in 1978 when the firm was bought by Merrill Lynch, and he decamped for Drexel. He started managing portfolios of U.S. bonds for overseas charities, churches and foundations, setting up their operations in Singapore and Hong Kong.

“I said to myself the day I joined Drexel, ‘This is a company that will go bankrupt,’” he says now. “It was a Middle Eastern bazaar – like fiefdoms, each department was independent, and there were extremely lax controls.”

### **The Ponytail Incident**

But its operations suited his independent streak. He says he turned negative about junk bonds in 1986 and advised his clients to steer clear. Still, despite such perfect hindsight now, he was as taken aback as the market and regulators alike when Drexel did collapse – Faber spent hours on the phone with regulators persuading them his client’s funds were in segregated accounts.

The incident left him sure he wanted to eschew office politics forever. “I have responsibilities, but I am free,” he says of running his own company. “And that relieves you of a lot of tensions in life.”



Axel Griesch | ASFM | Getty Images  
Dr. Marc Faber

Author and journalist Nury Vittachi got to know Faber well while writing his business-gossip column *Lai See* for the *South China Morning Post*. Faber featured in *Lai See* frequently until Vittachi was forced to give up the column in 1997.

The author recalls a meeting with Faber on November 5, 1992, when Faber predicted the Hang Seng index [[.HSI 22960.63 ▼ -315.64 \(-1.36%\)](#)] would fall – and pledged to cut a centimeter off the ponytail he then wore for every 50 points it went up.

He had to go through with a trim after the market duly rose by 50 points the next week. Faber got celebrity hairdresser Andre Norman to give him a trim. But it then did plummet, saving his blushes, and most of his locks.

“He didn’t have that much hair left, so he was putting one of his favorite body parts on the line,” Vittachi says. “The thing that impressed me is that he made genuine predictions — he never hedged his bets.”

Vittachi went on to write a book about Faber, “*Doctor Doom – Riding the Millennial Storm*” that came out in the aftermath of the Asian financial crisis in 1998 – its subtitle is “*Marc Faber’s Path to Profit in the Financial Crisis*.”

“His decisions are always based on analysis, although I think he has got instinct by this time,” Vittachi says. “He won respect for being right, but he also won respect for being wrong because he gave you his reasons, and admitted he was wrong.”

Faber predicts now that the financial system will ultimately break down, and even forecasts that the current fad of printing money in the West will lead to World War III. In the meantime, own stocks, real estate and commodities, not bonds and cash, he recommends.

Among his favorite current calls: invest in natural gas, now very cheap, and Japanese stocks. **[Beware the U.S. stock market](#)**, particularly small- and mid-cap stocks. Gradually buy gold. Real estate is a bargain, though not in China and Hong Kong. Emerging markets are likely to continue to correct, and the U.S. dollar should gain.

What made Faber always want to run against the grain? “Some people are born with a hard head, and patience,” he says with a chuckle.



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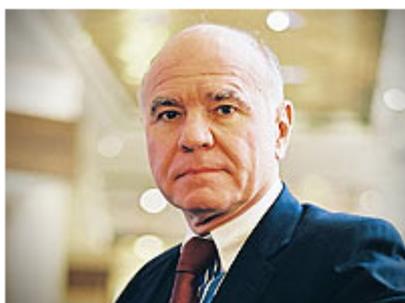
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