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Holiday Special 2024 | Part 2
Josh Crumb, Founder & CEO, Abaxx Technologies + Abaxx Exchange Metals Team

We begin the new year with part two of our two-part Holiday Special. SmarterMarkets™ host David Greely is joined again this week by Josh Crumb, Founder & CEO of Abaxx Technologies, along with colleagues Sacha Lifschitz, David Gornall, and Steve Lowe from the Abaxx Exchange Metals Team.

In part two, they're back to discuss global gold market dynamics, opportunities to improve settlement times, transparency, and market access using digital titles and technology — and how smarter markets keep the world moving forward.

Josh Crumb (00s):
I've learned a lot from the London Metal Exchange and the CME and ICE and the Hong Kong Exchange Group and all of the great Chinese exchanges, learned a lot over time and I think they are going to learn from us as well. And so I think it's important to just keep moving the world forward with information, trying new markets and ultimately solving customer problems. I think that's what it's all about.

Announcer (21s):
Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building Smarter Markets be the antidote?
This episode is brought to you in part by Abaxx Exchange, where trading in centrally cleared, physically deliverable LNG and Carbon futures contracts is now underway, ready for smarter markets.

David Greely (01m 03s):
Welcome back to part two of our SmarterMarkets Holiday Special 2024. I am Dave Greely, Chief Economist at Abaxx Technologies. We are continuing our conversation with Josh Crumb, Founder and CEO of Abaxx Technologies and our colleagues, Sacha Lifschitz, David Gornall and Steve Lowe. This year we are talking metals markets - battery metals and gold. We will continue our conversation on our smarter markets vision for the metals markets and how better market infrastructure and financial technology can be brought to bear to make these markets fit for purpose for today's commercial needs and tomorrow's. We will pick up where we left off last week with Josh.

Josh Crumb (01m 44s):
With gold what a lot of people miss. I mean we get a lot of information around the financial use case of gold, but I think we forget the fundamentals of why gold has that use case in finance to begin with, right? This wasn't, you know, we just had this collective belief in gold as money with every commodity. It starts with really four key first principles to the commodity. It's the marginal cost of protection, it's the marginal utility and it's consumption. It's the cost of storage or the carry of the metal and then the cost of transport or, or you know, where that, where the supply demand is. Those are the four fundamentals of a commodity sort of everywhere and always. And if we look at something like the gold market, it didn't become money because people liked it in jewelry didn't become money just because it was shiny and all this.

Josh Crumb (02m 32s):
But it had those commodity properties that it's got a very high marginal cost of production. You know, pretty much the highest of any commodity because of its relative scarcity. So it takes a lot of energy to extract. So it's always going to have a first principle marginal cost based on a very, very high energy cost. Until we solve free energy, you are just never going to change that. That cost structure is there, but the marginal utility is not just keeping gold in a vault in the financial system, the marginal utility is jewelry and not just because it's shiny. I also started a, you know, technology jewelry company in the past co-founded and you put a 24 carat pure gold bracelet next to anything in 18 or 14 carats. It's a dramatically different product. So you can't just fake gold. Gold and jewelry is one of a kind and there is a couple properties beyond its shine.

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Josh Crumb (03m 23s):
It's also very easy to scrap and recycle, which means there is a trade-in cost that's very low and so it really is a perfect metal and then also if you think about why are people giving gifting and using jewelry, there's a lot of things, right? There's identity signaling and wealth aspiration. There's a gift of, you know, remembering a loved one or a memory and that plays into gold's property of never oxidizing or changing or corroding, right? So ultimately, why am I going on about jewelry? There is always a next billion people of aspirational wealth that their first step in wealth is generally jewelry that's not confined to any one culture or one continent. So it becomes very good warehouse material as money because there is always a marginal utility and a marginal demand of a next billion people demanding the commodity. Obviously there is going to be periods where financial flows overwhelm the jewelry market always, right?

Josh Crumb (04m 15s):
Whether it's the supply or the demand side overwhelms it. We have periods of high financial demand and you know, jewelry gets crowded out. You build up a lot more financial inventory and there may be periods where real interest rates go a certain way and you get a lot of destock and you financial, you know, like in the late 90s. So of course the stocking and destocking of financial inventory can change the market. But the fundamental long-term market and the store of value comes from the marginal cost of production being extremely high and always having a marginal demand and utility and the jewelry market and then a very low cost of storage, which makes it good money because you don't have a lot of decay or a lot of carry on the inventory. So anyways, I went through that whole thing because I think there is a lot of bad information in the gold market and you always have to come back to those first principles to understand what does the market actually need.

David Greely (05m 05s):
I am beginning to understand now Steve, how you and Josh may have gotten talking, but you know, let's bring you into the conversation. I'm curious how you and Josh got to know each other and work together.

Steve Lowe (05m 16s):
As always, thanks for having me. And you can tell that Josh is pretty passionate about gold, which is great. I have heard of Josh for, he has a reputation in Toronto in the gold market and I started working in Toronto, I count as the third of a century ago. So I started in 1990, but I ultimately met Josh and really got to know him a couple years, maybe three, four years ago when he was just starting Abaxx and looking at gold and we had a mutual connection who Josh was sort of trying to get some information out of and the mutual connection said, really, if you want to talk London Metal Gold, and Steve is probably the guy I talked to and then I was introduced and have been on the Abaxx train ever since.

David Greely (05m 54s):
I would say it's probably the same amount of people that truly understand the Satoshi White paper, truly understand how the gold market works behind the scenes and you were co-head of the global base and precious metals business at ScotiaMocatta. I was hoping you might be able to walk us through behind the scenes a bit. How does the institutional gold trade work and how does it relate to what people are probably more familiar with the retail gold market?

Steve Lowe (06m 20s):
It's not an easy question to answer, but I will start by saying that when we traded in 1990 on the Gold Desk, when we traded in 2015 on the Gold Desk, they are basically the same thing. The only thing that stopped was we used to be on the desk of callouts in terms of our head spot trader would want to unload some risks so we would all jump on the phone and call around and now that's done through electronic chat mechanisms, but that's pretty well all that's changed in pretty well 35 years to be honest. But yeah, I mean working for a big institutional player and we, one of the biggest around there is a very liquid wholesale market in London. So London is the big OTC market and if you want to lend and borrow in this market, it's quite robust, it's quite liquid and then we would often hedge our risk exposure, our spot exposure through COMEX futures.

Steve Lowe (07m 12s):
And that is traditionally the way the business is still done. And I think what's interesting to note and relates to your second part of the question is the institutional market is a very small market. It gets the correct wrap of being a bit of a club. They call it sort of the London Boys Club in terms of, it's very inaccessible to many people, mostly because it's gold's expensive, it requires a lot of capital. There is no central clearing platform in London. So it's all bilateral credit lines between financial institutions, which means that there is really only a handful and it is a handful of sort of big institutional players that play in the market and I bring that up because the institutional

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market and the retail market are completely different animals in terms of your average small jeweler, small retail client has no access whatsoever to the institutional market and is, which is their a gripe today paying a middleman who's paying a middleman, who's paying a middleman to get access to that market and that is makes many of them unhappy.

David Greely (08m 15s):
And you can see that state of unhappiness. It's curious, right, because I listened back to what Josh said, you know, he was talking about how gold jewelry is typically kind of the first step that people make onto the wealth accumulation ladder, particularly in a developing country. And at the same time the financial gold market, as you said, tends to be known as the London Boys Club. So you have a very democratized market on one end and a very closed market on the other. What kind of tensions does that create?

Steve Lowe (08m 46s):
Well, it creates a lot of tension mostly because you are quite right if you have ever, and I've had the privilege of traveling the world and if you go to an Indian wedding or a wedding, the bride is adorned with jewelry, gold jewelry. That is the way wealth is transferred. It's the way wealth endowed and it's given Prince of Dowries and you know, it's an amazing concept to see as a westerner who looks at gold jewelry as one, you know, huge margins in terms of if you went down and bought a, bought a ring somewhere and also the west tends to be not so much into physical, well the east is hugely into physical, so that transfer of wealth and dowries includes coins and bars and all that type of thing. And so the real tension is just that in terms of the, if you want to go buy gold jewelry, I would recommend anyone go to Dubai, right?

Steve Lowe (09m 33s):
Go to Dubai because they will actually take a piece of jewelry, they will put it on a scale, they will weigh it, they will look at the international price and they will charge you 2% for that. Go to a western store, you walk in, you pay a hundred percent margin or whatever it is and that set of access for those jewels and people to get sort of unbelievably good pricing is non-existent and that's mostly where they will get upset. One is pricing and two is in the business is made up of financing in terms of how do I get financing and again, that is a small group of banks and we will talk about it a bit later and why that is also there has been no technological advances to allow collateral to move easily and quickly and to collateralize jewelry inventory. There is a whole bunch of market infrastructures issues which cause strain in the system.

David Greely (10m 24s):
And it's interesting because when I hear you talk about what's happening in the physical gold market, it doesn't sound dissimilar to what we're seeing in many other commodity markets, right? Where the physical market seems to be evolving and migrating away to the way the traditional futures markets work. You know, we saw that in nickel with, you know, more and more of the demand being on the nickel sulfate side the battery metal side and the contracts still being for refined nickel. And that creating, you know, the tensions that led to a lot of the chaos on the LME and I am curious, if you look at the physical gold market, as you said, you didn't say, hey, if you want to buy gold on the street, go to London. You didn't say go to New York, you said go to Dubai. So we are seeing the physical market increasingly moving to the Middle East and Asia, increasingly a kilobar market as opposed to the units that it's sold in more of the western countries and I am curious, how big is an impact, is this divergence between the physical market and the financial markets in gold having and what strains is it creating in how these are being traded?

Steve Lowe (11m 33s):
I could spend about an hour answering that question. So you highlighted a point there is the fact that the physical demand has always been in the east, right? So as you move further east, the nature of the business becomes more physical. Western's financial and it's always been that way, right? But what you have actually seen is, as you were mentioned earlier, a growth in wealth in terms of the east, much more demand for that physical and then the development, if you ask me what the biggest change has been over 30 years, it's been the development of those eastern markets, right? So it used to be banks like ours. We had an office in London, office in New York and our office in Hong Kong and Hong Kong was the center of the Asian market. China came along and said, well we're gonna take a bit of this market and then suddenly you see a market in India, like a proper exchange opening, a proper exchange opening in Dubai, one in Malaysia.

Steve Lowe (12m 20s):
And so the east is now sort of come into its own in terms of the demand is here, physical demand is here, and yet we don't have a sort of consolidated market which is very liquid in this time zone and so that's a bit of a problem in terms of that evolution of the importance of the Eastern consumer and the eastern market in general has been what's been unbelievably sort of visible over the last

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20 years and that market is more physical. So the market has become more physical because the main centers of demand now are big centers of demand are always physical. India has always been that way. But now I would say Southeast Asia, Asia has really said, you know what, we are big enough markets now you need to pay attention to us. It's caused, and we will talk about it later when we bring David into case there is just dislocation risk in markets and risk management, how you manage risk across a financial institution in terms of I have got business in New York, I have got business in London, I have got business in Asia and Vietnam and Malaysia. How do I price risk all that effectively and capital efficiently, which is a challenge for institutions.

David Greely (13m 25s):
Let's bring David into the conversation, David, it's great to have you back on Smarter Markets. It's kind of interesting, right? The last time you were here we talked about the strains that COVID-19 shutdowns had put on the gold markets, particularly making it difficult to ship gold and close the ARB between the COMEX futures market in New York and the spot physical market in London. Now we are seeing and hearing the ARB widening out again due to the threat of tariffs under incoming president Donald Trump. So it's a bit of a groundhog day situation, but maybe you could just bring us up to speed on what's going on there.

David Gornall (14m 02s):
You'd call it groundhog I would I am getting a bit typecast here are I who is bringing me in for dislocation chat with it when markets break in November, there was a lot of talk about the incoming US administration using the word tariffs rather freely and easily and quite naturally that that got extended to gold and silver and, and what if, and I thought about this as a monetary metal with the US in isolation, who is going to pay a 10% premium for gold in the US when they can pick it up somewhere else and so it wasn't really something I thought was a real threat, but nonetheless now people could see that there were some people that would have to pay it because with all the swap dealer information that you can see and the publicly available information that the exchange puts out that there were probably 300,000 contracts outstanding and if you couldn't deliver it then you'd have to buy it back.

David Gornall (14m 56s):
So there was a candidate that may have to pay the premium and I think by what the first week of December we touched $65, the VU moment, they were almost touching the $70 that we saw in COVID and some of the background to that was, was similar that still costs in the order of 60 cents to ship gold from Asia or Europe to the United States. But you have got to find the units and at this time of year you will find a lot of the producers are slowing it down rather than speeding it up and logistically with the airlines it's a problem. So this is how we ended up at $65. I would say silver was even worse. It touched a dollar an ounce and it's still, I think 44 cents today. And that's because you can't put it on a plane, you have to ship it. That's going to take you to the thick end of, you know, 20 to 30 days to, to get it there.

David Gornall (15m 47s):
So that's what talk of tariffs do. But I thought the, the interesting thing that I would noticed in some of the presentations I've been listening to about Basel three was that the 3.1, as people like to call it, that the includes the fundamental review of the trading book says that banks will have to conduct a P&L attribution test. And the synopsis of that is vis-à-vis this situation is that the more dislocation risk that you see when you are looking at your back testing, we have already had one instance in 2020 and now we have got the second here in 2024. The likelihood of risk managers reducing the risk of shorting futures is quite high. So that, I would say that the effect of that is that the liquidity will could dry up when these markets surge again because unless you have got the units, the physical units to deliver that sound like the same podcast we did a couple of years ago. But unless you have got that all lined up and you have got all your ducks in a row, you are not getting out of that trade. I mean, just to put it in a context, that type of short is costing you in negative variation margin, $30 million per dollar move and gets to 65. Someone's having to fund the end of $2 billion and we have seen people bite the bullet on this saying that can't just keep borrowing money to finance this until February. So it was the same effect as last time, but a different cause.

David Greely (17m 20s):
And with the different causes, and I love to hear other people weigh in on this as well because I think it touches battery metals markets. As Sacha was discussing, you know, Steve, obviously you can talk to Gold and Josh as well. I feel like increasingly we are seeing regional differences driven not just by location and logistics of what you can ship, but by regulation and that because different commodities are being regulated differently in different places, that's becoming a big driver of the risk and I am curious when you look at that, David, how big a risk do you see there of these regulations going forward? Things like the Basel regulations you referred to, and how important is it increasingly to have the gold spot and futures market in the same place, in the same regulatory jurisdiction? I guess in this case?

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David Gornall (18m 10s):
There is a rule that is actually going to come to focus on that. So again, in the FRTB rule, unless you have got the location of the long and the short in the same legal structure, you are gonna be penalized with additional regulatory capital to add to the trade. So I think it's gonna focus the mind on saying, well, hang on a minute. If we have got a physical long hair and the short is in the same place, we don't have to worry. If it's in another legal jurisdiction with a different legal construct, then we have just got to provide more regulatory capital to that. So, you know, there will be in a mark market efficiency going on there. I mean, the other one is, is the sort of level playing field where Basel likes to measure how these, these rules are implemented in the major jurisdictions and very quickly when we saw FRTB kicked down the, the road for a year, you know, it wasn't too long before it's implemented in Jan 26 via the EU, the UK followed suit and so did the us. So everybody is trying to sort of stay in lock steps and nobody wants to be behind when it comes to implementing this rule for their own banks. I think it's a valid point. It it's not a risk, I think it's a real thing that's happening.

David Greely (19m 19s):
And Steve, is this the type of thing that you used to have to deal with or is this kind of a new evolution for the gold market?

Steve Lowe (19m 26s):
It is definitely what we had to deal with and I can tell you that financial institutions are driven and businesses driven by these type of decisions. To your point and David's point, I mean most banks are long London short New York, that's just almost every bank is, and when COVID happened and that blew out, I mean David is so right in terms of what they'll do is they will back test that ARB we would know to the day if there was a bleep in a back test when that came off right, we would know exactly the day is okay, tomorrow we are going to have less risk on our book only because a backdated thing, big move in the market is about to roll off and so therefore our risk will be reduced. We can do more business tomorrow because our risk managers think our book has less risk in it.

Steve Lowe (20m 07s):
And so we were so driven by those things and different banks and different jurisdictions implement at different times in terms of, I remember dealing with high liquid assets and what does that ratio that we had to deal with and the amount of the bank came down on us day after day to get in line. It's huge. It will absolutely drive business and this is what affects the banks and the banks are the major players and the gold market like it or not, right? But non-banks, they will be fine and they will be more competitive, there is no doubt about it.

David Greely (20m 38s):
Let me bring you back in Sacha. You have been listening patiently over there. I am curious, is this something that's been the, something you've seen in the battery metals markets as well and how does that affect things?

Sacha Lifschitz (20m 46):
Thanks Dave. Yeah, wonderful. I am very happy to pick up on this. You know, arbitrage obviously has really been on the forefront of our minds when we started talking about how we could develop these nick or battery materials markets. And you see currently huge differences between prices, just as an example for nickel sulfate between the domestic price in China and the prices in in Europe, the United States. And that's exactly what we're trying to help the industry to mature here where we bring in these regional contracts, allowing these markets to converge and bringing a better price point, which maybe is just really reflecting a normal arbitrage price difference for, you know, freight cost and financing costs, but nothing else in that and you add gaps of $1000 US between nick sulfur price in China and Nick sulfur price in Europe, which is just from Europe.

Sacha Lifschitz (21m 42s):
From a pure physical economics point view, it doesn't make any sense. So that's one thing creating these regional contracts and other aspect for instance is, you know, you have for instance, for physically liberal contracts on GFX Wong Futures Exchange in China where you don't have any physical contract physically the liberal contract outside of China or net US dollar denominate. That creates another huge liquidity pool for the financial industry, but also creates opportunities obviously for consumers and producers the likes or for new projects where you again try to bring the differences to the table and then let the market play out the justifiable differences in prices. And then I think in other aspect, which you've also already touched on, you know, jurisdictional issues, ESG requirements and the whole trade flow, trade wars or let's say the regional requirements when it comes to IRA compliance or what European battery regulations gonna bring on in the next two years, that remains to be seen and that's really a moving target.

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Sacha Lifschitz (22m 46s):
And we also have to take this into consideration the way we list our brands, for instance, or the way we look at what we do in certain regions, what do we do in United States as a huge demand there for the whole battery industry of having IRA compliant products both on the nickel and lithium side. And that's something we are addressing. That's something where we even get approached to and with our platform and say, listen, can you come up with solutions, how you can address these things helping basically the west to finally bring up this supply chain. We all know, you know, the state of the European, for instance, battery markets is a disaster. We had like 11 out of 16 projects of battery production either bankrupt or in, in liquidation or you know, in major financial distress at the same time. Then you have Asian and predominantly obviously Chinese and Japanese Korean producers of batteries moving into Europe, building their plants and helping the automotive industry there which is another threat for instance to a European or let's say to the Western car industry. So by bringing on these contracts and you know, helping to really bring better price points and more transparency into these markets, the challenges are there, but I think we are addressing the right points here.

David Greely (24m 11s):
And David, I have registered your objection to me only asking you to explain why the New York London ARB has blown out. So given that, I will also note that you have been a, a strong advocate for the use of gold as a high quality liquid asset in the modern financial landscape. Could you explain what does that mean high quality liquid asset and why is it important to the modern financial landscape?

David Gornall (24m 35s):
Okay, I will try and do the short version of this one rather than the normal 18 pager. So post GFC 2008, part of Basel three two ratios were develop the liquidity coverage ratio and the net stable funding ratio and they relied on coming up with a classification of what a high quality liquid asset was, so they could be held as a liquidity reserve and the level ones that the assets that people use the most in banking are central bank money cash at central banks and government bonds and the problem for the market, I won't say the gold market for the financial market generally, is that at the time of this assessment, there was no data available to measure the size of the market, to measure the liquidity of the market and the depth of the market, which is now not the case. So since 2018, LBMA members have to report their trades on a daily basis.

David Gornall (25m 32s):
So in a couple of years ago, the World Goal Council and the LBMA joined forces to try and put a bit of a spotlight on this dilemma, especially after what happened with Silicon Valley and with Credit Suisse where high quality liquid assets were, were very much in vogue and the, the drawdown assumptions made on these high quality liquid assets turned out to be wrong. They assumed that deposits would be sticky and they would remain with banks for a lot longer than the 48 hours that SVV lost 80% of its deposits. So we were looking at how that could be improved because it's effectively a duopoly of those two asset classes where the gold could fit into it. And the data and the analytical studies that we've done using an academic does say that gold is of the same quality as some government bonds and therefore should be an extremely high quality liquid asset and it would take the pressure off of government bonds because they use for absolutely everything. They are used as a monetary policy tool first and foremost, but they used as a liquidity tool in this instance and for the most part, people in market use them as collateral instruments. There is a lot of pool, there is a lot of demand where we would probably say that the market would be better off with a third asset class and gold would be the asset class.

David Greely (26m 55s):
And bringing it back to you, Josh, how does gold in its use as collateral fit into your thinking and vision for creating full digital title and moving to shorter settlement times for commodities?

Josh Crumb (27m 08s):
Yeah, well I think that's a great setup and I, I totally agree because again, go back to the first principles of why gold is vaulted in the first place, why it has a low cost of carry, why it does become good collateral. And I think it checks all those boxes. And I think increasingly, I mean we will see where inflation heads in various economies over the next, next couple quarters, next couple years. But you know, we are obviously in a sort of a debt situation globally where we do have these issues of potentially going into deeply negative real interest rates to maintain government spending essentially and so there are obviously a lot of countries, companies thinking about what kind of reserves they want to, they want to hold for highly liquid collateral and reserves. I think one of the things that that's obviously hindered gold is this market structure issue, right?

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Josh Crumb (27m 59s):
Where futures in, in one jurisdiction, spot over the counter, not centrally cleared in another, of course, you have got long settlement times, the front end of the trade, you know, gets faster and faster with electronic systems and electronic trading systems. But that doesn't mean you are physically settling the title transfer of the gold in any faster way, right? Which then creates other liquidity haircuts or settlement haircuts or collateral haircuts because of the slow physical settlement. So if you get to a point where fundamentally the asset itself is highly liquid and good collateral, now you're talking about solving some of the settlement complexities so that it's used in a way that bank ledgers can be moved around so quickly. And I think that that's where streamlining the pre-trade and the post-trade together so that you can get to this sort of t plus zero settlement and a digital title on the warehouse gold.

Josh Crumb (28m 50s):
This just optimizes the whole system. That was a big part of Abaxx's technology investments from day one. And it doesn't just go for gold, by the way., I think there is ways to create collateral instruments out of a number of commodities or even first right payables on a commodity so that you get away from some of the cost of carried warehousing costs. There's a lot of innovation still to be had to use, you know, moving beyond just, you know, sovereign debt instruments as liquid collateral for trade. You know, in many ways, you know, China, it was for sort of different reasons, right? It was, it was a lot more to do with, you know, raising US dollar liquidity, particularly in the east, you know, commodities have been used as dollar funding collateral for a long, long time, but it's how do you do that more efficiently with less risk? How do you improve on things like KYC and not double pledging the collateral? This is all technology driven. So again, this just comes back to, you know, solving the needs of the market, both in market structure and technology.

David Greely (29m 47s):
And I want to thank you all for being here. You know, it's been a great conversation. We could talk about lots of these things for hours, so I will have to have you back for individual conversations. But before we go, because it is a season of hope for the future, I kind of wanted to take advantage of all this collective experience in these markets and just go around the horn and ask each of you the same question, which is, what is your vision for the markets that you have been involved in for your career, for the future? What would you, what would you pick as kind of, hey, if we could fix these problems or we could make the market work more this way, that would've been great because I think anybody who's done a job for years or decades, and you kind of sit there and there's a lot of pebbles in your shoe and you say, oh, I would've enjoyed this much more if we could have done this differently. If you look out at the battery metals markets, the base metals markets, how would you like them to be in the future? Maybe we will start with you, David.

David Gornall (30m 44s):
Well, I'd say it's about access. You hear a lot of people saying that, you know, we have to go through lots of different intermediaries to get to where we want to get to, and we're part of the market too. So I think that's the main thing that I would like to see is the access improved, which is going to bring liquidity into a, a more central pot. It's gonna improve it for everyone, I think. I don't think there's any too many losers in that. And also to streamline the processes using technology. So the efficiencies of capital are driving most businesses at the moment. So if we can find a way to eradicate all of those little, those bumps along the way then I think that the markets will move a lot more efficiently than they do today.

David Greely (31m 24s):
How about you, Steve?

Steve Lowe (31m 26s):
Mine's not that dissimilar from David. I mean, the gold market as a market infrastructure is, it's just old and dated. If I could snap my fingers and have gold on an infamous digital rail where, you know, not only does gold move digitally and effectively so does all the paperwork and KYC and basically having a network or an existing ecosystem, which is all digital where things move safely and transparently, the big knock against gold is it's opaque. It's, as David said, access, but it's also transparency and people can't, they don't know what's going on and having everything properly visual and digital, I think would be awesome and the market, it would grow the market vastly. The World Gold Council does a study every three or four years and it talks to all the investors out there and says, why don't you invest in gold if you don't? And they come up with the same thing, they don't trust it and it's too opaque. And those are easily solvable problems easily, but we just haven't got there.

David Greely (32m 23s):
And how about you, Sacha?

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Sacha Lifschitz (32m 25s):
So look, I mean, it's obviously a suite of products and I think it has, you know, there is different visions for different product. I think on the lithium side, for me it's very exciting because I think, you know, what we are creating here is really helping the whole industry and helping you know, this specific product evolve and mature and we really at the very beginning having making this physically deliverable making this more transparent market, like allowing more players to get involved. Also helping projects because we need a lot more projects that going to be able to make money to get off the ground. So I think it's very exciting, you know, to really be part of this huge journey, which my view has only just started and then generally nickel and maybe even other products which we gonna create, which already have existing markets, I think, you know, to, to add transparency will help arbitrage opportunities as a keyword. And then we also, I think, gonna standardize, make trade flows more easier. I think that's certainly something which we need, having better benchmarks for new products. So again, it's just, you know, these things are evolving and I think we have the forefront of helping these evolvement.

David Greely (33m 37s):
Josh, you have shared a lot of your vision throughout the call, but maybe just to finish us out today and for the year, you could tie it all up in a bow for us.

Josh Crumb (33m 46s):
Look, I will reflect some of the things that were already said by just taking myself back to where the world was in the early 2000s when I first tried to buy gold for instance, right and having to go through, you are trying to find a local, you know, gold coin dealer at some high over spot, there weren't these electronic accounts, there weren't ability to buy and sort of the technology democratizing access. So I think that's number one is just again, like this is the path of markets and the second, which is very related, is information, right and I think that's another big part of smarter markets. It's, I wish I had the information, both the podcasts and the experts, you know, like Sacha and Steve and Dave talking about these things before we were doing a hedging program to get our face ripped off, right?

Josh Crumb (34m 29s):
The information really wasn't there in that way and now we are going to a world where not only is it, you know, we get these experts on podcasts, like Smarter markets and others, but now we can rip them through a large language model and produce a white paper in seconds that was never available and I think that's just an incredible path of optimization in the world, is that ability to take decades of history and understand the complexities and then very quickly get it to market and synthesize it in ways that people can digest. So I'm, I'm super excited about market infrastructure, adding more transparency, adding more data, but I think just in the broader Abaxx building market infrastructure and financial markets, what I think is, is so interesting is just the pleasure and the honor to be able to do it is actually taking time and building it in mining, we have a couple sayings that I think are important.

Josh Crumb (35m 16s):
One is plan your mind and mine your plan when you know the long-term nature of what you're doing. And it's been well planned and well thought out, and well, you know, de-risked through. Don't always chase the latest trend, but, you know, stick to your mind plan. All of these things that we're discussing, this was part of the vision back in 20 18, 20 19, and the world just keeps validating. You know, the things, things that Abaxx are doing over and over. We planned our mine and we're mining our plan, and I think we are getting to the next very important juncture of that next year. And I think the second key phrase that, that I like in mining is high grade covers a lot of sins. You know, look, this stuff isn't easy. We are going to take some bad turns, but remember, an exchange in a clearing house is pretty much the most profitable business in finance when you get it right.

Josh Crumb (35m 59s):
Commodities within that is the most profitable business within the most profitable business in finance, we do have a, you know, a high grade margin business model. Yes, it takes time to build these markets, but we are going to do it right and we are going to gonna stick with it no matter how long it takes. And I think that's important because very similar to physical infrastructure, you know, right now I think the average, you know, time to bring on a new mind is something like 16 years now we're gonna be faster and we are faster than 16 years. But, you know, this stuff is complex and it does take time. So, you know, imagine if Fabric didn't start this work four or five years ago and look, and we have got some very competitive, formidable companies, you know, great market infrastructure companies. I've learned a lot from the London Metal Exchange and the CME and ICE and the Hong Kong Exchange Group and, and all of the great Chinese exchanges learned a lot over time, and I think they're gonna learn from us as well and so I think it's important to just keep moving the world forward with information, trying new markets, and ultimately solving customer problems. I think that's what it's all about.

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David Greely (36m 58s):
Thanks again to Josh Crumb, Founder and CEO of Abaxx Technologies and our colleagues, Sacha Lifschitz, David Gornall and Steve Lowe. We hope you enjoyed our two part Holiday Special 2024. From all of us at SmarterMarkets, we wish you a Happy New Year and all the best to your friends and family. We will be back next week to kick off a new year on SmarterMarkets. We hope you will join us.

Announcer (37m 23s):
This episode was brought to you in part by Abaxx Exchange, where trading in centrally cleared, physically deliverable LNG and Carbon futures contracts is now underway. Ready for smarter markets. Contact us at onboarding@abaxx.exchange.
That concludes this week's episode of SmarterMarkets by Abaxx. For episode transcripts and additional episode information, including research, editorial and video content, please visit smartermarkets.media. Please help more people discover the podcast by leaving a review on Apple Podcast, Spotify, YouTube, or your favorite podcast platform. SmarterMarkets is presented for informational and entertainment purposes only. The information presented on SmarterMarkets should not be construed as investment advice. Always consult a licensed investment professional before making investment decisions. The views and opinions expressed on SmarterMarkets are those of the participants and do not necessarily reflect those of the show's hosts or producer. SmarterMarkets, its hosts, guests, employees, and producer, Abaxx Technologies, shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on SmarterMarkets. Thank you for listening and please join us again next week.

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