Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - JANUARY 2021

MESSAGE BY MARK YAXLEY

In case we had forgotten, 2020 reminded us all of the importance and benefit of owning precious metals as part of well diversified portfolio. Gold and silver acted as they always have during times of crisis, providing a hedge against the numerous uncertainties we were presented with. Not only did the shiny metals offer us a safe haven during turbulent market conditions, they also provided extraordinary annual returns of 24% and 47% respectively.

Although we have turned the page on 2020 and look forward to 2021 with a renewed sense of hope and optimism, I fear the worst is yet to come. Many of the conditions that existed pre-crisis have worsened, so it's safe to say that gold and silver will continue to play a major role, and very likely appreciate in value, again this year.

I invite you to enjoy the excellent content featured in this edition. Jeff Clark's 2020 year in review report is filled with striking facts and our 2021 outlook interview with Jeff Thomas is a truly thought-provoking piece. Special guest Chris Vermeulen's technical analysis video is a must watch as well.

The SWP family wishes you the very best in 2021!

You can follow Mark on Twitter @YaxleyYax

Mark Yaxley, General Manager for Strategic Wealth Preservation (SWP). He has been focusing on the diverse needs of retail and commercial precious metal investors since 2006.

GOLD IN 2020: RECORD HIGHS, WITH CATALYSTS POINTING TO MORE

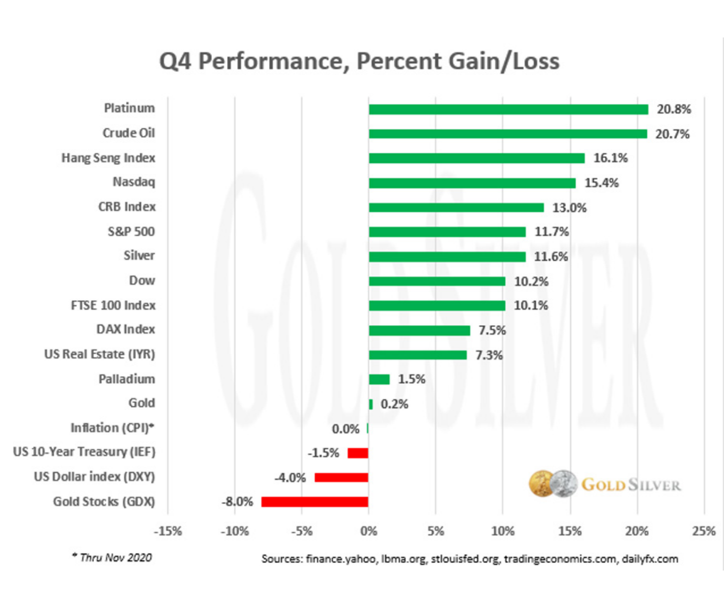
Written by Jeff Clark, Senior Analyst for Goldsilver.com and SWP Advisory Board Member

The word of the year, according to Merriam-Webster, was unprecedented. Perhaps overused, but apropos nonetheless.

Our ITV review shows just how unprecedented the year was, including an examination of gold's annual performance vs. other assets, along with the potential catalysts that still lie in wait. Let's first look at the fourth quarter…

Gold in Q4-2020

For the most part the fears of upheaval on U.S. election night did not materialize. Then a vaccine for Covid-19 was announced by two pharmaceutical companies. These two factors had the biggest influence on gold in the period, leaving it to end the quarter flat.



Silver continued its upward trajectory, rising 11.6%, logging similar gains to the major stock indexes. But the strongest precious metal in Q4 was platinum, leading all comers.

The Wild, Wild 2020

The year began quietly—but then the Covid-19 pandemic erupted around the world in the first quarter. The stock market crashed in March, followed quickly by the Russia/Saudi Arabia oil price war, with crude prices dropping as much as 70%.

The global economy came to a screeching halt, the inevitable recession officially beginning in February. The World Bank projected this recession will be the fourth deepest since 1870, and the most severe since World War II.

The coronavirus disease caused widespread sickness and loss of life. Outbreaks and lockdowns became mandatory in many regions, with most employees sent home to work. Unemployment and underemployment skyrocketed, though a few sectors of the economy boomed.

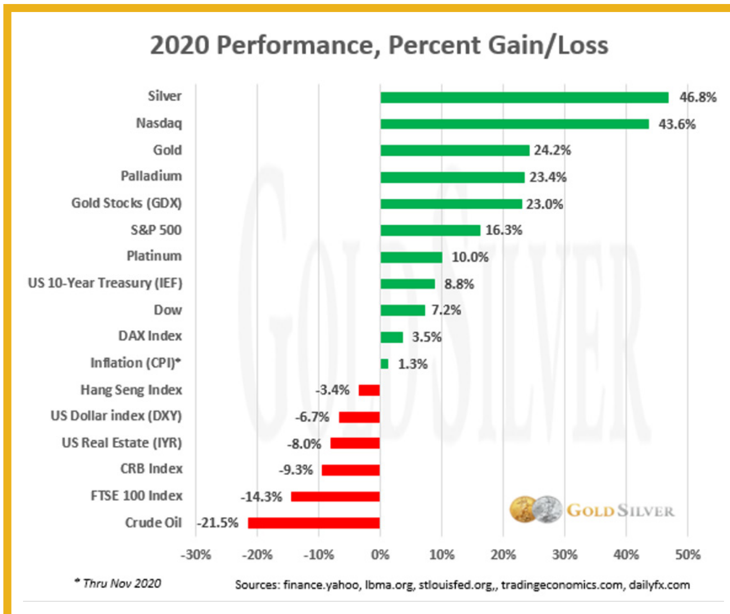
And as if a global pandemic wasn't enough, the death of an African-American man at the hands of police led to widespread protests, along with looting in many cities. The period leading up to the U.S. presidential election was one of the most contentious in modern history, while geopolitical conflicts continued to simmer. Indeed, the level of uncertainty and turmoil in 2020 was unprecedented.

The Fed and other central bankers responded swiftly with massive stimulus efforts, both fiscal and monetary. The Fed **injected more than $3 trillion into the U.S. treasury market within mere weeks. And for the first time in its history, it started buying US corporate bonds directly, including junk bonds.**

Between the Fed, ECB, and Bank of Japan, balance sheets grew by a total of $8 trillion. The same level of expansion took almost eight years to achieve following the Great Recession in 2008.

Understandably, the U.S. dollar weakened, an earnest downtrend in place for the second half of the year. By the end of 2020 the dollar had reached its lowest level since April 2018.

The stock market began to claw back, eventually reaching new all-time highs. Gold rebounded big as well, hitting all-time highs in August. It weakened after news of the vaccines came out, but it was indeed a banner year for mankind's oldest asset.



Gold ended the year up 24.2%, it biggest annual gain since 2010. Gold was also up in all major currencies last year. It has now risen 16 of the 20 past years.

However, the best performing major asset class for 2020 was silver, up 46.8%. It even outperformed the tech-heavy Nasdaq, home to many stocks that benefitted from the virus fallout.

Palladium rose 23.4% on the year, platinum 10%. Overall it was a strong year for precious metals. (Bitcoin, not shown, spiked 303.2% in 2020.)

Bullion dealers were stretched to extremes, grappling with overwhelming demand pitted against delivery delays, particularly in the first half of the year. At one point the Comex was forced to source supply from London to meet demand. This only added to higher premiums and prices, which eased off by the second half of the year.

Surprisingly, even Berkshire Hathaway, which has traditionally avoided gold, bought 21 million shares of gold miner Barrick Gold in Q2, spending $563 million.

2020 was the year of many things, but one that definitely showcased gold's attractive hedging capabilities, along with silver's volatility when investment demand spikes.

2021 Catalysts: More Price Records to Come?

While the vaccine is a positive step for the world, there are new realities to confront as the economy tries to heal. A number of potential catalysts lie in wait as the new year starts.

Monetary and Fiscal Stimulus: The Fed's balance sheet grew to more than $7.1 trillion last year; the previous high was $4.5 trillion in the wake of the 2008 financial crisis. Chicago Fed President Charles Evans recently said we should expect this to continue: "The Fed's policy stance will have to be accommodative for quite a while… economic agents should be prepared for a period of very low interest rates and an expansion of our balance sheet as we work to achieve both our dual mandate objectives."

On the fiscal side, Goldman Sachs said the probability of a fiscal stimulus package of at least $2 trillion has sharply risen. Monetary stimulus, in all its forms, is arguably one of the strongest catalysts for gold, not to mention any ramifications that may result from it.

Low Interest Rates: The Fed has signaled ultra-easy monetary conditions for at least the next year. And with the "real" rate already negative in many countries including the U.S., gold will likely continue to see support. Gold could even move higher if risk assets do, as long as monetary and fiscal conditions remain accommodative. A viable solution for investors is to hedge their risk assets with gold.

U.S. Dollar: One consequence of monetary and fiscal stimulus is a weaker U.S. dollar. Its vulnerability has not gone unnoticed by many investors; based on CFTC data, net short non-commercial futures linked to the ICE U.S. Dollar Index surged by December to the highest level since March 2011. A weak dollar is supportive of gold, and could continue to provide support despite the worldwide vaccine rollout.

The exception here would be if the virus was contained and the Fed began to scale back from its asset purchase program, a hawkish move that would likely lift the dollar index and be a headwind for gold.

Inflation Threat: One could say the fiscal and monetary stimulus genie is out of the bottle. Western governments have essentially promised to continue stimulus efforts through 2021, if not longer. Excess currency creation could lift the CPI, and by extension gold.

Debts and deficits have reached record territory, which historical studies have shown lead to higher rates of inflation. The federal debt ended 2020 at 135.6% of GDP, a level unmatched in modern history. And the federal deficit is now $3.2 trillion, more than twice the level of the Great Recession and a level not seen in U.S. history.

Meanwhile, the December PMI revealed that while new orders dropped, input prices rose. In the case of the services PMI, input prices jumped to the highest on record for the second straight month, while input prices in the manufacturing survey hit the highest level since mid-2018.

Commodity prices have also jumped. Many are up double-digits from a year ago, with lumber prices up triple digits.

Last, if one subscribes to the theory that inflation can't happen without higher wages, I'll point out that higher minimum wage rates kicked in this month in 20 U.S. states. And four more states, plus Washington D.C., will raise their minimum wages later in the year.

If rising consumer prices visit us in 2021, investors are bound to look for inflation hedges, gold being an obvious choice and an ideal hedge.

Future Covid Variants: It's the last thing anyone wants to hear, but a new variant of COVID-19 appears to have emerged in the UK. This could extend lockdowns and border closures. It could easily lead to a…

Prolonged Recession: Despite the U.S. stock market sitting near record highs, many businesses continue to struggle, with ongoing closures still being reported. Bankruptcies are likely not over, nor are elevated unemployment levels.

Bullish Outlooks: A number of banks expect gold's bull run to continue in 2021. To mention a few, Credit Suisse projects gold will average $2,200 this year, while Goldman Sachs sees $2,300. **Investment bank Jefferies expects gold prices to average $2,200, and analyst** Ross Norman, who has one of the most accurate track records for gold price predictions, sees gold rising another 20% this year.

Silver Outperformance? A monetary metal like gold, but also an industrial metal whose uses would climb in the infrastructure and clean-energy spending spree proposed by Biden, this dual role could push it to advance more than gold.

The gold/silver ratio (gold price divided by silver price) ended 2020 at 72; despite the decline from its record high of 123 last March, the ratio is still 24% above its long-term average of 55, showing it remains undervalued relative to gold. The ratio fell to 32 in 2011, and 20 in 1980.

Black Swans: Last, the environment remains ripe for a black swan. Candidates could include a messy Brexit, a less-than-effective vaccine, or a stock market or real estate crash. Another shock to the global economy would likely put a spotlight on gold's hedging abilities.

The Hard Asset Hedge

The circumstance of low yields, a weak dollar, rising inflation expectations, and ongoing monetary and fiscal stimulus creates an ideal scenario for gold. The uncertainty surrounding the Fed's dwindling set of tools to respond effectively to crisis only adds to the importance of holding gold, even after a strong year.

The most likely scenario for 2021 is one where gold continues to offer a meaningful and necessary hedge, along with the high probability of yet another set of record high prices.

We recommend investors continue to accumulate gold in the current environment, one that seems highly vulnerable to financial, market, and monetary threats.

You can follow Jeff on Twitter @TheGoldAdvisor

OUTLOOK FOR 2021

Economic prognosticator Jeff Thomas has, for decades, had an unusually consistent record for anticipating future events accurately. After an unsettling 2020, we interviewed Jeff to get his take on where we've been and what the future might hold.

SWP: You've held precious metals since the 1970s, so you've been able to get more of an overview than most people on their performance. What's your take on precious metals ownership today?

Jeff Thomas: Well back in the 70s, I was buying and selling. It wasn't until the early 80s that I figured out that I needed to stop selling. Since that time, I've continued to buy, but haven't sold an ounce since 1982.

In the beginning, I saw metals as a source of profit. By 1982, I realized that they had a second, greater value – that of an insurance policy against hard times. Gold has held that position for over 5000 years. In troubled times, people always return to gold as a central form of wealth retention.

And those hard times have now begun. The crisis that I'd been anticipating for so many years, got underway in 2020 and what we've seen so far is just the tip of the iceberg.

SWP: So you don't see the COVID crisis as a situation that will be overcome in the next year or so?

Jeff Thomas: No, definitely not, I'm afraid. I was in China just prior to the release of the virus and at that time there were warning flags that the pending military games in Wuhan might be used by one nation or another for other purposes. A week after the games, which involved over one hundred nations, the release of the virus had been confirmed.

Now, from that, we can't say which nation or nations might be responsible, but the least likely nation to have released it would be China itself. So, was the release intentional? And, if so, who released it? I don't imagine that we'll ever know the answer, but regardless of the original intent, what we can be sure of is that the EU and US took immediate advantage of its spread to implement an illegal removal of citizens' rights on a wholesale basis.

It was a brilliant move, as the false reporting and resultant confusion created such fear that the peoples of Europe and North America caved in quickly and did as they were told by their governments. This trend then spread across the globe.

SWP: Had you anticipated something like this?

Jeff Thomas: Yes and no. Yes, I was confident that, by May of 2020, there would be a major event that would have dramatic political effect, particularly in the US, but no, I didn't anticipate that it would be a virus. I can't say whether the release of the virus was intentional on the part of governments, or whether it was merely co-opted once it had occurred, but dozens of countries acted in unison with their reactions. Regardless of whether or not it was created consciously, it was a huge opportunity for governments to cover for their errors and increase their control.

The world was already at a tipping point. All the indicators showed that a monetary collapse was imminent. If there had simply been a collapse, the world would have blamed the ruling elite who had created the problem. A distraction of major proportions was necessary. I knew there would be a distraction, I just didn't know what it would be.

SWP: You correctly anticipated a Trump victory in 2016, but said at that time that he would be a one-term president and would give rise to a socialist wave in America that would gain power in 2021. What made you anticipate what was to happen?

Jeff Thomas: The last truly major economic collapse occurred in 1929. Back then, Herbert Hoover, a conservative businessman who had never held elected office, had been elected as the US president. The collapse was timed to occur on his watch. The collectivists blamed him for the crash. He was the patsy who made possible the introduction of collectivism in the US in 1932, with the election of a Wall Street insider who would rein for the rest of his life as president, selling troubled Americans on collectivist concepts as a solution to their losses.

I thought it highly likely that 2020 would see a US election that would be similar to that of 1932 - filled with visceral hatred of the capitalist president, combined with collectivist rhetoric as the salvation from capitalism. The Left would win the election, which would herald in a return of what the Roosevelt years had only begun. The US would dive headlong into collectivism – something that would not have been possible before the demonization of Mister Trump.

SWP: The US has never seen anything like the level of vitriol seen in this election. Do you think that this was overkill, or was it necessary?

Jeff Thomas: It needed to be over-the-top, just as it was in the 1932 election, to ensure that not only did the collectivists have the presidency, but the House and Senate as well. Beginning in 1932, they held all three for twenty years. There was no effective opposition from conservatives. The win on 5th January will make possible the total control necessary for a transformation into collectivism for the US.

SWP: Do you see this in isolation, or do you see it as a part of the globalist movement?

Jeff Thomas: Oh, unquestionably the latter. Globalism will most certainly be focused primarily on the EU and US, but will be heavily supported by the UK, Australia, Canada, New Zealand, Japan, etc. There will be an all-out attempt to give the appearance that the entire world is uniformly on board with the programme.

SWP: What of the other powers: China, Russia…

Jeff Thomas: China and Russia have no intention of being gobbled up by the West. But their own self-interest will ensure that they'll play along with much of the programme. After all, they'll benefit from increased collectivism elsewhere. But they won't be prepared to take a back seat on the bus. The West will attempt to utilize the UN, IMF, BIS, etc. to create a true globalist power centre, in which the other powers have minority voting power. That, in fact, is already in place, but in the end, Asia has other cards to play. For the moment, they're holding those close to the vest.

SWP: What does this mean to us as individuals in the West?

Jeff Thomas: There are many possible outcomes, but if I think it's safe to say that we're headed for the major Western powers ramping up controls over their people. I believe that it will be a period of the most dramatic change that will happen in my lifetime.

But there will exist, in addition to the machinations of the Asian powers, blowback from those people who are willing to challenge the transformation into a globalist/collectivist state. What this will mean will be not just dramatic change, but a high level of chaos and confusion added to the mix. Certainly, a police state is planned to overcome this, but there's no way to be certain at present as to how these opposing forces will balance out.

I should mention that this is not much fun to think about. We'd all prefer that it won't happen, but if tumultuous times are on our doorstep, I'd rather address the prospect and prepare for them, and hopefully minimize the damage to myself and my family.

SWP: Do you see precious metals playing a role in that effort?

Jeff Thomas: I don't think I can state how essential precious metals will be at such a time. Very soon, we shall see the elimination of much if not all of paper currency. All transactions will be done through banking institutions. They'll not only dictate how much we can spend, but on what and when. This is already being done experimentally outside the US and the trial balloons are getting the bugs out of the system.

In addition, tax will cease to be paid voluntarily. It will be done by direct debit, without the approval of the taxpayer.

Just as the TSA was claimed to be a temporary measure after the 9/11 attacks, but became a permanent form of control, the COVID controls will prove to be permanent.

The freedom to travel, to go to work and even to go to the grocery store will be by permission. Those who are non-compliant or speak out too loudly will lose their rights.

In such a socio-economic climate, the ability to have wealth that's independent of the system is paramount. As people seeking freedom realise this, we shall see dramatic increases in the price of precious metals.

As asset prices crater in such a situation, gold will rise in price as it always has.

SWP: Would you hazard a guess as to how much?

Jeff Thomas: Well, certainly 500%, at a minimum, but probably well in excess. To answer the question correctly, gold will do what it has always done in periods of crisis: It will be driven to whatever price level is necessary to become a solution to the problem. Its price will be whatever it takes to balance out the level of economic devastation.

SWP: Do you see precious metals as a guarantee of that freedom?

Jeff Thomas: Unfortunately, there are never any guarantees. What ownership of metals will mean is that you will not be the low-hanging fruit. You'll either escape subjugation, or you'll be one of the last people to be subjugated.

But I should mention that there will be some essential factors in your ownership. First, it must be held as physical gold, not ETF's. Second, wherever it's stored, it will need to be allocated and segregated. Third, you must be allowed access to it if it's in a depository. And finally, it must be stored in a country that's not undergoing the transformation into collectivism. If stored in any of the countries I listed above, it's best to regard it is being either inaccessible or confiscated at some point.

In surviving the changes that we'll soon be facing, the three most important concerns will be how removed you personally are from the epicentres, what forms your wealth is stored in, and where that wealth is stored.

How you prepare for those three concerns may well define whether you come through this crisis with your skin on.

GOLD SILVER TECHNICAL ANALYSIS

Video by Chris Vermeulen, Chief Market Strategist for TheTechnicalTraders.com

Join technical analyst Chris Vermeulen for this exclusive video, as he reviews the metals charts and provides potential highs and lows for 2021.

You can follow Chris on Twitter @TheTechTraders

Strategic Wealth Preservation

ABOUT US

Strategic Wealth Preservation (SWP) is an international precious metals dealer and secure storage provider headquartered in the Cayman Islands. We specialize in the acquisition and secure storage of precious metals for individuals, companies, trusts and wealth management professionals on behalf of their clients. We deliver precious metals worldwide to homes and businesses and offer secure storage in vaults located in the Cayman Islands, Canada, the United States, United Kingdom, Switzerland, Liechtenstein, Germany, Singapore and New Zealand. We also offer offline cold storage services for cryptocurrency devices and corporate disaster recovery services for businesses located in the Cayman Islands.

SWP's secure storage facility
George Town, Grand Cayman

January 2021 Edition

INSIDE THE VAULT ON YOUTUBE

Check out our YouTube channel [Inside The Vault – Expert Tips on Gold and Silver]

QUICK LINKS

- » LEARN MORE ABOUT BUYING GOLD
- » LEARN MORE ABOUT SECURE STORAGE
- » READ MORE ARTICLES
- » VIEW OUR VIDEOS
- » FREQUENTLY ASKED QUESTIONS
- » CONTACT US