INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - JANUARY 2022

2022: RENEWED OPTIMISM AND NEW SERVICES

Entering the new year, I think that most of us feel a renewed sense of optimism, not only about finally putting the pandemic behind us, but in terms of the important role that gold and silver will play this coming year. As Jeff Clark illustrates in his quarterly report, the current economic situation is precarious at best. Precious metals are primed to play their part in protecting our wealth in 2022.

SWP has also been busy developing new services for our clients. We recently added two new secure storage locations to our global vaulting network; Miami and Los Angeles, both ideally located for investors who want to store their metals closer to home.

Our new sister company, SWP Capital, has also proven to be popular with our clients. Please take a moment to learn more by reading the article '***Big Plans for 2022?***'.

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.

Follow Mark on Twitter @YaxleyYax

GOLD AND SILVER TECHNICAL ANALYSIS

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

You can follow Chris on Twitter @TheTechTraders

GOLD IN 2021: PERSISTENT INFLATION AND A FED PIVOT PROVIDE HINTS ABOUT 2022

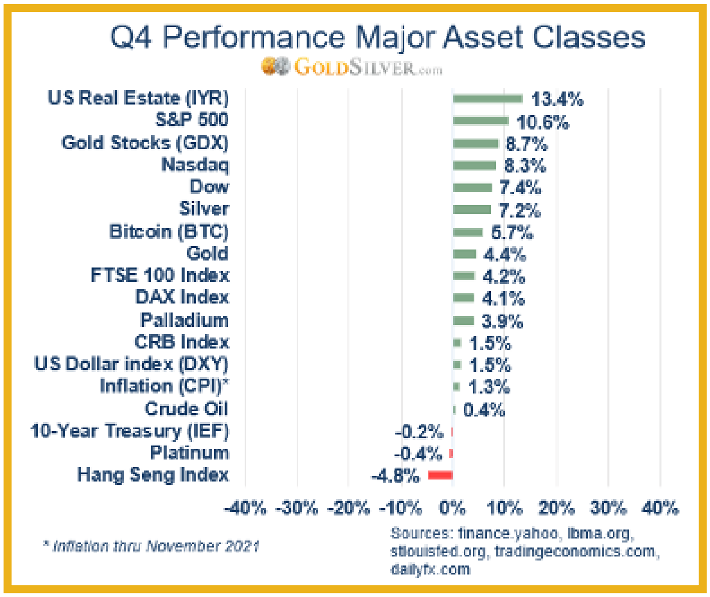
Jeff Clark, SWP Advisory Board Member, Senior Analyst GoldSilver.com

The big story in 2021 was the jump in inflation. And then the Fed's announcement in Q4 that it plans to raise interest rates multiple times in 2022. Gold ended last year slightly lower, but with new policy and economic shifts emerging, is gold poised for a reversal to the upside?

Our ITV report briefly examines the performance of gold and other major asset classes during the fourth quarter and full year of 2021, along with a review of the conditions that could impact the precious metal in the new year.

Gold Q4: Gold and Silver Rebound

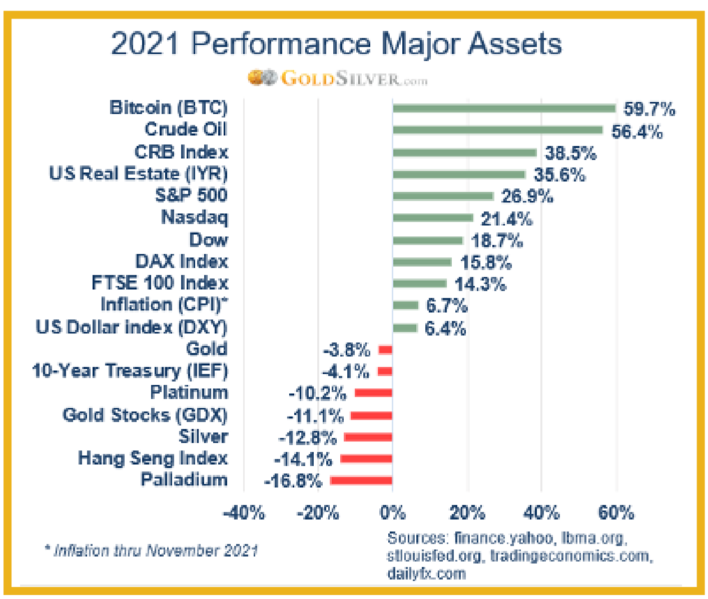
Most assets were relatively flat in Q3 of last year. Gold had slipped 1.2%, and silver crashed 16.5%. But both rebounded in Q4.



Real estate led all comers last quarter, beating out the major stock indexes, which also logged healthy gains. Gold rose 4.4%, while silver gained 7.2%. Palladium rose 3.9%, while platinum was flat.

2021: Outside Forces Pressure the Gold Price

2021 ushered in some long-desired optimism on the part of investors and consumers, despite lingering effects of the pandemic. The economy rebounded and markets soared.



Bitcoin and crude oil led all comers. The precious metals complex logged a negative year. Gold fell 3.8% and silver 12.8%.

Which begs the question…

Why Was Gold Down with Inflation Running Hot

It's somewhat puzzling that gold would be weak in a year that saw inflation rise both abruptly and significantly. A deeper analysis provides some answers:

- For most of 2021 the market accepted the message that inflation would be transitory. Investors didn't buy an inflation hedge since they thought the CPI would come right back down.
- According to multiple sources, more cash poured into equity funds in 2021 ($900 billion) than the last 20 years combined. Clearly it was a risk-on trade.
- The U.S. dollar, typically inversely correlated to gold, rose 6.4%.
- Economic growth beat most expectations. 2020 fears turned to 2021 optimism.

The question in front of investors now is, do these trends continue—or do they ease or even reverse and lead to higher gold prices?

The 2022 Road Map

While market and economic risks are always present, it's hard to overstate the number of potholes in the road as we enter the near year. The following factors could impact the gold market in 2022.

Pandemic Persistence: Omicron appears less virulent than previous variants but it is more contagious, which means that hospitalizations could remain high. The Omicron variant was responsible for at least 41% of all US Covid cases in December. Its spread could suppress consumer demand and exacerbate supply-chain bottlenecks.

Stubborn Inflation: Food prices are estimated to rise 5% in the first half of 2022, according to research firm IRI. Wheat and corn were each up over 20% in 2021, while soybeans hit a third consecutive year of rises. Warnings of prolonged food inflation persist, including from the CEO of fertilizer giant Yara International: "I want to say this loud and clear right now: we risk a very low crop in the next harvest. I'm afraid we're going to have a food crisis." Consumer analyst Julie Ramhold at DealNews.com was equally bleak about higher food costs: "I really don't think there's any way to escape."

It is indeed a global phenomenon. UK inflation is already over 5% and is expected to hit 6% in 2022, what would be the highest level in 30 years. Alcoa halted aluminum production in Spain for 2 years due to energy costs, Europe's second-largest aluminum plant, while Europe's biggest aluminum smelter cut output the week before. India's market regulator ordered a year-long suspension of futures trading in key farm commodities in an effort to fight inflation. And of course Turkey has a serious inflation problem, its annual rate recently hitting 36%.

Citizens feel it, too. According to a Bankrate survey, 26% of Americans believe their financial situation will be worse in 2022, and of those 70% blame inflation. "People are getting worried about inflation continuing to rise," reports Forbes.

Some parts of the current inflation spike probably are transitory—but now wages are rising, which could keep inflation elevated for years. If so, the Fed will be under increasing pressure to raise interest rates. Which ushers in problems of its own…

Interest Rate Increases: The Federal Reserve announced it will raise interest rates in 2022. "It's going to be the first time in almost two years that the Fed's incremental decisions might force investors or consumers to become a little more wary," says David Schawel, CIO at Family Management Corporation.

Perhaps surprisingly, gold has historically risen during rate hike cycles. It tends to fall at the initial hike, but in the last four periods it has ended anywhere from 21% to 28% higher.

One has to wonder if rate increases will take some air out of the economy or stock market. Especially when combined with a reversal in the Fed's emergency asset purchases that have been in place since March 2020.

Gold Demand: The trend of central bank gold buying continues, with global reserves now at a 31 year high. As a group they have been net buyers since 2010, and this shows no signs of letting up. According to a survey by the World Gold Council, for the first time in years the top reason behind central banks in emerging markets buying gold is its "performance during crisis situations."

Meanwhile, Comex gold deliveries were more than triple the 15-year average last year. In China, retail gold sales have rebounded, with the strongest sales surprisingly coming from 20- and 30-year olds. In India, gold imports passed pre-pandemic levels last year, including a 123% increase vs. 2020.

Fed Watch: Alongside the normal rotation of voting members, the Biden administration will fill three vacant seats on the Fed's Board of Governors. Public comments from the other three Federal Reserve Bank presidents suggests that the 2022 committee will be more "hawkish."

Meanwhile, the Fed's commitment to phase out Libor isn't completed (as was projected to end last month). According to the Financial Times, **there are still $230 trillion in existing contracts that rely on the benchmark**. This marks the moment when **the past four years of preparation to live without it goes into effect**. Dixit Joshi, group treasurer of Deutsche Bank, said **"It's one of the biggest transitions in financial markets in decades. This is a milestone for the regulators since the great financial crisis about lessons learned."**

Last, US debt continues to not only grow, but according to Treasury data it increased in December by half the increase seen in all of 2021.

Frothy Investment Markets: By almost any measure, financial markets remain frothy, if not outright bubbly. Public and private equity are both expensive, real estate prices are high in most advanced economies, meme stocks and crypto assets are still arguably in a craze, and government bond yields remain ultra-low. Any sort of "normalization" process could deflate asset prices—and drive investors to gold.

U.S. Midterm-Elections: While not until early November, it goes without saying that the US is experiencing elevated levels of partisan polarization, gridlock, and radicalization. Democrats have a minor advantage in the House and a thin majority in the Senate; since some voters seem frustrated with President Biden's handling of inflation and other issues, Republicans would be able to block any legislative move by winning one chamber. This will likely **push Democrats to make big changes before the election**, including finally passing their social spending bill and perhaps higher taxes, the latter of which could hurt stocks.

U.S. Dollar: Most analysts agree the first couple of months of 2022 could be kind to the dollar. The Fed's shift toward tighter policy coincides with the People's Bank of China pivoting toward monetary loosening. However, a number of analysts see the dollar as vulnerable, based on a positive backdrop for risk and commodities, along with simple overvaluation. Also, some chartists say the dollar has broken down through support.

Military Interventions: President Biden has repeatedly warned Russian President Vladimir Putin that he is prepared to "respond decisively" if Russia invades Ukraine. Some argue the Russian economy has become more resilient to sanctions than it was in the past, so such threats may be less of a detriment, making an invasion perhaps more likely.

Meanwhile, China has increased its military pressure on Taiwan and in the South China Sea, where territorial disputes continue to brew. And Iran is now on the threshold of becoming a nuclear state, with negotiations going basically nowhere. In response Israel is openly considering strikes against Iranian nuclear facilities.

Biden recently signed a $768 billion defense policy bill, what was a major increase in military spending.

2022 Points to a Necessary Crisis Hedge

We think Hilary Allen, law professor at American University, asks a good question. “Is the current moment the dot-com bubble—or the lead-up to the 2008 financial crisis? If it’s just a dot-com bubble, it sucks for investors. But if it’s 2008, then we’re all screwed, even those of us who aren’t investing.” We think either answer argues for a hard asset hedge.

The circumstance of stubborn inflation, elevated political conflicts, and overpriced stock and real estate markets creates an ideal scenario for gold.

The most likely path ahead is one where gold continues to offer a meaningful and necessary hedge. It would not be surprising to see the gold price achieve new record highs in 2022.

You can follow Jeff on Twitter @TheGoldAdvisor

Strategic Wealth Preservation Capital

Big plans for 2022? Well, you may already have all the capital you need!

In October 2021, SWP Capital was launched to support SWP clients in accessing their metals’ equity without having to sell any of their metals investment. This offers a new level of flexibility and freedom to invest in other opportunities, whilst still keeping your metals working for you in the way you intended.

Just like SWP, SWP Capital has been formed with the greatest consideration to customer service and satisfaction, allowing our clients to unlock the cash in their metal holdings to invest in other assets, pay down debt or anything else. It’s your choice because it’s your money. You can now make your investments work twice as hard for you in 2022!

Additionally, SWP Capital offers the option for anyone, not just SWP clients, to invest in Precious Metals Backed Securitized Notes (PMBSN). With basically no risk and a fixed return of up to 3%, it’s an excellent option for investors who are looking for a safe place to grow their money for a term of up to 60-months.

For more information on SWP Capital, contact **Bruce John**, Managing Director, **1-954-686-5455** or **bj@swpcapital.com or www.swpcapital.com**

Borrowers	Investors
» SWP clients may borrow up to 75% of the market value of their precious metals stored with SWP whilst still retaining ownership of their gold or silver. » Funds can be borrowed in USD at competitive lending rates as low as 3.75% and with loan terms available up to 60-months. » The minimum loan amount is USD $250,000.	» Anyone, not just SWP clients, can invest in Precious Metals Back Securitized Notes (PMBSN) with SWP Capital and earn a fixed annual return significantly higher than bank deposit rates. » Investing in a PMBSN guarantees a return of up to 3% annually, for a term of up to 60-months, at absolutely no risk.

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, Switzerland, Liechtenstein, Singapore and New Zealand. We also offer corporate disaster recovery services for businesses located in the Cayman Islands.

January 2022 Edition

INSIDE THE BOX ON YOUTUBE

Check out our latest Youtube feature Inside The Box – as we unveil some of the most interesting products we receive at our Cayman Islands vault.

SWP's secure storage facility
George Town, Grand Cayman

ONE ACCOUNT, ONE WORLD

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