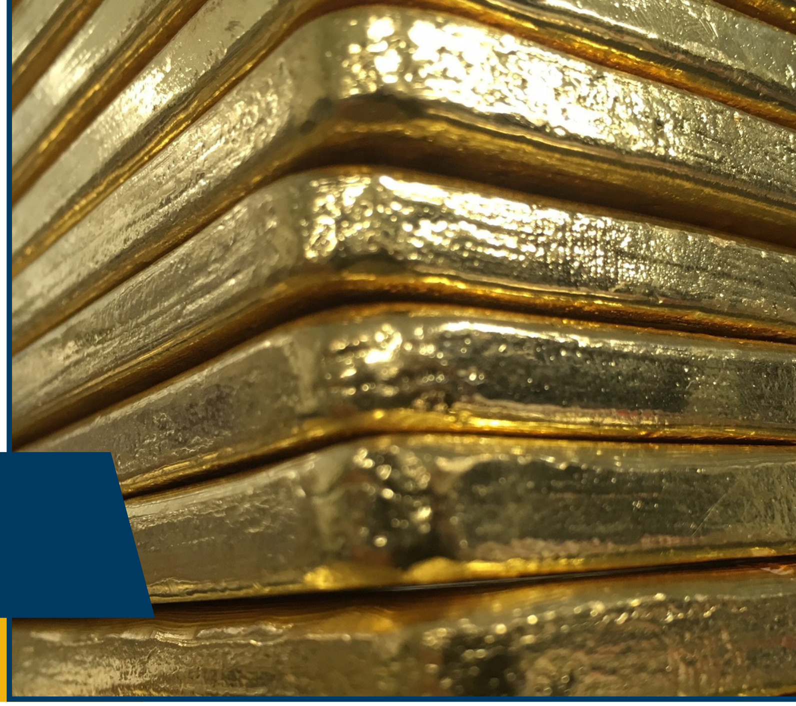
Strategic Wealth Preservation



INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - JULY 2020

MESSAGE BY MARK YAXLEY

Welcome back to another edition of Inside The Vault, our quarterly precious metals newsletter.

And what a quarter it has been! Since our last update in early April, the precious metals industry has been on an absolute tear trying to keep up with the rapidly ascending gold and silver prices and record sales of physical precious metals.

SWP experienced its strongest quarter since inception, with sales volumes up 250% and new deposits of metal into our global storage locations totalling approximately USD $100 million for the quarter alone.

Admittedly, it was also a challenging quarter for our team, not only to keep up with client demand, but also to circumvent some of the challenges caused by COVID, particularly on the logistics and production side of the business. I am very proud of the fact that we were able to remain open during the entire first wave of the epidemic, always there to service our clients throughout. I would like to take this opportunity to acknowledge our staff for their resolve and work ethic, and also thank our loyal and new clients for their patience during this challenging period.

Looking ahead to the second half of 2020, I remain convinced that we are firmly entrenched in a precious metals bull market that is setting up to last at least another 12-24 months, if not longer. All the underlying conditions, as highlighted by this edition's contributions by Jeff Clark and Jeff Thomas, are in place for gold to test new record highs in terms of US dollars. My personal outlook for 2020, no pun intended, is $2000/gold and $20/silver.

For investors who have not yet allocated funds to precious metals, or those whose positions are smaller than they should be, the time is now to get serious about adjusting your portfolios and allocating for some precious metals. Historical data shows us that owning 20%+ of one's assets in precious metals during a crisis period is optimal.

As always, our professional staff is here to assist you. So please take advantage of the opportunity to protect your wealth now, before it is too late.

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'S HIGHEST QUARTERLY CLOSE IN HISTORY

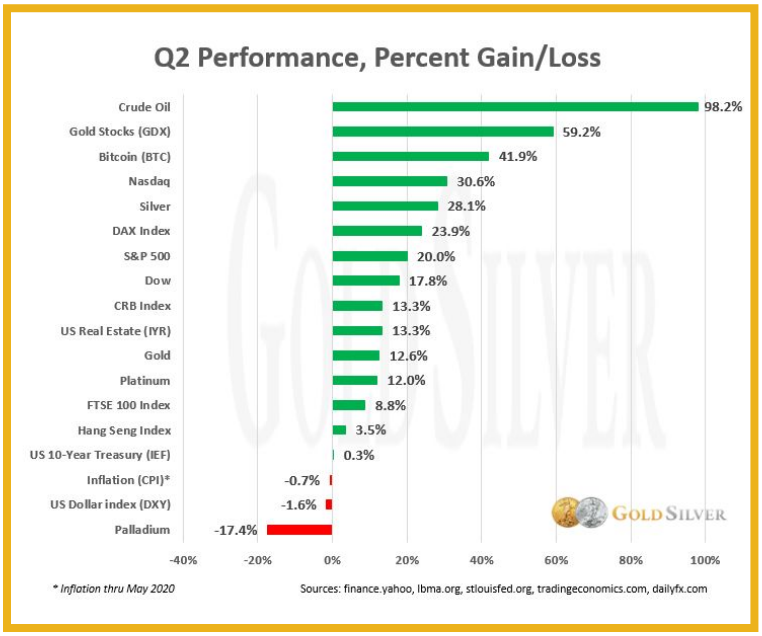
Written by Jeff Clark, Senior Analyst for and SWP Advisory Board Member

Our ITV report examines gold's banner performance during the second quarter of 2020, along with year-to-date performance. We'll also look at the Fed's impact on gold, the gold/silver ratio, and the outlook for the second half of the year. It was a history-making quarter, with numerous catalysts still on tap, so let's dive in…

Second Quarter Performance

Gold's selloff in March led to a strong rebound through mid-April, the price jumping $268 within three weeks. It then traded mostly range-bound until the last week of the quarter, when it spiked again to end Q2 at $1,783.58, up 12.6%.

Here's how precious metals performed in the second quarter, along with other major asset classes.



It was a banner quarter. Gold ended Q2…

- At the highest quarterly closing price in history
- At the second highest monthly close ever
- With the strongest quarterly performance since Q1-2016
- And now has risen 3 consecutive months and 6 consecutive quarters.

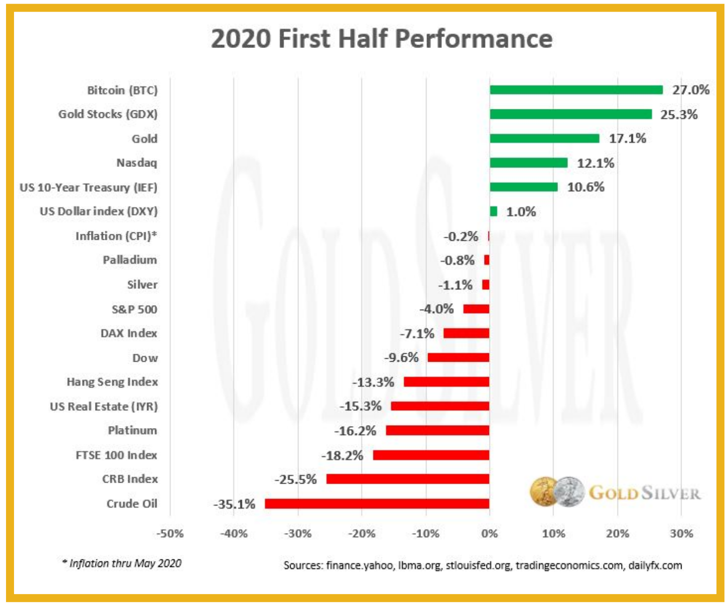
Bitcoin was a standout, jumping 41.9%. Silver saw a strong rebound, rising 28.1%.

As can be seen, many asset classes rebounded sharply in the second quarter, after the horrific selloff in March. Crude oil logged its biggest quarterly gain since 1990, while the S&P 500 saw its biggest quarterly advance since 1998.

Palladium dropped sharply, and has now fallen four consecutive months. The 10-year Treasury offered near-meaningless return.

2020 First Half Performance

Bitcoin and gold are among the strongest leaders so far this year.



Gold is up 17.1% through the first half of 2020. Bitcoin led the pack with a 27% return. Most other assets, despite the bounce in Q2, remain underwater, the Nasdaq and 10-year Treasury the only major exceptions.

I'll also point out that the average gold price in the first half of 2020 was $1,644. This stands close to its highest annual average on record, $1,669 in 2012.

The Fed as Gold Driver

You've heard the mantra, "don't fight the Fed." That has applied to gold as well…

The Fed's "unlimited liquidity" mandate is not only still in play but was expanded last quarter to include the purchase of individual corporate bonds, even junk bond indexes. This on top of the recently established "Main Street Lending Facility" shows there is little hesitation by the Fed to remain passive.

Minutes from its June 9-10 meeting stated it expects to continue with "highly accommodative monetary policy for some time." The various machinations of quantitative easing have pushed an increasing number of investors into gold.

Meanwhile, the Fed funds rate remains near zero. Most Treasury rates can't match even low inflation, which diminishes the argument against gold due to storage costs. In fact, the "real" rate on the 10-year Treasury yield (after inflation) has steadily fallen for 18 months or so, and at the end of Q2 was solidly below zero.

Gold remains an ideal fixed-income alternative in low to zero rate world.

Silver's Undervaluation

It's hard to look at the precious metals space without noticing the historic levels in the gold/silver ratio (GSR). As we pointed out last quarter, it spiked to 123.5 on March 17, a huge jump over its prior record high of 100.8 in 1991.

Despite silver logging a 28.1% gain last quarter, the GSR (gold price divided by the silver price) remains at historically high levels.

The ratio ended the quarter at 99.08, a reading that is clearly overstretched.

The value offered by silver, relative to gold, is hard to overstate.

Gold Outlook: High Prices, But Bigger Catalysts

One could be excused for wondering if gold can maintain its pace, but how many of the risks that pushed it higher in the first place are gone? Check out the risks that remain around the world and see if it's really time to reduce exposure—or instead make sure one has enough ounces…

Coronavirus Second Wave. New cases have surged, with Texas reporting all-time highs last month, and California at record highs in hospitalizations. Though not all, other countries continue to struggle as well, with Australia reporting their largest one-day increase in late June.

This could impact Q2 and even Q3 earnings more than Wall Street traders anticipated. Fed Chair Jerome Powell was quoted as saying the outlook for the world's biggest economy is "extraordinarily uncertain" and will depend on both containing the disease and the government's efforts to support the recovery. Greater than expected economic fallout would boost safe-haven demand for gold.

Real Interest Rates. The direction of real interest rates may be debatable, but when they're at or below zero gold's position is arguably more compelling than bonds. With most bond yields only slightly higher than cash yields, gold offers strong appeal.

Unemployment. Ugly unemployment numbers could worsen if the second wave of the virus can't be contained. Already, payouts to jobless in the US exceeded a record $100 billion in June, after $93.6 billion in May. Even stalwart Apple began to reclose of their stores in US coronavirus hotspots.

Recession. The IMF lowered its 2020 economic growth forecast, projecting the world economy will fall nearly 5% this year, a downward adjustment of 1.9 percentage points from its April forecast. "The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast." This just might lead to more…

Monetary and Fiscal Stimulus. World central banks and governments have already embarked on unprecedented levels of monetary intervention—the Bank of England added to its bond-buying program and the US senate passed an extension to the small business loan program—but if economic data don't improve there could easily be more stimulus coming. These efforts might help in the short-term, but what are the medium and long-term impacts? **Years of easy monetary policy have already driven yields to near zero, so it's fair to question how much ammunition is left in the Fed's toolbox.**

Commercial Real Estate. Store closures, unemployed renters, and weakening property prices have led to a surge in redemptions from many commercial real estate funds. It leaves this normally strong segment of the property market vulnerable, despite low borrowing rates.

Public Debt. In June the US Treasury's public debt exceeded $26 trillion, what amounts to 120% of GDP. This level is not sustainable, yet few viable solutions exist.

US-China Trade Deal. There has been some confusion about the US-China trade deal, in the midst of which Trump talked about "decoupling" from China and saying he was "more and more angry at China." Throw in the fact that China sees the US stance on Hong Kong as interference in its domestic affairs and geopolitical conflicts show no signs of letting up.

Vulnerable Stock Markets. Stock valuations have rebounded to the extent that investors, in most cases, must now pay a premium. Risk management of stock portfolios has gotten complicated.

US Presidential Elections. While not until Q4, the rhetoric is already heating up. A number of analysts have stated that a win by Joe Biden could serve as a catalyst for gold since it would introduce uncertainty in U.S. policies.

Physical Demand. I'll conclude by pointing out that the surge in physical demand we highlighted last quarter eased off to more normal though still elevated levels by the end of Q2. Product availability improved, premiums softened, and delivery times shortened.

However, most dealers still report above average volumes, with scant few claiming the industry is "back to normal." Bottlenecks in refining and transportation will easily return once demand spikes again.

The Hard Asset Solution

While gold price performance has been strong, numerous outside risks continue to surround us, many of which are directly supportive of ongoing strength in gold. Indeed, the structural and protracted nature of economic, monetary and political challenges facing the US and the world aren't ones with easy or simple answers. **The most likely scenarios all suggest that the gold price will not only rise, but offer financial safe haven to those with meaningful accumulations.**

As we move into the second half of 2020, gold is increasingly likely to serve as an effective and necessary hedge, particularly in light of the Fed's dovish stance, ongoing geopolitical conflicts, and the risks associated with the recession, stock market volatility, and US election.

SAY HELLO TO THE GREAT LOCKDOWN

Written by Jeff Thomas, feature writer for Strategic Wealth Preservation, Doug Casey's International Man and 321gold.com

Just prior to the turn of the millennium, I began to advise investors that the future would hold an economic crisis of epic proportions.

At the time, I believed that it would begin between 2005 and 2010, with what I regarded to be a mini-event – the first stage of what would become the Greater Depression (a term coined by Doug Casey at that time, and one that I considered to be right on the money).

Although many people considered the 2008 crash to be a major setback, I anticipated that it would be merely the forerunner of the main event – the greatest crash in history.

Around 2010, we began a period that was described by Keynesian economists as a "recovery." It appeared to be such, since the central banks bought heavily into the stock market, re-floating zombie companies. The Governments helped out by providing falsely low figures for both inflation and unemployment.

Keynesian economists then proclaimed a "boom" that was no boom at all.

A boom would be a period in which the average citizen prospered. This did not take place. Instead, in this, the first phase of the Greater Depression, the middle class was eroded – their wealth squandered on the false hope that putting their last dollars in the stock market would bring them great rewards.

Instead, what they got was the longest suckers' rally in history.

Predicting the date of the main event – the big crash – would be the most elusive objective I've ever dealt with.

But around mid-2019, the warning signs began to pop up that 2020 was likely to be "the year." The band-aids that were holding the house of cards together were beginning to fall away and I estimated that, sometime around June of 2020, the first of the economic dominoes would fall. I guessed that the first domino would be the stock market, but there were a number of other possibilities, as any one of a dozen triggers could bring about the main event.

Along the way, I frequently discussed with associates how the banksters, would cover themselves when the time came. How could they possibly disguise the fact that their policies were directly responsible for the collapse?

They fooled me. I never saw the coronavirus scam coming.

The first European deaths that were attributed to the coronavirus occurred in January of 2020, but it wasn't until February that I realized the connection. It then suddenly became obvious that the coronavirus would be used as the cover for the crash.

Countries in Europe would create a corona-scare – they would lock down economically "for the public safety." The overdue economic collapse would ensue, with the cover story that it had been collateral damage of the virus.

As is well-known, the International Monetary Fund (IMF) consistently claimed, prior to 2020, that economic blue skies were ahead. This was a claim that they made, ever-more loudly, as the economic house of cards began to shudder.

Then, early in 2020, on-cue with the corona-scare, the IMF reversed this position, stating that that the global economy would suffer the greatest crisis since the Great Depression.

Recently, they expanded on that prediction, stating that the situation is now worse than previously reported – "unlike anything the world has seen before."

And the IMF have given it a name: "The Great Lockdown."

Of course, it wouldn't do if the world were to now recover from what is, in the end, a common seasonal virus. What will be needed will be the continuation of the virus for a period of many months, or possibly years. This will be necessary in order to assure that "freedom of assembly" is disallowed – that citizens cannot come together to protest what governments and banks have done to them.

In addition, a second scam is needed – protests and riots across the map for a non-economic reason. The average person will be kept locked down, whilst rioters will be free to destroy property and to take over portions of city centres.

If indeed this is the scam I believe it to be, what we shall see will not be the re-taking of the "autonomous zones," but a standing-down by the police and, as illogical as it may be, assistance by the cities. City garbage trucks will remove the zones' refuse, city-owned portable toilets will be installed and maintained, food will be delivered, and other services needed to maintain the zones will be paid for from the government coffers.

These zones will become mini-welfare states, yet will be praised in the media for their "success," even though they are in no way self-sustaining.

At such a time, a crashing economy will fail to be the primary focus. It will be seen as merely an unfortunate biproduct of events that are more "worthy" of media attention.

And that's exactly the objective.

So, what is the average person to do in a time in which all logic is tossed out the window; when priorities are not merely faulty, but completely upside-down?

Well, I've always recommended that, in such times, the investor must, above all, have an insurance policy – a hedge against assets cratering and currencies losing value.

In such times, for over 5000 years, mankind has always returned to gold.

In the early 2000's, when gold was under $300 per ounce, I suggested that investors "buy now," as I believed that gold was headed north in the near future. I "recklessly" predicted $1500 gold within a decade, but that prediction actually proved to be low. (Gold topped $1900 in 2011.)

Around 2015, when gold dropped nearly as low as $1000 and noted deflationists were predicting $750 gold and lower, I suggested that investors "buy now," as they would not be likely to see such low prices again.

Gold didn't begin to climb in earnest for another three years, and many wondered if gold had had its day and would never again rise above $1400. Yet, up it rose.

Then, in early 2020, in keeping with my belief that, by mid-year, we might see the beginnings of the economic crisis, I began to predict the "last chance for bargains."

Typically, those who stay out of gold, but hope to jump in at the last minute, fail to understand that, once a crisis is underway, the spot price of gold and the actual price increasingly widen. Holders become more and more reluctant to sell, and the premium above spot can rise quickly – to $50, to $100, to $200 and beyond.

And this is the point at which the IMF's new term, "The Great Lockdown" will take on a new meaning.

Yes, gold will still be out there, but *you'll be locked out from buying it*, as the premiums will become staggering.

Once again, I find myself saying, "buy now!" Those who do, will purchase an insurance policy against the worst economic event of our lifetime.

Indeed, it's quite likely that this will be the last opportunity to make that possible.

ASK THE EXPERT

Written by Mark Yaxley, Precious Metals Expert and General Manager for Strategic Wealth Preservation

As product premiums remain high and the availability of some best sellers remains tight, the most common question I have received lately from our investors is **"Where is the best value when buying physical gold and silver right now?"**.

During normal market conditions, it is an easy question to answer, because the products with the lowest total spreads (spread = premium to buy + discount to sell) are consistently the same. For example, 100 oz silver bars generally have a low total spread and are a silver product we recommend to our clients daily.

However, demand for 100 oz silver bars has been so high the last few months, combined with certain key producers' inability to keep up with demand from a production stand point (thank you COVID), has resulted in 100 oz silver bars being one of the least attractive products currently in terms of premium and total spread. In fact, some best-selling 1 oz silver coins and rounds have a lower total spreads than larger silver bars right now.

Now, this will not always be the case, but it raises the point that the current market conditions are flipping things on their head and a closer look is required.

So where is the best value right now?

Overall, gold is the winner in my opinion for three reasons:

- **#1** - Gold is the cornerstone of any precious metal's portfolio and over time it has outperformed both silver and platinum.
- **#2** - It is also the primary safe-haven asset for investors, whom I suspect there will be a lot more of coming into the market over the next 2-3 years.
- **#3** - Gold's premiums are lower than silver's and platinum's in percentage terms. So, it is costing you less in premiums paid per ounce to buy gold vs. the other metals. I.e. you get more gold for your money.

Specific gold products of good value currently are 1 oz gold Marlin coins, 1 oz gold Royal Canadian Mint bars and kilo gold bars.

If you are going to invest in silver right now, consider 1 oz silver rounds (various brands) and 10 oz silver bars (various brands).

ASK THE EXPERT CONTEST – WIN A LIMITED MINTAGE SILVER MARLIN COIN

If you have a question about precious metals that you'd like answered by one of our experts, please submit your question to info@swpcayman.com. If your question is selected, you will receive a limited mintage 1 oz Silver Marlin coin.

> *"Gold is the cornerstone of any precious metal's portfolio. Over time it has outperformed both silver and platinum."*

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

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July 2020 Edition

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