Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - OCTOBER 2021

WHAT'S NEXT FOR GOLD AND SILVER

In terms of price appreciation, 2020 was a very positive year for both gold and silver. Unfortunately, 2021 has not been so kind, leaving precious metal investors scratching their heads.

I would like to remind our clients and followers to remain patient as we transition through this price consolidation period, and to remember that the next leg up for gold, silver and the platinum group metals **will come**, and that many catalysts remain that could trigger the next crisis (check out Jeff Clark's market update below).

Meanwhile, I recommend that you take advantage of today's softer metal prices and continue accumulating ounces ahead of the next rally.

Also, please be sure to check out the article below on SWP Capital, our newest business venture, designed to help you unlock your precious metals equity.

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.

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GOLD AND SILVER TECHNICAL ANALYSIS

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

You can follow Chris on Twitter @TheTechTraders

GOLD IN Q3: RISING YIELDS PRESSURE THE METAL, BUT CATALYSTS LOOM

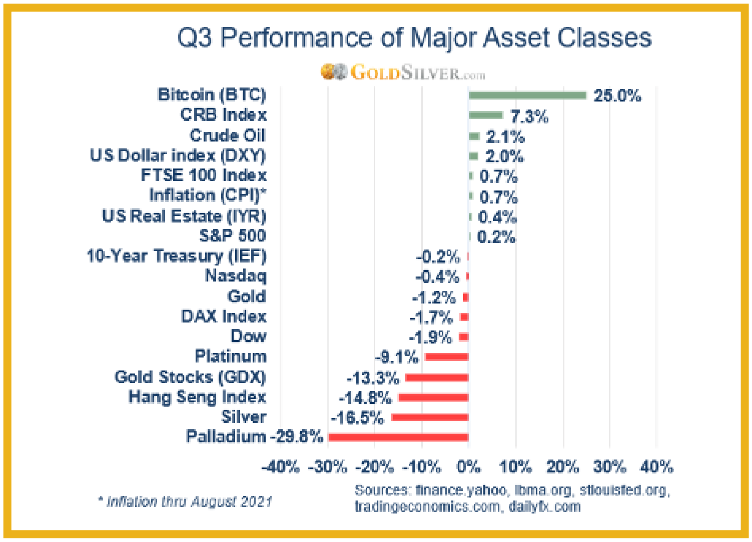
Jeff Clark, SWP Advisory Board Member, Senior Analyst GoldSilver.com

The big story in Q3 was the sharp reversal in yields, along with a rising US dollar, both putting downward pressure on the gold price.

This quarterly ITV report briefly examines the performance of gold and other major asset classes during the third quarter and year-to-date, along with a review of the conditions that could impact the precious metal in the final quarter of the year.

Gold in Q3: Price Softens

After rebounding in Q2, the gold price succumbed to the pressure of sharply rising Treasury yields in Q3, when the Fed began talking about tapering asset purchases.

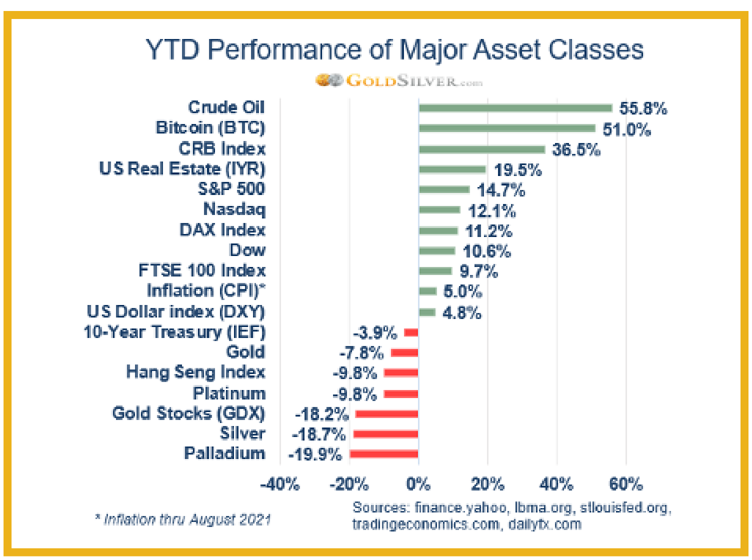


After losing 40% in Q2, Bitcoin rebounded to lead all comers. Commodities also did well, along with oil and the US dollar. Broad stock markets were weak. Silver and palladium basically crashed.

Gold's inverse relationship to the dollar and yields held true last quarter.

Gold YTD: Q3 Pushes it Negative

Gold was flat on the year, until Q3 hit.



Crude oil, Bitcoin, and commodities are the 2021 leaders so far, along with U.S. real estate. The broad stock markets are up on the year, and the USD and inflation remain elevated.

Gold and silver are currently down on the year, not unsurprising given its typical inverse relationship to the stock market. Palladium and platinum logged their fifth straight monthly decline due to the semiconductor shortage that's curbed auto production. Palladium recorded its biggest monthly drop in 13 years in September.

Q4 could be interesting, as uncertainty remains surrounding inflation, central bank tapering, and lack of political progress on the U.S. debt ceiling and infrastructure bill.

How Does 2021 Close Out?

We remain in unchartered territory. The world is still trying to exit a global pandemic, while high inflation and political friction persist.

This and more are some of factors that could impact economies and markets in the final quarter of 2021. Here's what we're watching that could impact the gold market, any one of which could serve as a spark.

Will Inflation Prove Transitory? Core inflation rose 3.6% in August (most recent available) from a year ago, the biggest jump in more than 30 years, since May 1991. According to the Commerce Department, supply chain disruptions and unusually high demand were largely to blame for ongoing price pressures. The 24.9% increase in energy prices didn't help, either.

The question, of course, is if high inflation prove transitory—or not. Fed Chairman Jerome Powell admitted that persistently high inflation readings are "frustrating." White House economic adviser Jared Bernstein said inflation is "likely to stay elevated longer than previously expected." And after its September meeting, the FOMC revised its estimate for the Personal Consumption Expenditure (PCE) inflation rate, now projecting it will come in at 4.2% for 2021, a sharp upward revision from June's projection of 3.4%. Bottom line, the transitory question is still open.

Some economists also warn of the growing risk of stagflation—falling economic growth accompanied by high inflation. Economist Nouriel Roubini, known for his gloomy-yet-accurate forecast of the 2008 financial crash, said that global supply chain woes, along with high debt ratios and loose monetary and fiscal policies, threaten to turn "mild stagflation" into a stagflationary crisis. Stephen Roach, former Morgan Stanley Asia chairman, also says the U.S. faces a 1970s-style stagflation, partly due to the energy price spike and ongoing supply chains disruptions.

Persistent high inflation is present to the Euro zone as well. Consumer price inflation in the 19 countries hit 3.4% in September, from 3% a month earlier, the highest reading since September 2008. High energy prices and supply bottlenecks are again blamed. It looks likely to jump higher still, as supply-chain disruptions are reported to be worsening. The ECB is sticking with the message that it will quickly pass, though ECB President Christine Lagarde publicly admitted to higher than expected inflation risks.

Yields: Treasury yields have spiked, mostly due to central banks announcing they may begin to ease monetary policies. Both the 10-year and 30-year saw their largest quarterly gain since March, and the two-year logged the largest three-quarter gain since 2018. The Bloomberg Global Aggregate Index, a benchmark for government and corporate debt, has lost 4.1% so far this year, the biggest slump for any such period since at least 1999. Whether central bankers actually begin to scale back bond buying remains to be seen, but Fed actions will clearly have an impact on the markets including gold.

Debt Ceiling: As of this writing, no agreement has been reached on the debt ceiling. U.S. debt is closing in on $29 trillion. Roughly $700 billion has been incurred since President Biden took office and chose Yellen to head the Treasury, and the budget deficit through the first 10 months of the fiscal year stood at a whopping $2.71 trillion.

With a potential default looming, Treasury Secretary Janet Yellen said she would like to see the power over debt limits taken away from Congress. A bill introduced in May would repeal the national debt ceiling, and when asked if she would support it, Yellen said “yes, I would.” A lack of resolution on the debt ceiling would have tremendous impact on the markets, with gold serving as a strong hedge.

Housing: Rising home prices in many parts of the developed world continue to pinch buyers. A recent University of Michigan consumer survey said buying conditions for housing are now at their lowest level since 1982.

U.S. home prices, as measured by the S&P CoreLogic Case-Shiller National Home Price Index, rose a whopping 19.7% in the year ending July, the highest annual rate since the index began in 1987. Apartment rents in the U.S. were up 11.5% compared to last year, while some cities in Florida, Georgia and Washington saw increases of more than 25%. Similar gains are reported in other countries. A reversal in the real estate market would likely push investors to gold.

Oil: The oil price normally falls when the U.S. dollar strengthens, but that correlation has not recently held. Brent crude touched $80 a barrel last month, for the first time in nearly three years. This pressures American exporters, as they’re hit with the double-whammy of higher fuel costs and a stronger dollar. How this plays out will continue to impact markets, including gold.

China: Evergrande, one of China’s largest real estate developers, has, so far, failed to address two bond interest payments. Its mountain of debt is a real concern; it admitted it might default if it can’t raise money quickly. Some analysts don’t exclude the possibility of it morphing into a Lehman Brothers moment for the country. Mattie Bekink, China director of the Economist Intelligence Unit, admitted that “the impacts from a large default by Evergrande would be remarkable.” The lack of full transparency doesn’t help.

Meanwhile, the world’s second-largest economy faces other concerns: a resurgence in COVID-19 cases, power rationing in major provinces, a slowing economy, and a fall in real estate sales and new constructions. All this while inflation remains stubbornly high. Gold could serve as an effective hedge to any significant fallout emanating from China.

Black Swans: Given the plethora of unresolved issues surrounding most economies, the current environment remains ripe for a significant, unforeseen event. Another shock to the global economy or markets would underscore the importance of gold’s hedging abilities.

The Precious Metals Hedge

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

The most likely path ahead is one where gold continues to offer a meaningful and necessary hedge. We cannot rule out another set of record high prices in the next run.

You can follow Jeff on Twitter @TheGoldAdvisor

THE ECONOMIC CRISIS VACCINE

Jeff Thomas

For many years now, we’ve been predicting a major economic crisis. One that would exceed anything the world has witnessed to date.

Was this prediction a mere guess as to what might be in the cards? Or was it perhaps some sort of crystal ball vision?

Well, no, it was based upon fundamental economic principles, combined with historical research.

Historically, governments, and particularly empires, have an unfortunate habit of growing themselves too big, for the benefit of the rulers. Unfortunately, this is always done at the expense of the governed. They are always the ones who ultimately pay the price when governmental overreach exceeds what is fiscally responsible.

At this point, governments never say, "Whoops, we goofed. Let's downsize government and become prudent once again."

That would diminish their own position, so they invariably do exactly the wrong thing: they borrow.

And they keep borrowing, until the bubble bursts and no one will lend them any more money. At that point, the loans are called in and an economic crisis occurs.

Since World War II, the US has created a unique situation as regards borrowing. First, it established the dollar as the default currency. Then it established the dollar as the "petrodollar" – the currency by which all oil was paid for internationally. Then, it took the dollar off the gold standard.

This allowed for an unbridled level of borrowing, which transformed the US from the world's foremost creditor nation to the world's foremost debtor nation – debt on steroids.

Like all debt bubbles, this one must burst. But this has been the greatest debt bubble the world has ever seen. So, what does that mean?

Economic principles inform us that the greater the debt bubble, the greater the crash. So, as we have advised for many years, when this one bursts, it will be the greatest crash in history and will produce the greatest level of economic damage.

Okay, so when is this supposed to happen?

Well, truth be told, the crash is now long overdue. Everything that can be done to paper over the problem and make the economic structure appear as though it's sound has been done, even to the point of creating a new economic theory – Modern Monetary Theory - to make the debt appear as though it can be sustained.

But whilst the prediction of a monetary crisis is not all that difficult, predicting the timing of it is all but impossible. My best estimate for some time now was mid-2020. That was the time when I felt that it would begin to be too difficult to cover up the fragile economic structure and the average investor would begin to realise that the edifice was crumbling.

But that didn't happen, right?

Well, actually, yes it did, but hardly anyone was watching. What happened just before that was the COVID scare.

And no, that is not to suggest that COVID is not real. The virus is very real, but the scare that's been built around it has been created artificially. The resultant hysteria has taken centre stage and is ongoing.

The economy has been unravelling since that time and although most people recognize that the economy is not the best, they've failed to recognize that a crisis is underway.

In essence, what we've seen has been akin to the economic crisis being the equivalent of a National Geographic special, whilst on the other channel, the Super Bowl is being aired. Not surprisingly, everyone is tuned in to the Super Bowl. The crisis is playing out, but it's receiving virtually no commentary in the media.

So, does that mean it's not really all that important – that it will sort itself out, whilst we all concentrate on COVID?

Unfortunately, no. The collapse has begun and each facet of it – business closures, job losses, income property failures, dramatic inflation – all of it is being blamed on COVID.

But soon, we shall witness other facets of a classic economic collapse: bank closures, debt defaults, confiscation of wealth, stock and bond market collapses and, ultimately, collapse of the currency.

When these occurrences appear, it's not at all unlikely that the COVID hysteria will still be in full swing.

If so, that will mean that the average investor will have taken his eye off the economic ball, just when he needs it most. We can expect that the great majority of investors will be caught out, losing their hard-earned wealth when they were least prepared.

So… what to do?

Well, as in any crisis, we can expect that housing prices will plummet, and rents will diminish or cease, destroying real estate as an investment. We can also expect bonds and stocks to drop to a fraction of their present, greatly-inflated value. Similarly, investment funds, most of which are tied up in the above investments, will tank.

And cryptos? Well, the jury is out on that. They're new and haven't stood the test of time. But cryptos are in no way tangible. They've never passed through an economic crisis and it would be wise to be cautious regarding an intangible concept's ability to retain value when faith in other conceptual investments are going through the floor.

However, for the last 5000 years, the one investment that has held its own has been gold. Gold is tangible. It has always served as wealth throughout the ages because it's durable, divisible, transferable and finite. (It cannot be created by governments as fiat currencies can.)

Therefore, in any crisis, it has always returned to the fore and has always retained its purchasing power.

Gold is the Economic Crisis Vaccine.

It can be argued whether the release of COVID was an accident, or whether it was done consciously. But the timing couldn't have been more useful. It has been eminently successful in creating a distraction to investors.

And it's not done. The media present regular new surprises as to new variants, vaccine effectiveness, political wrangling and more. It's a full-time distraction. So much so that there's no room for reporting on the economy.

However, COVID is a virus and all viruses end eventually. When this one is over and done with, we shall all have to face how well we prepared for the economic crisis that is now playing out, under the media radar.

Those who wish to play it safe may decide to obtain the Economic Crisis Vaccine sooner rather than later. Those who do get the jab stand a greater chance of economic survival as the crisis continues to play out.

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.

SWP's secure storage facility
George Town, Grand Cayman

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