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The Worst Global Depression Is Nigh

Egon von Greyerz

Since the Great Financial Crisis started in 2006, global debt has more than doubled from $125 trillion to $260 trillion. The more money that has been printed, the lower interest rates have gone. In 2006 US short term rates were 5% and between 2008 and 2015 they were ZERO. Today they are at 1.5%. But at the same time almost $13 trillion global debt stands at negative rates.

So the world has manufactured $135 trillion debt with the push of a few buttons and at ZERO cost since 2006. **This means that more than 2x annual global GDP has been created at no cost and with no service or goods produced. Instead fake money has been printed which corresponds to TWO YEARS' global production but no one has done a day's work or manufactured a single product, so this money has been created out of thin air.**

HOCUS POCUS CREATES 1 TRILLION MAN DAYS

Global working population is estimated at 3 billion. Let's assume on a conservative basis that on average a person works 200 days per year. That would make 1.2 trillion man days for two years. **So central banks and governments can with some hocus pocus do the work of over 1 trillion man days.** Well, that certainly beats working and is in line with MMT (Modern Monetary Theory) which states that countries can print themselves to prosperity.

Well, this seems to have worked quite well since the Fed was created in 1913 and even more so since 1971 when the debt explosion started in earnest. For the ones who have forgotten, 1971 was when Nixon closed the gold window which allowed central banks to create unlimited money and debt.

WITH AI AND MMT PEOPLE ARE NOT NEEDED

The world is today in the wonderful position that with MMT, or Modern Money Trickery we can now replace work with money printing. In coming years, this could then be taken to its extreme with no one working and no one producing anything, except for a number of robots. For all the world's needs, unlimited money is printed. This is the real Shangri La and ultimate paradise. But is it really? Because the robots will then take over and get rid of mankind since we will just be superfluous parasites.

This scenario might be the ultimate outcome of AI (artificial intelligence) combined with MMT as well as decadence and irresponsible adherence to false economic theories. But it is fortunately unlikely to happen in my lifetime.

THE THIRD COLLAPSE THIS CENTURY WILL SHOCK THE WORLD

Here we are at the end of the second decade of this century. In the last twenty years we have seen the collapse of a tech bubble and we have experienced the implosion of fake debt aka (also known as) the sub-prime debt collapse. Central banks have skillfully but deceitfully navigated between Scylla and Charybdis as in Homer's Odyssey and managed to avoid the total and final collapse of the system.

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Bond Worries And Gold

Alasdair Macleod

There is evidence that US Treasury bond yields may continue to rise, exposing the debt trap in which the US government finds itself. Market participants don't realise it yet, but the dollar-based monetary system is spinning out of control. This will become obvious as the crisis stage of the credit cycle, which we now appear to be entering, becomes evident.

The outlook for monetary inflation is dire. Not only will governments fund themselves through QE, but central banks will be forced to inflate even more to pay for government deficits significantly greater than currently forecast. And when markets stop taking government statistics on inflation as the Gospel Truth, the interest cost of government funding will rise and rise, reflecting an increasing rate of time preference for fiat currencies which will be losing their purchasing power at an accelerating rate.

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Will Gold Have Its Best Year Since 2010?

Frank Holmes

Strengths

- The best performing metal this week was platinum, up 3.85 percent, with silver and palladium just trailing. Gold traders and analysts were overwhelmingly bullish on their outlook for the yellow metal in the weekly Bloomberg survey. Sentiment was bolstered as gold cracked back above $1,500 per ounce. Gold hit a seven-week high despite comments by President Trump that a trade deal signing with China would be imminent.
- Gold had its biggest weekly advance in more than four months, and with only a few days left in 2019, the metal is headed for its best year since 2010, reports Bloomberg. Margaret Yang, analyst at CMC Markets Singapore Pte, says investors are betting that gold is poised for a rebound after three months of price consolidation. Turkey's central bank increased its gold holdings by $446 million from the previous week.
- Gold's rally this week was largely driven by an unexpected drop in U.S. durable goods orders, which overshadowed rising new home sales, reports Bloomberg. Silver also rose and crossed above its 50-day moving average. Tai Wong, head of metals derivatives trading at BMO Capital Markets, said bullion "has momentum that is a little mysterious and no one wants to stand in the way."

Weaknesses

- The worst performing metal this week was gold, up 2.19 percent. According to the National Bureau of Statistics, China's gold imports were 57 percent lower in

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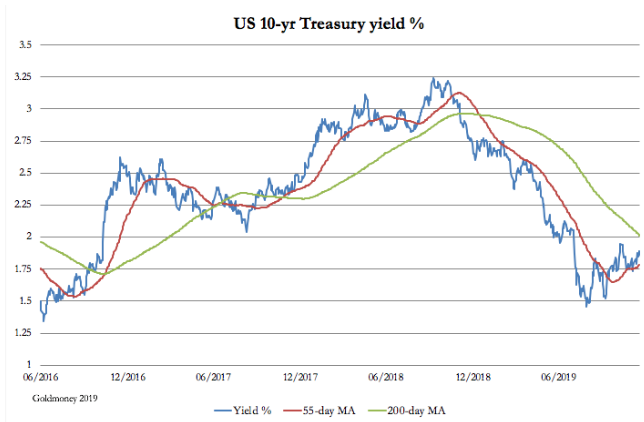
In a world where all fiat currencies will face enormous challenges, using yardsticks such as trade weighted indices will be misleading. The best gauges of the slide in fiat currencies will be commodities, particularly commodity monies, gold and silver.



Introduction

The chart above, of the US 10-year Treasury yield is shows that its yield bottomed at the end of August, when it had more than halved from the levels of October 2018. What, if anything, does it mean? Some would argue that it is good to see a positive yield curve again, implying the recession, or the risk of one, has gone away. But if US Treasury yields have bottomed out, then in the fullness of time they will continue to rise. Chartists might even claim it is setting up for a bullish golden cross, like the one earlier in the chart on 17 November 2016, which marked the beginning of a significant rise in bond yields.

That would be a worry, since equity markets have flown to places where bond yields don't exist. But there are more solid concerns about the course of bond yields, other than charting ephemera. Despite the massive expansion of money and credit since the Lehman crisis, there is a shortage of liquidity, because the Fed is having to inject half a trillion dollars into the banking system to keep overnight levels suppressed at the Fed Funds Rate target.

Informed opinion suggests that there is indeed a liquidity crisis. The banking system in New York has become strained through banks loaded with US Government debt and providing repos to hedge funds who have shorted euros and yen to buy T-bills and short-dated government coupon debt. The shortage has occurred because the largest banks, designated globally systemically important banks (GSIBs) must demonstrate excess reserves to cover obligations thirty days out. The strains for this Basel III requirement are expected to increase at the next quarter-end, i.e. 31 December.

These strains first became evident in the repo market, which blew up three months ago, on the day Deutsche Bank completed the sale of its prime brokerage to BNP. We don't know if these events were related, but as any investigating detective will tell you, pure coincidence must be dismissed until proven otherwise. In any event, the problems in the repo market have continued, so having noted that perhaps the Deutsche Bank sale did not go as planned, we must go with the GSIB excess reserves explanation.

Looked at in this light, the persistent rise in UST bond yields is threatening. Unless the Fed simply floods the markets with liquidity, they seem set to rise further. If the Fed does not, the GSIBs have two courses of action, and they may be forced to take both. First, they could be forced to sell down their US Treasuries in order to create intraday liquidity needs by releasing some of their required reserves to be categorised as excess. Second, they can refuse to roll hedge fund repos, forcing hedge funds to sell US Treasuries and T-bills and then sell their dollars to close their shorts in euros and yen. The withdrawal of liquidity could wipe out one or more major relative value (RV) funds, invoking the ghost of Long-Term Capital Management, which ran into trouble in 1998.

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But I doubt they will be third time lucky. This time, printing unlimited free money will be recognized for what it is, namely Modern Money Trickery or Wizardry that can't fool the world a third time in the 2000s. The effect of that will be that buying the dips will fail this time because stocks will soon start their journey to the bottom which is likely to be at least a 75% fall but more probably a 95% fall in real terms. So now as the world discovers that the last 100 years have been an illusion with fake money, fake assets and fake debt, we are all in for the biggest shock in the financial history of the world.

HALF A CENTURY OF WORKING LIFE

I have been fortunate in my working life to experience half of the most remarkable period in the world economy since the Fed was created in 1913.

2019 has for me personally signified the anniversary of a 50 year working life. It is quite an interesting phenomenon that many of the people I meet in my professional life were not even born when I started working. I am obviously extremely fortunate to both have the health and the brain which is functioning although there might be some doubters who would dispute that!

It is obviously incredibly stimulating to work with people who are almost without exception younger than yourself. I was born at the end of WWII and have been extremely lucky to not have been involved in any war or not even a depression. The 1950s and 1960s were decades with a very high quality of life both, morally and ethically as well as economically. Those were times when economic growth was achieved through hard work, high moral standards and without excessive debt financing or money printing. In Europe there was law and order and no concern about crime or violence.

ONLY THE CHINESE SAW THE BEGINNING OF THE END IN 1971

But 15th of August 1971 was going to change everything even though nobody except for the Chinese understood it at the time.

The People's Daily in China said in August 1971:

"These unpopular measures reflect the seriousness of the US economic crisis and the decay and decline of the entire capitalist system."

The paper went on:

"mark the collapse of capitalist monetary system with the US dollar as its prop"…. "Nixon's new economic policy cannot extricate the US from financial and economic crisis."

"The policy is meant to fleece the American working people and to shift the worsening of the US financial and monetary economic crisis onto other countries."

It is quite remarkable that the Chinese were so clear-sighted already back in 1971. But Chinese wisdom has stood the test of time in spite of economic and political upheaval. They saw what was coming already back then. **The official Chinese gold holdings are just under 2,000 tonnes. But according to my sources who have close links with China, that figure probably is not more than 1/10th of the actual Chinese gold holdings.** A lot of the Chinese gold was stolen by the Japanese during the 1930s and WWII. But there was still major quantities left in China. Today China is the largest gold producer in the world by a big margin. Their annual production is around 450 tonnes. It is generally assumed that the total Chinese production has been kept by the government for decades.

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November than the same period a year ago. Although higher from a month ago, total imports of non-monetary gold were just 45,817 kilograms. China is the world's top consumer of the metal.

- China had another record year of corporate bond defaults in 2019, but it seems on purpose. Rebecca Choong Wilkins reports for Bloomberg that rising defaults are now a plan, as the government no longer steps in as frequently to help bail out troubled companies by buying bonds. In 2017 there was around 25 billion yuan worth of bond defaults and this year the figure is closer to 125 billion yuan. "It's getting more dangerous to count on some companies being, in essence, too connected to fail."
- Bloomberg News reports that AngloGold Ashanti and joint venture partner Iamgold Corp. will sell their interests in the Sadiola Mine in Western Mali to Allied Gold Corp. for $105 million in cash. Allied Gold is a private company, so there little other information on the deal.

Opportunities

- Gold could rise 20 percent to $1,800 an ounce next year due to growing recession fears. According to the median estimate of economists surveyed by Bloomberg, the likelihood of a recession in the next 12 months is 30 percent. The National Trucking Association puts the likelihood much higher at 80 percent. Extreme positioning in the futures market has been pared back, which could open the path for another rally close to $1,800.
- Stocks have had their Santa Claus rally, while the Three Wise Men have been good to gold.

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According to Bloomberg data, in eight of the years this decade, gold prices have advanced from December 23 to January 3 with returns averaging 1.4 percent. This annual gold rally is largely due to jewelers restocking supplies after the busy Christmas season.

- Palladium has soared more than 40 percent this year and could move even higher in 2020 due to the auto industry adjusting to meet new emission standards, reports Bloomberg. Morgan Stanley analysts project a palladium deficit of 1.06 million ounces. Higher emission standards globally could boost palladium loadings by 5 percent to 7 percent next year, according to TD Securities. Ryan McKay, a TD Securities analyst, says "2020 will be the year in which the largest number of emissions-legislation changes will be adopted." Palladium is a key component in autocatalysts that cut emissions in gasoline-powered vehicles.

Threats

- JPMorgan is bullish on 2020 and is advising clients to short gold via the options market, overweight equities and underweight bonds, reports Bloomberg. This is in big contrast to Goldman Sachs, which sees gold soaring next year. JPMorgan sees recession risks subsiding while Goldman sees recession risks arising from the trade war.
- The U.S. corporate bond market is largely upheld by strong foreign demand. Investors globally are hunting for higher-paying assets in the face of over

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All this is now known, so it would be surprising if the Fed fails to act to contain a year-end crisis. But its actions are limited to providing liquidity for the banks. It will be up to the banks if they decide to use that liquidity to continue to accommodate the RV funds.

Foreign buyers hold the dollar key

Let us assume for a moment that we get through the year end without mishap. We will not have dealt with the underlying problem, which is who is going to buy the $1—1½ trillion of US government debt to be issued in 2020. In the past it has been principally foreigners, banks and RV hedge funds as described above. On a net basis the US saver has not been involved for a very long time, except passively through managed pension funds.

According to US Treasury TIC data, in the year to October major foreign holders added $580.5bn to their holdings of Treasury bills, T-Bonds and Notes. The balance will have come directly and indirectly from domestic credit expansion, including the banks and the RV hedge funds. But from August, foreign investors have been net sellers to the tune of $77.4bn. Until then, every successive month had seen an increase, so it appears foreign demand is stalling, which could have fed into the repo crisis as the GSIB banks in New York and RV funds ended up with too much US Government paper.

Foreign dollar demand is almost certainly affected by the sharp slowdown in global trade. This has happened for two reasons: President Trump's tariff war against China and others has stalled international trade and at the same time, having been expanding for the last nine years, the credit cycle is due to run out of steam. Together they are recessionary headwinds, probably synergistic, which reduce the level of dollars in in the correspondent banking system foreigners need to hold for liquidity.

China is the second largest holder of US government paper and has been reducing her position in recent months. As to her future reserve policies, commercial considerations are being complicated by politics. She understands that America is desperate for global investment flows to finance US Government debt, and that China's infrastructure plans would compete for them which explains America's hidden agenda over Hong Kong. China bungled her management of that situation, and apparently is now exploring the use of Macau as an investment channel for foreign inward investment.

It is probably too late, the damage to investing in China having been done. But it is hard to see why China should just roll over on this issue and continue to buy US government bonds. More likely US Government debt will now be viewed as a source of funds to replace lost inward investment through Hong Kong.

We can now see a best and worst case for the dollar and US Treasury funding. The best case is stagnating demand from abroad, which throws the onus onto domestic investment, which, in the absence of an increase in savers, will be through QE and the inflation of bank credit.

The worst case will see not only stagnant foreign demand, but active selling down of current positions, due to slumping economies and China in particular selling actively. American investors seem generally complacent about this possibility, arguing that foreigners will always need dollars, and more so in a credit crisis. While there is some force in this argument, it ignores the fact that foreign ownership of dollars and dollar investment is already very high at roughly $23 trillion of which over $4 trillion is in deposit accounts, while US ownership of foreign currency liquidity is a relatively trivial figure.

Bearing all this in mind, we must assume that at a minimum US banks and hedge funds between them will be funding all the budget deficit and may even have to absorb existing stock from foreigners. But surely, one imagines a critic asking, in the absence of a change in the savings ratio, a budget deficit is a matter of an accounting identity and will give rise to a similarly sized balance of payments deficit, and so long as dollars accumulate in foreign hands, they must form the capital inflows that finance the budget deficit. Therefore, dollars will continue to accumulate in foreign hands, and they must be invested.

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CHINA IS ESTIMATED TO HAVE 20,000 TONNES AND USA LESS THAN HALF OF 8,000T

There are rumours in the market that China is planning to announce a gold backed yuan supported by gold holdings in excess of 20,000 tonnes.

If that were true, this would be very supportive for the gold price and also extremely negative for the US dollar. The US supposedly has 8,000 tonnes of gold. But they have not had a physical audit since the 1950s when Eisenhower was president.

Many market experts doubt that the US still has 8,000 tonnes. A major part has been leased to bullion banks and is now in China. All that the US government has is an IOU from a bullion bank that could never return the physical gold. Some of the US gold has also been sold covertly. If China announces a gold backed yuan supported by 20,000 tonnes of gold or more, the US will be at pains to prove that they actually hold 8,000 tonnes of gold.

BULL MARKET SOON TO END

The secular bull market has been kept alive with massive money printing combined with financial as well as verbal manipulation of markets. It is not easy to kill a secular bull which has survived for centuries. **Fundamentally and technically we are now at the end of the end of this incredible bull market.** It is ending with a bang and does not have far to go. The market could top at any time between the second half of December and first half of January.

We are not just talking about the US market topping but all stock markets globally. Even the UK market which is now in a short term euphoria due to the Boris Johnson election victory. There are a number of technical signals, both long and short term, pointing to this coming top. **It is the end not only of a multi decade bull market but most probably also a multi century top.** Many historians will write about this in coming years and decades.

The coming secular bear market will be both spectacular and frightening. Very few investors are prepared and when it all starts, most people will believe that they will be saved by central bank money printing. **So we will see a lot of bottom fishing in the stock market which will turn out to be many fathoms from the actual bottom. Anyone buying the dips will end up in tears this time and exacerbate the losses that stock investors will suffer.**

The world will soon experience the start of the most dramatic bear market in history. It could start slowly but is more likely to quickly accelerate to ever lower lows with the normal fake-out rallies that will suck investors in before the next leg down.

GOLD READY TO SURGE

When stocks turn down, precious metals will surge. Gold is already up 15-20% in 2019 depending on the currency. Also, **gold has made new highs this year in most currencies except for in dollars and Swiss francs. In 2020 gold will also make new highs in these two currencies.** Gold appreciated rapidly to early September and has since seen a normal correction. This correction will soon finish, at the latest in early January. Technically gold could reach $1,425 before it turns up but although possible, it seems less likely.

Once the metals turn up, **silver will be gold on steroids.** The gold silver ratio will start crashing from 87 currently down to 30 initially where it was in 2011. This means that silver will go up three times as fast as gold. But remember that silver is extremely volatile and the corrections will be vicious. Thus for anyone who intends to buy silver, do it now with the gold silver ratio at an extreme. Your risk will obviously increase significantly when the ratio falls to for example 60 or 50.

In the gold and silver markets, the combination of strong demand, very limited supply, a paper market that will blow up and China potentially declaring a gold backed yuan will lead to spectacular gains for the precious metals.

THE WORST GLOBAL DEPRESSION IN HISTORY IS NEXT

So 2020 seems to be the very early beginnings of the worst global depression that the world has ever experienced. It will be devastating for everybody. We can all prepare financially by holding some physical gold and silver which is the best insurance anyone can buy against what is coming.

The world is now at the end of a decaying era of free money due to unlimited printing and credit expansion combined with no cost of money. But none of this has reached ordinary people but only the wealthy. Normal people have just ended up with a massive debt, both public and private, that will never be repaid.

THE WORLD WILL SOON LEARN THAT THE EMPEROR HAS NO CLOTHES

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$11 trillion of negative-yielding securities around the world, reports Bloomberg. According to Federal Reserve flow of funds data, money managers outside of the U.S. have bought $114 billion of corporate bonds on a net basis this year through the third quarter.

Two U.S. Senators introduced a bill that would move the headquarters of 10 federal departments to outside of Washington D.C. The Senators say benefits to moving agencies to other parts of the nation would boost local economics, lower costs and spread federal jobs out across the country, rather than concentrate most in D.C. Ten different states would each see a different department relocate there. Opponents to the bill say that moving headquarters is a way to weed out older and legacy employees who aren't willing to move, leading to a brain drain of knowledge, and could make it harder for agencies to work together with Congress.

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The accounting identity argument is correct, but there is more than one way to skin a rabbit. Dollars received by foreigners can always be sold in the foreign exchanges instead of being reinvested, which given the relative lack of foreign currency liquidity in the hands of domestic Americans, could have a dramatic effect on the exchange rates.

Alternatively, the gap can be closed by the inflation of money through quantitative easing and the expansion of bank credit. In effect, the existing stock of dollar deposits is diluted to bridge the shortfall between a budget deficit and the lack of inward capital flows recorded in the balance of payments.

In this context, the chart below of the dollar's trade-weighted index appears to show the dollar is struggling to advance and may be losing the bullish momentum that developed shortly after President Trump was elected.

If, as the chart suggests, the dollar could be heading lower, it would fit in with a diminution of foreign capital inflows. But the major component of this index is the euro, so it is not an accurate representation of the dollar's weighting with respect to trade imbalances, which are the normal source of capital flows. But in the case of the euro, it has already been sold down by RV hedge funds to strip out the interest differential by selling euros short and buying dollars. According to Hedgeweek.com, six months ago this form of hedge fund arbitrage stood at $865.6bn, a truly significant sum, most of which will have accumulated since 2018 Q1, when the dollar's bull phase commenced.

Not all of it would have involved selling down the euro, because in the past the Japanese yen has been the short leg of choice in an interest rate arbitrage. It is clear that the repo crisis tells us that by financing this speculation the US GSIBs have expanded their balance sheets too much and will need a substantial increase in their excess reserves to continue to finance this trade, thereby avoiding a crash in both the US bond market and the dollar. While this problem has surfaced at this year-end, it will be a continuing problem thereafter.

This brings us back to our first chart, of the 10-year T-bond yield. The reasons why it may have bottomed and will rise further are becoming clear. If a rising bond yield is accompanied by a falling dollar it will be because markets recognise an acute funding crisis is upon the US government, reminiscent of the 1970s in sterling markets.

A falling dollar will be the signal, so we must watch the trade-weighted index and, more importantly, the gold price. The gold price particularly acts as the canary in a coal mine, and in that context Comex open interest is hitting record levels, which without the price rising indicates a suppression operation is already in place. It is therefore reasonable to suggest the combination of the lack of excess reserves in the GSIBs and the suppression of gold is circumstantial evidence that a financial crisis is already on its way.

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Markets will take control from central banks

When the funding difficulties of the US Government become more obvious, investment strategists are bound to rethink the course of interest rates in other fiat currencies, which face similar pressures from increasing budget deficits. Being aware that monetary policies are not working as intended, central banks have already encouraged their governments to deploy additional fiscal stimulus. Even before welfare costs rise and tax income falls due to a developing global recession, it appears that government borrowing world-wide is set to accelerate.

With the credit cycle on the turn, one thing is for sure, and that is what central banks call the business cycle will follow. The mistake made by all mainstream commentators and economists is to not appreciate that the problem is one of the central banks' own making, and that once the credit cycle is set in motion it cannot be simply stopped by reducing official interest rates. We saw this proved ten years ago, when the Fed and other central banks had to inflate the quantity of money by however much base money was required and by taking failing institutions into public ownership. In the UK the only significant bank which successfully resisted needing a government bail-out was Barclays, and executive directors at the time are still having to answer for their actions in the courts. It seems that not only is failure rewarded, but a major bank not failing has become a criminal act.

The fact that some central banks have unsuccessfully imposed negative rates has not yet led to a realisation that attempting to control the cycle in this way simply does not work. The periodic credit and systemic crises are increasingly destabilising and the dynamics behind the next one indicate it will be on a scale significantly greater than the Lehman crisis eleven years ago. The banking scene is set for a reversion from incautious greed to abject fear, fear of lending to anyone and to any other bank. And the weakest banks are to be found in the Eurozone. Even in the EU's strongest economy, the two largest private banks, Deutsche Bank and Commerzbank, by their share prices are signalling a slidetowards bankruptcy.

At some stage, and it could only be a matter of weeks or even days, the global outlook will cause all GSIB banks to become considerably more cautious, withdrawing lending facilities from smaller banks, financial speculators (hedge funds), and businesses alike. Lending to the last category ceases in two ways. In capital markets banks begin to cut their high levels of exposure to sub-investment grade bonds and syndications, and they withdraw working capital facilities for medium and small businesses. The crisis phase of the credit cycle is then irreversible.

The credit-induced recession will be proportional to the scale of the preceding credit expansion. It feeds through to an escalation of government borrowing in all welfare-dependent nations, because of the fall in tax receipts and the increase in welfare costs.

If US bond yields rise, they will do so either because foreigners are selling the dollar, or because domestic prices, reflecting a fall in the dollar's purchasing power, begin to rise at a faster pace. It is already an open secret that official price inflation figures bear no relation to reality and only financial markets are wedded to the CPI myth. In fact, not only are government statistics inaccurate, but all statistics are reported in funny money. When US dollar markets wake up, the same will be true of markets in other currencies, and the greater the level of interest rate distortion the more severe the crisis is likely to be.

How it plays out in different nations and their currencies is not so much down to the scale of government borrowing in deteriorating circumstances, but whether savers respond to the financing demands of their governments. For this reason, monetary inflation rates will be offset by a tendency for Japanese and Chinese savers to increase their bank deposits rather than spend. In the Eurozone and Britain, this is less the case. Increasing monetary inflation will end up fuelling rising eurobond and sterling bond yields more rapidly than their equivalents in Japan and probably China.

Commodities and commodity money

The point has been already made in this article that measuring the dynamics behind a credit crisis is distorted by government statistics not fit for the purpose and by the elastic nature of fiat currency. Furthermore, monetary planners, portfolio managers and the commentariat inhabit a Keynesian fantasy land and only understand rising prices to be directly related to increased demand, and falling prices to falling demand. Presumably, this explains why they associate a CPI rising at two per cent with a healthy economy.

The key to understanding the error is that money is only objective in its value for the purpose of individual transactions. But give money a temporal context and it becomes clear that money's purchasing power varies as well as the cost of anything.

If it is expected that the rate at which a currency loses purchasing power is about to increase, then commodity prices measured in that currency will rise without any improvement in demand. Demand can even fall, and prices rise, if the purchasing power of the currency declines sufficiently. This condition can be temporarily overcome by an investors' panic when they sell assets, such as bonds and equities, in order to escape falling prices, but once that initial effect has quickly worn off, the relationship between money and goods will adjust to the public's general desire to hold money as opposed to goods.

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Not only is the era of free money over but sadly there will be many unemployed, with no benefits, no pensions and little protection from the government. Until now most governments have got out of trouble by printing false and worthless money. The difference this time is that a little boy will shout out that the Emperor Has No Clothes and the world will realise that the next round of unlimited money printing will be worthless and have ZERO value.

But although the world is now approaching very difficult times, there are many more free things than fake money and these things are our best non financial protection against what is coming.

I am thinking of things like family, friends, nature, books and music. All these things are virtually free and give not only enormous pleasure but are totally essential for the survival of the next phase in history. Mankind has an incredible ability to survive if we form small groups of family and friends who support each other.

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We have a contemporary example. At the time of the Lehman crisis the price of gold declined from $1,000 in March 2008 to $700 the following October, before rising to $1,920 three years later. But this time is likely to be different, because the rate of monetary inflation before the Lehman crisis varied little in the preceding few years, compared with subsequently.

Following Lehman, all major central banks expanded money quantities very rapidly, so the next crisis comes against a background of already inflated currencies before a further acceleration in supply. Depending how the next credit crisis evolves, there may not be a dip in the gold price at all.

Instead, gold and other commodity prices, precious or otherwise, will be bought and sold against a background of rapidly debasing currencies. We know this, because renewed monetary expansion in the form of quantitative easing is taking place even before any crisis materializes.

And when we hear luminaries such as Christine Lagarde at the ECB talking about QE to finance eco-friendly infrastructure developments directly, we know that central bankers and their governments now view monetary inflation much as it was in the Weimar Republic: an infinite source of funds.

Despite attempts by the bullion banks to suppress the evidence from the gold price of what is likely to turn out to be the early stages of a widespread fiat currency collapse, if matters progress on the lines described in this article, gold, silver and other commodities will rise priced in fiat. Initially it is likely to reflect the fact that such assets are under-owned.

But then another effect is likely to take over, as the public begins to realize what is going on and start dumping fiat currencies for gold, silver and even bitcoin.

Ninety years ago, it was called a crack-up boom, the last dash out of currency for anything not printed by the government. It will happen differently this time, because it always does. But now that inflationary financing is not only required to balance governments' books but to finance the expansion of their spending, happen it will.

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December 26, 2019
HEAD OF RE, SEARCH• GOLDMONEY

The Outstanding Public Debt

National Debt:
26,146,077,999,321
The estimated population of the United States is **329,808,318**
US citizen's share of this debt is
$79,272.00
The National Debt has continued to increase an average of
$3.8 billion per day
Business, Government, Financial and Unfunded Liabilities Debt exceeds
$100 Trillion