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Stunning US Government Debt Increase In Past Few Days…While No One Noticed

SRSrocco

As the stock market continues to rise on the back of some of the worst geopolitical, financial, and domestic news, the U.S. Treasury has been quietly increasing the amount of government debt, with virtually no coverage by the Mainstream or Alternative Media. So, how much has the U.S. debt increased in the past few days? A bunch.

The surge in U.S. debt that took place over the past two days all started when the debt ceiling limit was officially allowed to increase on Sept 8th. In just one day, the U.S. Treasury increased the public debt by $318 billion:

Date	Debt Held by the Public	Intragovernmental Holdings	Total Public Debt Outstanding
08/18/2017	14,394,276,377,882.40	5,450,855,569,155.67	19,845,131,947,038.07
08/21/2017	14,391,211,068,090.47	5,453,751,344,613.15	19,844,962,412,703.62
08/22/2017	14,385,378,835,100.31	5,459,527,064,260.12	19,844,905,899,360.43
08/23/2017	14,396,462,390,129.16	5,448,386,994,538.20	19,844,849,384,667.36
08/24/2017	14,398,771,600,092.09	5,446,328,767,032.00	19,845,100,367,124.09
08/25/2017	14,397,469,719,185.39	5,447,573,984,758.44	19,845,043,703,943.83
08/28/2017	14,394,393,337,425.27	5,450,480,368,395.16	19,844,873,705,820.43
08/29/2017	14,388,580,918,004.16	5,456,236,119,764.97	19,844,817,037,769.13
08/30/2017	14,393,272,109,801.02	5,451,488,258,564.91	19,844,760,368,365.93
08/31/2017	14,381,561,995,497.24	5,462,971,446,427.15	19,844,533,441,924.39
09/01/2017	14,428,250,468,926.45	5,416,371,174,602.17	19,844,621,643,528.62
09/05/2017	14,418,693,678,455.88	5,425,696,570,659.58	19,844,390,249,115.46
09/06/2017	14,411,300,801,153.53	5,433,031,596,205.00	19,844,332,397,358.53
09/07/2017	14,410,076,163,680.58	5,434,510,797,926.54	19,844,586,961,607.12
09/08/2017	14,622,661,213,046.99	5,539,515,584,857.14	20,162,176,797,904.13

(Chart courtesy of TreasuryDirect.gov)

It was the first time in U.S. history that the public debt rose over $20 trillion. I mentioned this in my article, ***The U.S. Government Massive ONE-DAY Debt Increase Impact On Interest Expense & Silver ETF***:

The U.S. Treasury will have to pay out an additional $7 billion interest payment for the extra $318 billion in debt it increased in just one day. Again, that $7 billion interest payment is based on an average 2.2% rate multiplied by the $318 billion in debt. **Now, if we compare the additional $7 billion of U.S. interest expense to the total value of the silver SLV ETF of $5.8 billion, we can plainly see that printing money, and increasing debt becomes a valuable tool for Central Banks to cap the silver price.**

Continued on page 3

America's Stagflation

Alasdair Macleod

The accumulation of monetary policy errors by the Fed is increasingly certain to culminate in the credit crisis that always marks the end of the credit cycle. Credit crises are the result of globally coordinated monetary policies nowadays, so the timing of the forthcoming crunch is not only dependant on the Fed's actions, but is equally likely to be triggered from elsewhere. Candidates for triggering a global credit crisis include economic and financial developments in Europe, Japan and China.

The next crisis is set to be more serious than the global crisis of 2008/09, given the greater level of debt involved, and the exceptionally high rate of monetary inflation since. It is a story I have covered elsewhere. This article will concentrate on the prospects for the US economy ahead of the next credit crisis, and the implications for the

Continued on page 2

Also Inside This Issue:

Why Central Banks Disagree With Gary North About Gold

Chris Powell

Dear Friend of GATA and Gold:

In his essay this week, "The Case Against Gold as a Central Bank Asset" --

https://www.garynorth.com/public/17271.cfm

-- The economic historian and libertarian financial writer Gary North argues that central banks should get rid of their gold reserves.

North writes: "What can the governments do with the gold? It's useless to them. They don't sell it. I wish they would sell all of it." But of course central banks and governments *do* sell gold. They "lease" it too, insofar as they at least put gold credits into the marketplace. They buy and sell gold derivatives. They buy gold back when they can do so without spiking the price.

They do this to control the monetary metal and -- at least in the sphere of influence of the United States -- to try to drive it out of the world financial system. They aim to maintain the superiority of the U.S. dollar or the International Monetary Fund's Special Drawing Rights, a contrivance that long has been largely under the U.S. government's control.

Central banks and governments own gold in part because, as Federal Reserve Chairman Alan Greenspan told Congress in 1999: "Gold still represents the ultimate form of payment in the world. Fiat money *in extremis* is accepted by nobody. Gold is always accepted."

Occasionally central banks, governments, and their officials or former officials admit their interest and objectives with gold in documents in their archives or memoirs. GATA has compiled and summarized many of these admissions here:

Continued on page 4

America's Stagflation

Continued from page 1

dollar and its associated financial markets.

Other jurisdictions face a similar problem, with domestic consumers being maxed out on their credit cards, auto loans and expensive overdrafts. Rising interest rates after a prolonged period of zero and negative interest rates will increase the cost of mortgages, an acute problem for home-owners, particularly in North America and Britain. In the coming years, economic expansion for all highly-indebted nations will be driven by China's Asia-wide expansion, in some cases more than by domestic factors. China will even suck in outside capital for the infrastructure development planned in both Asia and China. Demand for non-financial bank credit from all sources will be increasingly allocated to this task, leading to the selling down of the banks' investments in both dollars and short-term sovereign debt.

It is the single greatest challenge faced by the major central banks in the coming months, and we cannot be certain they are fully aware of the forthcoming dangers. The Chinese currency is already rising, reflecting the start of these capital flows. It is likely to radically change international portfolio managers' attitudes to their dollar exposure and bond allocations.

We can only conclude that the rise in short-term government bond yields that follows from the reallocation of capital to non-financial activities means the central banks have probably lost control of interest rates already.

Consumer Stagnation

Our starting point for describing the outlook for the US economy is to concede that under President Trump, America is isolating her domestic economy from the China-led economic expansion that is revolutionizing not only her own economy, but that of the whole Eurasian continent. The US economy now depends for its growth prospects on domestic manufacturing and consumption, financed by yet more bank credit.

The conventional measurement of economic growth, the yardstick used by neo-Keynesians, is changes in real GDP. The statistics that make up this gauge of the state of the economy, nominal GDP and its deflator, are unfit for the purpose. GDP, being a money-total, tells you nothing about economic progress, and how technology and time are improving the average person's standard of living.

As for the deflator, I challenge anyone to say by how much the general price level is changing, with John Williams's ShadowStats inflation figures indicating it is rising at between six and ten per cent, depending which of his indicators you use. The Chapwood index confirms the latter ShadowStats figure, finding prices of commonly bought items have risen by an average of about ten per cent annually over the last five years. The Fed targets two per cent for core personal consumption expenditures (PCE), which was up only 1.275% year-on-year to August.

It is clear the Fed's inflation targeting is being set against the most favourable statistic, from the point of view of those who believe in suppressing interest rates. But while the Fed apes the three wise monkeys over price inflation, the rise in prices is creating significant damage to consumption prospects. It is a process that has continued broadly uninterrupted since the 1990s, financed by increasing consumer debt and hardly at all by higher wages. Consequently, the average American consumer is burdened with unsustainable levels of debt, and is running out of an ability to finance continued spending beyond his income. And those who depend on inflation-linked wage increases and subsidies have been progressively screwed down by the CPI's under-recording of the true cost of living.

Instead of taking the CPI, let us assume Chapwood's estimate of price inflation as closer to the truth. On this basis, over the last five years, price inflation has been running at an annual average of 10%. This means the consumer's dollar has lost 41% of its purchasing power since 2012. Meanwhile, wage increases tied to the CPI have only increased by 7% over the same period, while total consumer credit has increased by 32%.

These numbers confirm our thesis, that it is mainly debt that is financing higher prices. It cannot continue indefinitely. Meanwhile, business is cutting costs where it can, and that requires capital investment. Banks are increasingly prepared to lend to businesses, partly because they perceive lending risk has diminished, and partly

Continued on page 4

Stunning US Government Debt Increase In Past Few Days…While No One Noticed

Continued from page 1

Thus, when the U.S. Treasury increased the public debt by $318 billion, it will also have to pay an additional $7 billion in an annual interest payment to finance that debt. However, that large one-day debt increase was over three weeks ago. What's been going on at the U.S. Treasury since then? Let's just say; they have been very busy… LOL.

On the last update in September, the U.S. Treasury increased the debt by nearly $40 billion on the very last day of the month:

Date	Debt Held by the Public	Intragovernmental Holdings	Total Public Debt Outstanding
09/01/2017	14,428,250,468,926.45	5,416,371,174,602.17	19,844,621,643,528.62
09/05/2017	14,418,693,678,455.88	5,425,696,570,659.58	19,844,390,249,115.46
09/06/2017	14,411,300,801,153.53	5,433,031,596,205.00	19,844,332,397,358.53
09/07/2017	14,410,076,163,680.58	5,434,510,797,926.54	19,844,586,961,607.12
09/08/2017	14,622,661,213,046.99	5,539,515,584,857.14	20,162,176,797,904.13
09/11/2017	14,624,241,429,758.93	5,541,451,312,230.98	20,165,692,741,989.91
09/12/2017	14,624,438,900,751.01	5,549,066,963,311.24	20,173,505,864,062.25
09/13/2017	14,624,323,575,931.90	5,535,685,753,745.91	20,160,009,329,677.81
09/14/2017	14,627,258,513,577.20	5,538,208,163,557.51	20,165,466,677,134.71
09/15/2017	14,611,034,425,087.68	5,542,533,460,806.59	20,153,567,885,894.27
09/18/2017	14,611,842,621,457.12	5,548,586,373,662.92	20,160,428,995,120.04
09/19/2017	14,613,433,326,528.05	5,559,770,521,150.39	20,173,203,847,678.44
09/20/2017	14,615,129,910,868.64	5,549,678,200,641.26	20,164,808,111,509.90
09/21/2017	14,628,384,646,682.33	5,551,385,212,284.89	20,179,769,858,967.22
09/22/2017	14,630,331,480,226.74	5,551,652,668,735.00	20,181,984,148,961.74
09/25/2017	14,630,071,008,794.37	5,560,122,316,121.53	20,190,193,324,915.90
09/26/2017	14,632,474,734,832.72	5,568,253,805,415.55	20,200,728,540,248.27
09/27/2017	14,632,295,977,672.22	5,556,653,461,561.41	20,188,949,439,233.63
09/28/2017	14,649,194,898,519.78	5,554,473,955,287.98	20,203,668,853,807.76
09/29/2017	14,673,428,663,140.94	5,571,471,352,912.57	20,244,900,016,053.51

(Chart courtesy of TreasuryDirect.gov)

As we can see, the U.S. public debt increased from $20,203 billion ($20.203 trillion) on Sept. 28th to $20,245 billion on Sept 29th. Overall, the U.S. debt increased $83 billion more since the $318 billion one-day increase on Sept 8th. Which means, the total debt increase was $400 billion in a little more than three weeks. However, the U.S. Government must be making up for lost time when the debt ceiling was frozen from March 15th to Sept 7th.

According to TreasuryDirect.gov website, the U.S. public debt ballooned by another $100 billion in the first two days of October:

Continued on page 5

Perth Mint's Oct gold sales down about 4 pct on month, silver up 43 pct

Nov 1 (Reuters) - The Perth Mint's sales of gold products fell 3.87 percent in October from a month earlier, while silver sales rose about 43 percent, the mint said in a blog post on its website on Wednesday.

Sales of gold coins and minted bars dropped to 44,618 ounces in October from 46,415 ounces a month ago, the mint said.

Silver sales during the month, meanwhile, jumped to 999,425 ounces from 697,849 ounces in September.

The Perth Mint refines more than 90 percent of newly-mined gold in Australia, the world's No. 2 gold producer after China. Spot gold prices recorded their second consecutive monthly decline in October, pressured by a strong U.S. dollar.

Period (year-month)	Gold (oz)	Silver (oz)
2017-Oct	44,618	999,425
2017-Sept	46,415	697,849
2017-Aug	23,130	392,091
2017-July	23,675	1,167,963
2017-June	19,259	1,215,071
2017-May	29,679	826,656
2017-April	10,490	468,977
2017-March	22,232	716,283
2017-Feb	25,257	502,353
2017-Jan	72,745	1,230,867
2016-Dec	63,420	430,009
2016-Nov	54,747	984,622
2016-Oct	79,048	1,084,213
2016-Sept	58,811	1,031,858
2016-Aug	14,684	376,461
2016-July	16,870	693,447
2016-June	31,368	1,220,817
2016-May	21,035	974,865
2016-April	47,542	1,161,766
2016-March	47,948	1,756,238
2016-Feb	37,063	1,049,062
2016-Jan	47,759	1,473,408
2015-Dec	40,096	1,083,460
2015-Nov	31,664	1,145,239
2015-Oct	66,951	1,751,898
2015-Sept	63,791	3,349,557
2015-Aug	33,390	707,656
2015-July	51,088	746,700

(Reporting by Arpan Varghese in Bengaluru; Editing by Amrutha Gayathri)

Why Central Banks Disagree With Gary North About Gold

Continued from page 2

http://www.gata.org/node/14839

Few of these admissions are more candid than the one published in the 2003 annual report of the Reserve Bank of Australia --

http://www.rba.gov.au/publications/annual-reports/rba/2003/pdf/2003-repo... --

and --

http://www.gata.org/files/ReserveBankOfAustralia-AnnualReport2003.pdf

-- which says: "Foreign currency reserve assets and gold are held primarily to support intervention in the foreign exchange market. In investing these assets, priority is therefore given to liquidity and security, in order to ensure that the assets are always available for their intended policy purposes."

These days the RBA is much more subtle about gold. The central bank's most recent annual report --

https://www.rba.gov.au/publications/annual-reports/rba/2017/pdf/2017-rep...

-- says instead: "Australia's official reserve assets include foreign currency assets, gold, Special Drawing Rights (SDRs -- an international reserve asset created by the IMF) and Australia's reserve position in the IMF. At 30 June 2017 these assets totaled $84.1 billion. All components of official reserve assets are owned and managed by the Reserve Bank with the exception of Australia's reserve position in the IMF, which is an asset of the Australian government.

"Official reserve assets are held by the Reserve Bank to facilitate various policy operations, including in the foreign exchange market. ..."

Continued on page 7

America's Stagflation

Continued from page 2

because the main alternative use of bank credit, which is investing in short-term government bonds and related financial instruments, is losing them money. And now that the yield on US Government five-year bonds is back above 2%, the momentum of bank sales of government debt is set to increase, as will the pace of bank credit expansion in favour of non-financial businesses.

Capital investment at this stage of the credit cycle tends not to lead to higher wages. Rather, it is about producing more through investment in manufacturing technology, as a means of remaining competitive. An article in the current Bloomberg Businessweek on Fanuc, the Japanese robotics manufacturer, revealed that North American manufacturers increased their spending on robotics by 32% to the first quarter of this year, compared with Q1 in 2016.

There can be little doubt that without increasing automation, price inflation pressures would be even greater. However, with independent forecasters telling us prices have been rising faster than officially admitted, the combination of capital investment and runaway price inflation can only result in economic stagnation.

The alternative of relying upon stimulative fiscal policies by the government is already restricted by the presence of an intractable and growing budget deficit. President Trump's tax plans, which are intended to stimulate the economy by cutting taxes, are not going to be matched by cuts in government spending, and will gain no lasting benefit from the more efficient redeployment of economic resources from government consumption to the private sector.

The Dollar Will Weaken

With the American consumer maxed out, there is little apparent reason for the Fed to raise interest rates by much. Inflation is tamed by the statistics, and unemployment likewise. It will be outside influences that upset this uneasy balance, reflected through the exchange rate. Foreign use of the dollar is being challenged by China, which is now driving global demand for commodities, and is increasingly demanding her trade payments be settled in yuan. Redundant dollars in foreign hands will simply be sold.

Therefore, the outlook for the dollar is for it to weaken, the speed of which looks like being partly determined by China's purchasing of energy and industrial materials for yuan, and partly by the development of international yuan markets to provide currency hedges. There is also a separate problem brewing in the bond markets, and that is over foreign residents' portfolio holdings of US securities. At June 2016 (the last published date for comprehensive figures) they totaled $17.139 trillion, barely changed from a year earlier. This follows a period of rapid expansion after the great financial crisis, which saw it increase from $9.641 trillion in 2009 to $16.417 trillion in 2014. Undoubtedly, the increase in portfolio weightings was encouraged by dollar strength in the currency markets.

The figures for mid-2017 will be released in April or May next year, and are likely to show a decline, given the level of portfolio saturation and the downturn in the dollar from last January. The magic circle whereby the sheer scale of foreign demand for dollars pushed up the dollar, and therefore justified the investment, is ready to be reversed as dollars become increasingly redundant.

At the same time as dollar investments are being reduced in foreign portfolios, the US Government will be increasing its funding requirements to pay for tax cuts, while the Fed is trying to reduce its balance sheet by running off maturing assets. This triple whammy is certain to raise US bond yields for all maturities while the dollar weakens, reflecting the reversal of foreign portfolio flows. So, what does an American bank do?

At this stage of the credit cycle, it accelerates its sales of short-term bonds to make way for lending to non-financial businesses. Banks advertising for business customers will become increasingly common. The injection of extra credit into non-financial businesses will give the appearance of a temporary economic boom. Previous credit cycles have shown that the banks even begin to compete to lend to medium-sized and small businesses in this expansionary stage of the credit cycle, by reducing loan rates and fees to gain market share.

Loan competition and rising price inflation, the consequence of domestic credit expansion, leads to inflation-adjusted interest rates becoming their most negative at any time in the credit cycle,

Continued on page 6

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Continued from page 3

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09/07/2017	14,410,076,163,680.58	5,434,510,797,926.54	19,844,586,961,607.12
09/08/2017	14,622,661,213,046.99	5,539,515,584,857.14	20,162,176,797,904.13
09/11/2017	14,624,241,429,758.93	5,541,451,312,230.98	20,165,692,741,989.91
09/12/2017	14,624,438,900,751.01	5,549,066,963,311.24	20,173,505,864,062.25
09/13/2017	14,624,323,575,931.90	5,535,685,753,745.91	20,160,009,329,677.81
09/14/2017	14,627,258,513,577.20	5,538,208,163,557.51	20,165,466,677,134.71
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09/18/2017	14,611,842,621,457.12	5,548,586,373,662.92	20,160,428,995,120.04
09/19/2017	14,613,433,326,528.05	5,559,770,521,150.39	20,173,203,847,678.44
09/20/2017	14,615,129,910,868.64	5,549,678,200,641.26	20,164,808,111,509.90
09/21/2017	14,628,384,646,682.33	5,551,385,212,284.89	20,179,769,858,967.22
09/22/2017	14,630,331,480,226.74	5,551,652,668,735.00	20,181,984,148,961.74
09/25/2017	14,630,071,008,794.37	5,560,122,316,121.53	20,190,193,324,915.90
09/26/2017	14,632,474,734,832.72	5,568,253,805,415.55	20,200,728,540,248.27
09/27/2017	14,632,295,977,672.22	5,556,653,461,561.41	20,188,949,439,233.63
09/28/2017	14,649,194,898,519.78	5,554,473,955,287.98	20,203,668,853,807.76
09/29/2017	14,673,428,663,140.94	5,571,471,352,912.57	20,244,900,016,053.51
10/02/2017	14,679,489,825,137.65	5,668,312,511,340.15	20,347,802,336,477.80
10/03/2017	14,678,605,049,125.80	5,665,146,138,982.01	20,343,751,188,107.81

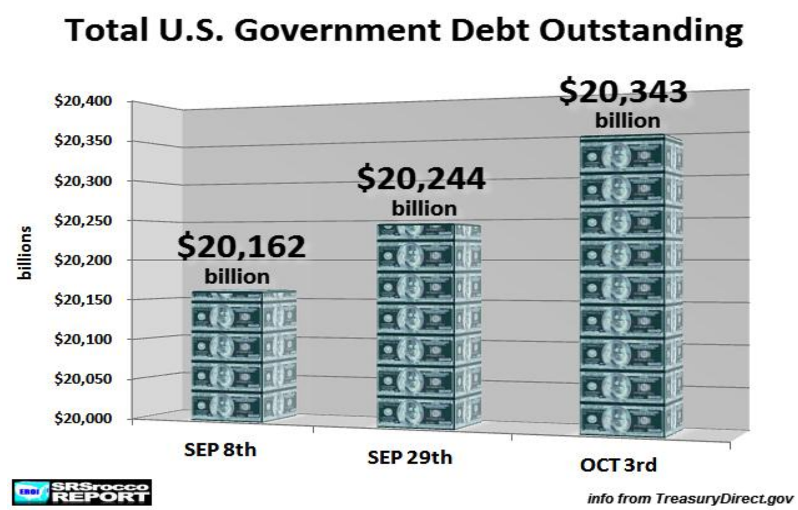
(Chart courtesy of TreasuryDirect.gov)

Alright, it only increased by $99 billion from $20,445 billion to $20,344 billion, but I'd rather use $100 billion because it has a better ring to it. So, in less than a month, the U.S. Government public debt increased by a stunning $500 billion. Along with the half trillion Dollars worth of new public debt, the U.S. Treasury will have to pay an additional $11 billion a year in interest payments based on an average 2.2% rate.

The notion that the Fed will continue to increase interest rates and begin to liquidate its inventory of MBS – Mortgaged Backed Securities that no one wanted in 2009-2010, as well as some of its high-quality Treasury toilet paper, is pure bollocks when they are handing out money hand over fist. As I mentioned in my article linked above, if the interest rate went back to the 6.4% rate as it was in 2000, the U.S. Treasury interest on the debt would surge to more than $1.3 trillion.

Thus, our annual interest payment of $1.3 trillion (based on a 6.4% average interest rate) would account for one-third of the $3.9 trillion 2016 budget. Of course, this could not fly as our annual deficit would jump from $587 billion (2016) to $1.4 trillion. Actually, I believe we are going to see a $1+ trillion annual deficits in the next several years.

It is impressive to see how quick the U.S. Treasury is increasing the public debt:



Continued on page 7

America's Stagflation

Continued from page 4

accelerating the loss of the currency's purchasing power even further.

In short, the Fed has lost control over interest rates already, and seems hardly aware of it. The Fed thinks price inflation is less than 2%, when in truth it is closer to 10%. Combine wishful thinking with groupthink, and you have an explanation for current monetary policy. The Fed's interest rate increases are even now ex post facto, leading us towards the crisis stage of the credit cycle, when the debt trap snaps firmly, finally and forever shut.

Portfolio Effects

From the analysis above, we can expect bond yields to rise significantly, irrespective of the Fed's interest rate policy. The effect on other financial assets will be twofold. Firstly, rising bond yields will undermine the values of all financial assets priced on a yield or comparison basis, and secondly, as banks refocus their balance sheets from financial activities, or shadow banking, towards the real economy, they are bound to introduce selling pressure into a wide range of financial assets.

The most recent assessment of the size of global shadow banking is for end-2015, which estimated it to have been $34 trillion on a narrow basis globally, and $92 trillion including "other financial intermediaries" (excluding those in China) Given the scale of credit expansion in China, this probably places the real figure well above $100 trillion. Shadow banking has increased by one third over the course of the global equity bull market. As banks reduce their shadow banking exposure to lend to non-financials, so must the OFIs reduce their activities, and both equity and bond markets are bound to suffer. Timing-wise, it would appear this event is now imminent, given the rise in bond yields to date and increasing signs of economic growth around the world.

Market tops in equities are characterized by selling by insiders, who observe these financial flows, to the public, who are encouraged to buy by the apparent improvement in business conditions. How long public buying remains sufficiently strong to overcome insider selling depends on the speed with which events occur. Obviously, a sharp rise in bond yields has a swifter destructive effect than a gradual increase.

The Fed has reasonably prepared US markets for this event with its determination to normalize interest rates and monetary policy. This is untrue of the European Central Bank and the Bank of Japan, where a reversal of negative interest rates and suspension of bond purchase programmes have yet to occur. The financial shock to bonds and equities in Japan and the Eurozone from normalization of monetary policies should be greatest, and could exacerbate falls in the dollar and US equities in turn.

The commencement of an equity bear market is not to be confused with the credit crisis itself. That follows in due course, when increasing numbers of people reduce their preference for money in favour of goods. Unstopped, it becomes the path to hyperinflation of prices, and before long, central banks must choose between sacrificing the economy or the currency. That decision is still ahead of us, and in 2018 the dilemma faced by central banks will become increasingly apparent to market participants.

A feature of this credit cycle is the securitization of investment assets in the form of exchange traded funds (ETFs). They have supplemented and replaced the more expensive cost structures of mutual funds as public investment vehicles. ETFs are marketed as a means of eliminating specific investment risks, and are especially popular with investment advisors who think they minimize investment risk generally, but fail to understand that market risk remains.

To this extent, ETFs have been miss-sold to the public. When it becomes clear to the investing public that markets are no longer rising (usually signaled by a fall in stock prices large enough to violate long-term uptrends), the public is likely to sell ETFs indiscriminately and underlying positions will be liquidated in direct proportion to their index weightings. For the same reasons that ETF investment has helped drive equity indices up, they will drive prices down, probably more rapidly, given the likely absence of buyers.

Many of these ETFs are synthetic, investing in equity index derivatives while the core investment is in bonds. In these cases, there are extra risks involved concerning the quality of the underlying bonds, as well as exposure to derivatives. Therefore, we should note a caveat, that the normal behaviour of equity markets at this stage of the credit cycle could be adversely affected by these additional factors.

Property

A distinction must be made between financial assets and property, which are assets with a utility. Even a home is a non-financial asset, its utility being shelter. Non-financials assets take their value from their utility. A machine tool, for instance, is an integral part of the production of consumer goods. If the price of the consumer goods produced rises due to the loss of a currency's purchasing power, then other things being equal, the value of the machine tool increases as well. It is the same for commercial and residential property.

In the case of commercial property, values tend to rise due to the increasing value of its utility in the final stages of the credit cycle. This is the expected response to the credit boom, fuelled by negative real interest rates. There are nuances. For example, capacity in shopping malls in America is greater than the market requires, due to the shift towards online shopping, suppressing their capital values.

Continued on page 7

Stunning US Government Debt Increase In Past Few Days…While No One Noticed

Continued from page 5

Again, this additional $182 debt increase comes after the $318 billion one-day increase on Sept 8th. No wonder, China and Russia are working together on alternative Gold-Backed Yuan Oil trading benchmark as highlighted in the article, ***A Failing Empire, Part 2: De-Dollarisation – China and Russia's Plan From Petroyuan To Gold***.

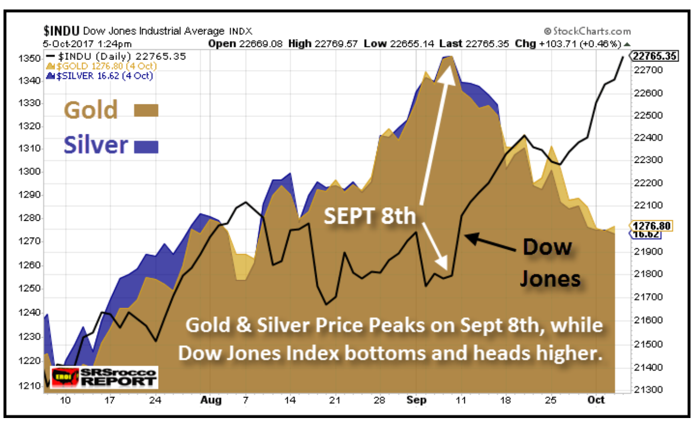
For China, Iran, and Russia, as well as other countries, de-dollarization has become a pressing issue.

The number of countries that are beginning to see the benefits of a decentralized system, as opposed to the US dollar system, is increasing.

1. Iran and India, but also Iran and Russia, have often traded hydrocarbons in exchange for primary goods, thereby bypassing American sanctions.
2. Likewise, China's economic power has allowed it to open a 10-billion-euro line of credit to Iran to circumvent recent sanctions.
3. Even the DPRK seems to use crypto currencies like bitcoin to buy oil from China and bypass US sanctions.
4. Venezuela (with the largest oil reserves in the world) has just started a historic move to completely renounce selling oil in dollars, and has announced that it will start receiving money in a basket of currencies without US dollars. (This is not to mention the biggest change to have occurred in the last 40 years).
5. Beijing will buy gas and oil from Russia by paying in yuan, with Moscow being able to convert yuan into gold immediately thanks to the Shanghai International Energy Exchange.

As the U.S. Treasury and Federal Government continues printing money and increasing its debt by $500 billion at a clip, the rest of the world is no longer going to sit around and wait for the negative ramifications.

Lastly, I have one more interesting chart to share before I conclude this article. **I find it quite ironic (HILARIOUS) that the gold and silver price PEAKED on the very same day the debt ceiling was increased and another $318 billion of debt was added to the U.S. Govt balance sheet while the Dow Jones Index bottomed and surged by 1,000+ points:**



I gather this chart wraps up the situation nicely. As the U.S. Govt pumps up the market with another $500 billion in debt, the stock market continues to move into BUBBLE TERRITORY. Unfortunately, precious metals investors have to be patient until the Fed and U.S. Treasury completely BLOW UP the market.

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October 6, 2017
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America's Stagflation

Continued from page 6

Another reason for rising commercial property prices is the anticipation of the higher utility values from future price inflation. Real estate investment trusts and similar property vehicles become popular with investors, because they represent "real assets", expected to retain their value in a declining currency. And given the selling of equities generally, property investments come to be regarded as a sound investment.

The same theoretically applies to residential property, because the expansionary phase of the credit cycle normally leads to increased wages, reflecting demand for labour. There are two reasons this characteristic is likely to be swamped by negative factors. Automation continues apace, which continues to restrict the rise in the general level of wages. But more importantly, residential property values are highly geared to changes in interest rates through mortgages.

With two-thirds of consumer debt being mortgage finance, a rise in interest rates of as little as one or two per cent becomes a systemic risk, shortening the life of the expansion phase. The Fed is sensitive to this issue, because it was this problem that triggered the great financial crisis.

At the time of the great financial crisis, US mortgage debt peaked at $14,795bn in Q2 2008. Following the crisis, it dipped to $13,275bn in Q2 2013, before rising back to $14,590bn last June. In other words, despite the awful consequences of easy money and "liar loans", residential property debt is back in dangerous territory.

Essentially, homeowners are treating their homes as a financial asset, divorcing its value from its utility. As was the case ten years ago, there is a significant risk that residential property will short-circuit the credit boom that is the final, pre-crisis phase of the credit cycle. The same risk is true for Britain's homeowners.

Gold
In recent years, the gold price has had an inverse relationship with nominal US interest rates, weakening ahead of expected increases, and strengthening afterwards.

Continued on page 8

Why Central Banks Disagree With Gary North About Gold

Continued from page 4

Among the most smoking guns of official admissions that central banks and governments hold gold to facilitate their surreptitious rigging of the currency markets is the secret March 1999 report of the IMF's staff to the organization's board: http://www.gata.org/node/12016

What can central banks and governments do with their gold?

They can control the currency markets with it -- that's what -- and by controlling the currency markets they control the value of all capital, labor, goods, and services in the world. That is, by controlling the currency markets by controlling gold, they control the world itself.

GATA doesn't like this any more than any libertarian does. But contrary to North's suggestion, it is no mystery. We could use his help in acknowledging and exposing it.

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America's Stagflation

Continued from page 7

At the same time, the dollar has strengthened against other currencies when the Fed signaled an intention to raise rates.

The relationship between gold, interest rates and the dollar saw a change this year, when the dollar entered a bear market. However, traders in gold derivatives, who dominate short-term pricing, still act as if the previous relationship is intact.

Therefore, the increasing inevitability of rising bond yields and interest rates can be expected to temporarily depress the gold price on the futures markets.

This is not the sole driver of the gold price. Portfolio flows fleeing the dollar and thereby depressing it are likely to lend support to precious metals. Furthermore, China's intended introduction of yuan futures contracts, expected later this year, will undermine prospects for the dollar. In the short-term, there's no knowing how these factors will balance out.

Beyond the short term, the outlook for the gold price fits into the turning-point of bond yields rising, equity markets weakening, and the dollar embarking on its next downward phase.

The bullish relationship between gold and increasingly negative real interest rates should emerge into the open, when it is more generally realized the central banks are powerless to control interest rates and the pricing power of their currencies.

Markets always assert themselves in the end. This will become increasingly obvious as we hurtle towards the crisis stage of the credit cycle, from which there is no escape. The moving parts may be different, but all the characteristics of one last hurrah for the global economy are there.

The time left to us before an even greater credit crisis than the last one may not be that long, given the massive debt loads inherited, unresolved and added to from last time by both consumers and governments. And the monetary ring-masters, the central banks, delude themselves with self-serving statistics that they remain in control.

Caveat emptor!

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The Outstanding Public Debt

National Debt:
20,455,515,846,257
The estimated population of the United States is **326,202,596**
US citizen's share of this debt is
$63,031.00
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

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