Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - APRIL 2022

IF YOU DON'T OWN GOLD, YOU DON'T UNDERSTAND HISTORY

I recently Tweeted that the case for owning gold has never been stronger. I firmly believe that statement remains true. In the past two years alone we've been subjected to a global pandemic, rising inflation (the highest in 40 years), government confiscation of assets in Canada and now a major geo-political conflict in Central Europe.

For some years prior, investors may have second guessed their precious metal allocations. Let this volatile time remind us all of just why it's important to accumulate and hold precious metals prior to crisis events. The question is never if crises will occur, only when. History is filled with reasons why holding metal is critical.

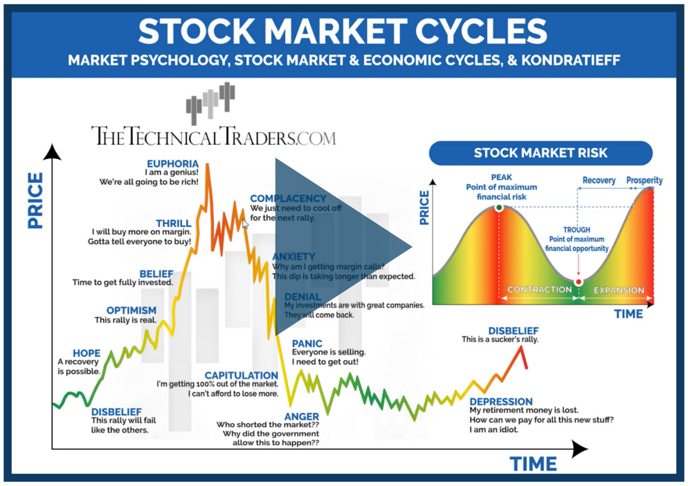
Please enjoy this spring edition of Inside The Vault and benefit from the expert content within.

Mark Yaxley, General Manager for Strategic Wealth Preservation (SWP). He has been focusing on the diverse needs of retail and commercial precious metal investors since 2006.

Follow Mark on Twitter @YaxleyYax

GOLD AND SILVER TECHNICAL ANALYSIS

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



You can follow Chris on Twitter @TheTechTraders

GOLD IN Q1: WAR, RATE HIKES AND INFLATION PUSH PRECIOUS METALS HIGHER

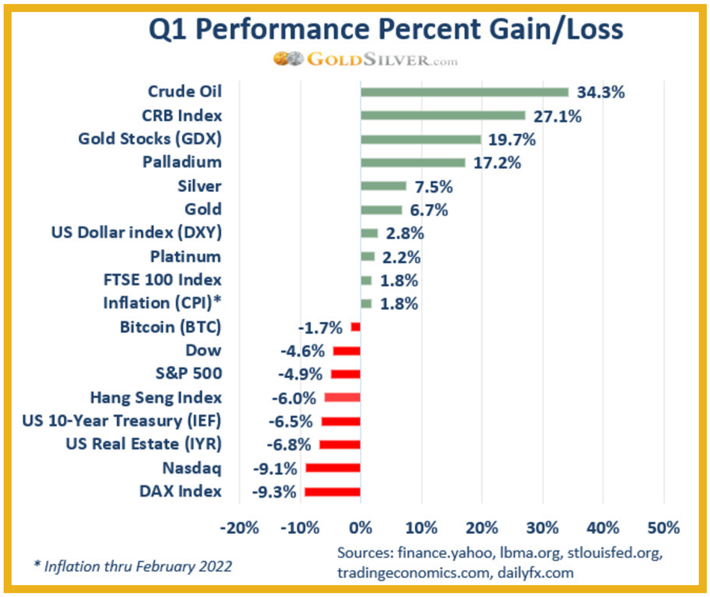
Jeff Clark, GoldSilver.com Senior Analyst and SWP Advisory Board Member

The headlines were big in Q1, all of which pushed precious metals higher.

Our quarterly ITV report examines the performance of precious metals vs. other major asset classes during the first quarter of 2022, along with a watchlist of conditions that could propel them higher.

Precious Metals Lead Most Assets

Gold and its cousins responded to the Russian invasion of Ukraine, the ongoing rise in inflation, and even the Fed beginning an interest rate hike cycle.



Crude oil was the big winner, its price spiking by over a third in the first three months of the year. Commodities, already impacted by supply chain issues, jumped higher still.

Gold ended the quarter 6.7% higher, while silver rose 7.5%. It was gold's biggest quarterly gain since mid-2020. It seems clear investors sought the ultimate in safety as the various crises played out.

Palladium soared, while platinum nudged out a small gain. Bitcoin did not prove to be a safe haven asset some had insisted it would be, giving credence to the notion that it is more of a "risk-on" asset.

Equity indexes all finished lower, along with U.S. Treasuries, to the surprise of many mainstream investors. In fact, U.S. bonds logged their worst quarter in over 40 years.

The Q2 WatchList

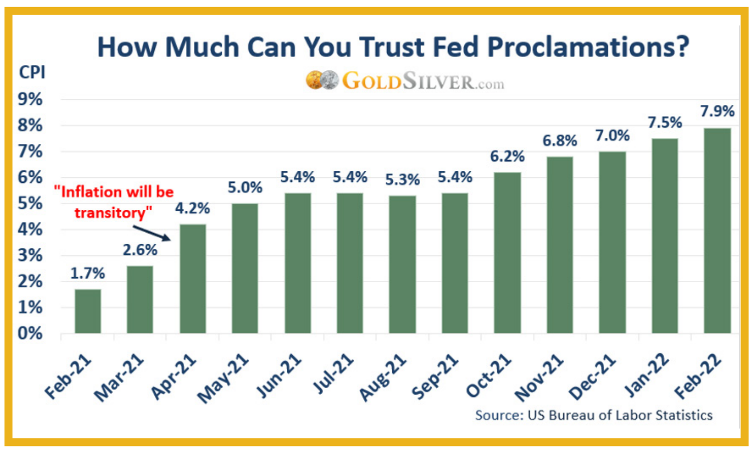
A number of ongoing issues provide context for the quarters ahead.

Geopolitical Conflicts. Gold spiked at Russia's invasion of Ukraine, and has since given some of the "war premium" back. While we all hope for resolution of the armed conflict, gold served its purpose.

President Biden signed a $768 billion defense policy bill, a major increase in military spending, highlighting the fact that geopolitical conflicts remain unresolved.

Inflation. Rising prices hit consumers hard in Q1, in virtually every segment of society…

- Gasoline prices, already high, spiked further from the war in Ukraine and the resulting sanctions. Some U.S. states are considering reducing gas taxes, offering rebates, and in the case of Chicago offering free gas and public transit cards.
- With the jump in Covid cases in China, Shanghai has imposed strict lockdowns, further pressuring already strained global supply chains.
- Reports show consumers are cutting costs on mainstay items, everything from toothpaste to baby formula, necessities normally resistant to price increases.
- Wages, already in an uptrend due to worker competition, continue to climb. Some economists insist that rising wages imply even higher inflation.
- Supply chains remain stressed, pushing some analysts to elevate the risk of stagflation. **JPMorgan** CEO Jamie Dimon says the war in Ukraine and the sanctions on Russia will "at a minimum slow the global economy, and it could easily get worse."



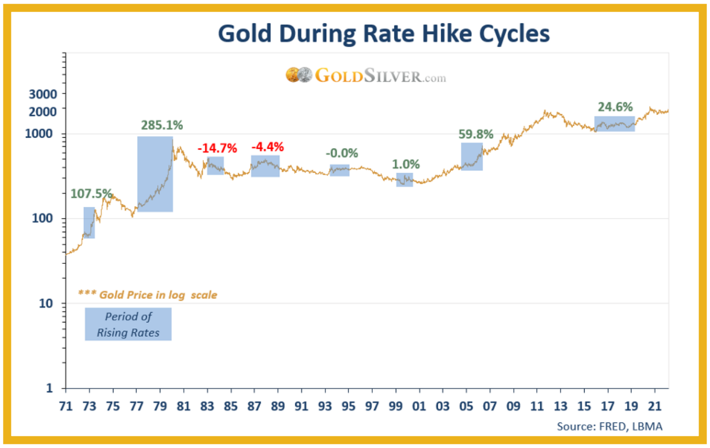
And now the inflation bug-a-boo has forced the Fed to institute a new cycle of…

Interest Rate Hikes. The Fed added a quarter point to the funds rate on March 16. The debate now is how many more rate hikes the Fed will do.

While banks and analysts have various predictions, the Fed's predicament is real. On the one hand tightening could cool inflation, but on the other hand it could hamper growth and increase the odds of stagflation or recession.

Many view the Fed as "behind the curve," so the likelihood of further rate hikes seems inevitable. Indeed, as Jamie Dimon stated, "high inflation will usher in an era of rising rates."

A look at historical rate hike cycles gives insight into how gold has performed during these periods.



Perhaps to the surprise of some, gold has a tendency to rise during rate hike cycles. While it may seem counterintuitive, it's a result of the circumstances that compel the Fed to raise rates in the first place.

I have to ask, though, how much can the Fed realistically raise rates? Debt service costs will naturally increase, which has some analysts saying the Fed will purposely remain behind the curve.

U.S. Dollar. I'd also be remiss to not point out the dollar's growing vulnerability, highlighted by a warning from Goldman Sachs who says the dollar faces a number of risks, perhaps the biggest being the potential fallout from the sanctions on Russia. This could push some countries around the world to move away from the dollar, eroding its global dominance. They point out the dollar has similar challenges the British pound faced in the early 1900s. That Goldman released a research note on "de-dollarization" is a major sign that investors are taking those risks seriously. It also means that cross border investing will slow, probably dramatically.

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

2022 Demands a Crisis Hedge

It's hard to imagine a more ideal scenario for gold. Despite the recent increase in price…

- The bedrock beliefs that formed the foundation of international economics have arguably broken down, the consequences of which are hard to predict. Significant damage has occurred, on top of the damage already inflicted by the pandemic.
- Russia had $630 billion in reserves—then the US and its allies cut them in half. The ramifications of those actions are only just beginning. The adage that "money is just a government liability" is proving to be true.
- Record high grain prices are reminiscent of the Arab Spring, which started as a direct result of food inflation. At a minimum the world is not out of the woods for higher food prices.
- Debt and deficits remain at or above record levels. On top of that, the boost in tax revenue that many advanced economies got last year from higher stock prices is absent so far in 2022.

The need for a true safe haven asset is clear. With unresolved events encompassing much of the globe, it would not be surprising to see the gold price achieve new record highs this year.

Follow Jeff on Twitter @TheGoldAdvisor

SOUND AS A DOLOLAR

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

That was a popular phrase in the past. And, because the dollar has been the world's reserve currency for nearly eighty years, there's a temptation to assume that the dollar will remain the king of currencies.

But history shows us that all fiat currencies eventually come to a bad end, and the dollar is most assuredly a fiat currency, having lost its backing by gold in 1971 – something that US President Nixon promised would be a "temporary measure."

But why should this be? Why should it end at all?

Well, Aristotle defined "money" about 2300 years ago and, to date, no one has done a better job. He stated that, for anything to be used as money, it should be durable, divisible, portable and intrinsically valuable.

Paper currencies are only moderately durable and, being made of paper, are certainly not intrinsically valuable. So they may qualify as "currency," but not "money".

For 5000 years, men have attempted to use other things for money – seashells, grain, cattle and even, briefly, tulips, in the 17th century.

But invariably, all fiat currencies have failed, and almost always for the same reason. Governments figure out that they can print currency to their hearts' content, which eventually and inevitably devalues the currency.

Usually, they do this to cover for the fact that they've ramped up their debt to the point that it's unsustainable. The increased production of fiat currency then buys them time – sometimes decades – before the entire system collapses.

And when this occurs, the world returns once again to regard gold as the one element that answers our old friend Aristotle's description best. Again, the world turns to gold as its principal form of money.

Today, we're at the end of the most extreme case of the repeated fiat fraud in world history. In the 1930s, the US avoided joining World War II for as long as possible and, instead, put its focus on manufacturing arms and equipment for the war, to be sold to the Allies. They made billions.

They insisted on being paid in gold and, by the end of the war, the US held the great majority of the world's gold. As such, it was able to dictate to the world, after the war, to accept the dollar as the world's default currency. It then reneged on the deal in 1971, when it removed the gold backing of the dollar, but by then it was too late. The First World countries were already passengers on the dollar train and were enjoying the prosperity that went with it.

But that also meant that the US could borrow more heavily than any country had ever done in history and eventually that level of debt required the creation of trillions of dollars, in order to keep the wolves from the door. All those countries that were on the dollar train – principally the First World countries – were in jeopardy.

At that point, the US's long-held economic dominance over the world was quite fragile and all that would be needed was a fatal straw to break the camel's back.

That straw came in the form of a gas pipeline that would deliver gas directly from Russia to Europe in far larger volumes than ever before.

As the new pipeline was in the Baltic Sea and did not pass-through countries that would extract a toll, the gas could actually be delivered more cheaply than before – something no other gas distributor in the world could compete with.

This one fact would upset the economic balance between the US and EU and pass the economic baton to Russia. This could not be tolerated, as it meant that Russia would henceforth be in the catbird seat, ending the petrodollar and, with it, US hegemony.

The US responded by goading Russia into war. On 19th February, US puppet president Zelensky declared at the Munich Security Conference that Ukraine would become a nuclear state – a direct threat to Russia. Five days later, Russia, not surprisingly, responded by invading Ukraine.

That allowed the US to get down to the real business – attempting to freeze Russia out of worldwide commerce and confiscating its assets.

But unfortunately for the US, this backfired. Russia was ready for this eventuality and stated that, as the US had eliminated Russia's ability to deal in dollars and euros, Russia was left with no choice but to demand that, henceforth, energy delivered to "unfriendly countries be paid for in rubles, as trust in the dollar has been compromised."

This, of course, infuriated the European countries who had gone along with US sanctions. They were now stuck in the middle.

Not surprisingly, the ruble soared in value quickly (doubled against the dollar at the time of writing). At the same time, Russia offered payment for gas in gold.

The last time a country made such an offer – Libya, in 2011 – the US invaded Libya and destroyed it.

Prior to that, in 2003, the US had done the same with Iraq, also for attempting to ditch the petrodollar.

But this time, the US has taken on a much more formidable adversary. In addition, other countries are getting the message that the US is prepared to confiscate other countries' assets at will. So, they now have two reasons for switching over to Russia as their supplier of fuel. Add to that the fact that the US has ramped up its money-printing by trillions of dollars in the last year, and you have a dollar that will be inflating dramatically, at the same time as it will be losing its value as the petrodollar.

Other countries will dump dollars back into the US, causing further inflation, if not hyperinflation. As Russian President Putin has recently said, "Many countries, in the immediate future may begin – I am sure this is what will happen – to convert their paper and digital assets into real reserves of raw materials, land, food, gold and other real assets."

And just to be sure that that happens, Mr. Putin has pegged the ruble to gold at $1600 – a bargain price - at a time when gold is topping $1900.

This is unmatchable by any other fuel supplier in the world and will assure that the world will seek to buy fuel in rubles and/or gold.

And, in the mix, Russia will do what the US did during World War II: take possession of much of the world's gold reserves in payment for oil and gas.

So, what does that mean to those who possess the yellow metal? Well, it means that the entire world will be scrambling to get their hands on the stuff. And, as always, whenever a commodity is in high demand, but limited quantity, the price will rise.

Today, gold is at $1921, but by the time you read this, that will have changed already. We shall soon see a dramatic rise and, in addition, as there will be few sellers, premiums will also rise dramatically.

As always happens in a crisis period, the fiat currencies that have, until now, appeared to be sound, will sink dramatically and gold will once again rise to its intrinsic worth.

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

QUICK LINKS

- » LEARN MORE ABOUT BUYING GOLD
- » LEARN MORE ABOUT SECURE STORAGE
- » READ MORE ARTICLES
- » VIEW OUR VIDEOS
- » FREQUENTLY ASKED QUESTIONS
- » CONTACT US

ONE ACCOUNT, ONE WORLD

Benefit from SWP's global reach under one single account. Store with SWP in the Cayman Islands, Canada, the United States, the United Kingdom, Germany, Switzerland, Liechtenstein, Singapore or New Zealand.