

2023: As Markets Implode, Gold is Poised to Explode

written by Egon von Greyerz | January 11, 2023

In this 20-minute MAMChat, Matterhorn Asset Management principals Egon von Greyerz and Matthew Piepenburg open 2023 with an informal yet blunt look at the twin nuclear risks of: 1) a rising geopolitical conflict in the backdrop of 2) an equally rising global debt crisis. Both trends, and all that follows in their wake, point naturally toward an exploding gold market.

The embarrassing lack of statesmanship and the continued delivery of Western guns and money rather than peace negotiators into the Ukraine strongly suggests that this U.S. proxy war runs an increasing risk of nuclear brinkmanship. As Egon reminds, such absurd risks in a world riddled with over 13,000 nuclear weapons and almost zero leadership is beyond our reason as well as control.

What can be reasoned and controlled, however, is investor recognition of, and preparation for, the toxic profile of global debt levels. Since 1971, global debt has exploded from \$7T to over \$300T. This embarrassing figure is further dwarfed by the far more toxic and embarrassing profile of a nearly \$2 quadrillion global derivative market. When measured in such gross counterparty terms rather than net exposures, the BIS fiction of “safe” global derivative exposure completely ignores the extreme risk of these financial “weapons of mass destruction.”

As for the impact such distortions impose on global markets, Matt sees multiple symptoms of growing desperation behind the scenes of our so-called financial leaders and their broken currency and inflation models. The first and most obvious example of this growing desperation is the falsely telegraphed “good news” of a trend toward Central Bank Digital Currencies, whose hidden dangers are discussed. Matt also discusses current rate policies to fight inflation as an equally flawed model. Together, Egon and Matt exchange thoughts on how these broken models will continue to destroy global credit and currency markets.

Of course, all these distortions and imploding markets (property, credit, equity and cash) point naturally toward an exploding gold price, one that can't be measured in dying currencies but immortal ounces, grams and kilos. As Eastern banks and nations turn increasingly toward physical gold, the mis-directed West seems history-blind as the slow move away from the USD and UST continues its undeniable trend.

In short: 2023 appears to be heading into deeper and more dangerous territory for which gold offers obvious protection.