

BANKS ARE BLOCKING CLIENT ASSETS

written by Egon von Greyerz | November 23, 2018

The risk of holding cash or gold in a bank is increasing continuously. Later on I discuss the difficulties bank clients encounter in taking money or gold out of their bank.

The word risk can be traced back to Greek via Latin to root or cliff. These were the the dangers that Odysseus encountered when he sailed between Scylla and Charybdis (a rock and a hard place). So root and cliff were the “risks” that sailors encountered in the sea. A more modern interpretation of risk is *“Identification and evaluation of dangers that could prevent us from reaching our objectives”*.

Very few have the ability to identify the enormous risks that we are all facing, on a global scale. And for the very few who can identify the risks, not many have the ability to evaluate them or to take protective measures.

THE WORLD IS UNPREPARED FOR WHAT IS COMING NEXT

Maximum risk requires maximum protection. But if most people don't even see the risks, it follows that very few take any protection. Thus the world is totally unprepared for the coming calamities in the world. Even at the highest level, governments focus on the usual political problems rather than the most urgent issue of the world economy. **Relative to a potential collapse of the financial system and the world economy, the domestic problems in for example the US, UK, France and Germany are insignificant** but these internal problems clearly occupy the leaders minds totally, probably because they have no understanding of the massive dark cloud that is hanging over the world economy.

BREXIT – A FAILURE

In the UK there is Brexit, which Theresa May has made a total mess of. The British people voted to leave the EU but all Mrs May has achieved after two years is an agreement which leaves the UK with almost all of EU's obligations and laws but without any say or influence. On top of that the UK is paying Brussels £39 billion for the pleasure. Will May survive, will Brexit not happen? Nobody knows at this stage. But what we do know is **that Brussels as well as France and Germany are desperate to hold this artificial edifice together**. With problems all around and opposition growing within the EU, it will only be a matter of time before the EU breaks up. The coming economic downturn will see to that.

WESTERN LEADERS ARE OUT OF FAVOUR

Both Merkel and Macron are now very unpopular in the polls and they are most likely spent forces. Only 17% of Germans are satisfied with Merkel whilst Macron has a 29% approval by the French.

In the US, Trump's popularity rating is around 40%. But he is now a lame President and will not get any major decisions through both chambers. When the economy and the stock market turns down, within the next two years, Trumps ratings will decline rapidly as they do for all presidents in a declining economy and stock market.

POLITICAL AND FINANCIAL TURMOIL LOOMING

Thus the picture is similar in all major Western nations. The popularity of the leaders is waning but this is just the beginning. As stock markets and the economy turn down, there will be political trouble in most countries with frequent elections, no-confidence votes or impeachment attempts. This will all be part of the massive political and economic turmoil which the world will experience in the next few years.

So is there still a solution? In my view no. **With \$250 trillion debt and another \$2 quadrillion derivatives and unfunded liabilities, the world cannot print itself out of trouble. You cannot solve a problem by the same means that created it in the first place.** But since central bankers have no other weapons in their armoury, they will still print unlimited amounts of money. It will probably be new electronic or crypto money in order to diffuse the situation. **I would not be surprised to see the dollar turned into a cryptocurrency in order to fool people into believing that this has now solved all the debt problems since the current US debt will be settled in a new crypto dollar.**

IMF BOSS TELLING CENTRAL BANKS TO ISSUE DIGITAL CURRENCIES

The IMF boss Christine Lagarde just stated that central banks must work quickly to establish digital cash or cryptocurrencies instead of the existing private networks that "were inherently unstable" and also "havens for fraudsters and money launderers".

It has long been clear to me that governments and **the IMF would never allow private cryptocurrencies to become a major payment method. Instead as Lagarde proposes, government issued cryptos will become a system regulated by central banks.** A crypto dollar will be the perfect new fiat money to be issued when a currency reset comes.

But more currency creation and manipulation will do nothing to solve the world's debt problem even if this will be the deceptive spin that governments will tell us.

DEBT CANNOT BE INFLATED AWAY

The more pressure the financial system comes under, the more panic moves governments will take. **Whatever they do can never get rid of the debt. It can't be inflated away since that just increases the debt. Nor will it be ever repaid. Since debt has grown exponentially in good times, no one should expect that the world could repay it in bad times.** Especially since in the coming downturn central banks will lose control of interest rates which will rise rapidly as the bond markets panic and default.

Since 1971 the world has been in a perpetual debt expansion. It actually started in the early 1960s and the US has increased the Federal debt every single year since then. Then when Nixon took away the gold backing of the dollar in 1971, money printing became a free for all bonanza of most governments. **So much easier to print money whenever there was a need than try to make ends meet. And this has been the rule not only for governments but also for individuals as global debt grows exponentially.**

GOLD WILL RESUME ITS ROLE AS THE ONLY REAL MONEY

As the financial crisis intensifies, gold's role as the only safe money will attract much increased interest and significance. This will coincide with the continuation of the gold bull market phase that started in 1999 and has corrected since 2011- 2012. In US dollars the correction finished in December 2015 but in many other currencies like Canadian dollars or Euros, the gold low was in 2013. The next move up in gold is likely to come before the year end.

So in a world with risk at a historical maximum, holding gold is insurance and wealth preservation. **But it is critical not just to hold gold but how you hold it.** We see more and more Americans wanting to store their gold in Switzerland due to the risks of holding it in the US whether it is confiscation or bail-in. Germans are also becoming concerned over what regulations the German government or the EU will impose and therefore are moving gold out of Germany.

DON'T HOLD GOLD IN A BANK

I have warned many times against holding gold in a bank. It could be subject to bail-ins, or freezing of bank assets even if it is held in a private safe deposit box. If it is held in the bank's general vault, the risks are much higher. **We have seen numerous examples of the gold bars that the client thought he had bought are not there.** When the client then wanted to move his gold, the bank had to go and get new bars. So even allocated bars in a bank could be very risky.

We are also seeing with increasing frequency that even Swiss banks are resisting any attempt by clients to take out their gold or money. They are inventing all kinds of obstacles like that clients can only take out 100,000 Swiss francs (same in dollars) in cash or in gold per year.

A recent restriction from a Swiss bank is that a withdrawal of more than 500,000 francs requires board approval. It is of course totally ridiculous that a client cannot take out his own money or assets of the bank. But this is the way things are going. Not only are banks unsafe institutions to keep your money or assets in, but once the bank has it all, you can't get it out.

In my view no major assets should be kept in a bank if it can be avoided except for funds required for instant liquidity. Gold (and silver) is totally liquid and easy to convert to fiat money for any liquidity requirement. Much better to hold assets in the form of physical metals under your own control. **Any assets held in a bank will be exposed to all the risks of bail-in,**

debasement, liquidity restrictions (think Argentina), fraud or bankruptcy.

If a client stores his gold in a private vault through our company, we will provide instant liquidity at whatever amount. The client can naturally also take out his own gold physically.

Now is the time to insure your house while there is still time.