

Central Banks Will Create A Historical Gold Rush

written by Egon von Greyerz | July 26, 2016

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The central banks are leading the world into a black hole and have no idea what a disaster they have created. What initially seemed like a nice money spinner for the private bankers in 1913 when the Fed was set up has resulted in a \$2 quadrillion (at least) monster that is now totally out of control.

Banks and central banks are experts at forging money

During the last hundred years, the Ponzi scheme seemed to work beautifully under the guise of Keynesianism. So whenever there was a problem in any economy in the world, all that was needed was some stimulus in the form of credit or forged money creation. And there are so many ways to forge money. Through the unlimited flexibility of the fractional banking system, money printing became the most perfect perpetual motion system whereby the more credit that was created the more credit and paper money could be issued by the banks. There is absolutely no limit to how much money could be printed.

So banks and central banks have been in collusion to print or forge paper money which has no value and no asset backing. Any private individual doing the same would spend the rest of his days in jail. But when the bankers do it, it creates massive wealth and respectability for them since they have the full backing of governments. What a rotten world!

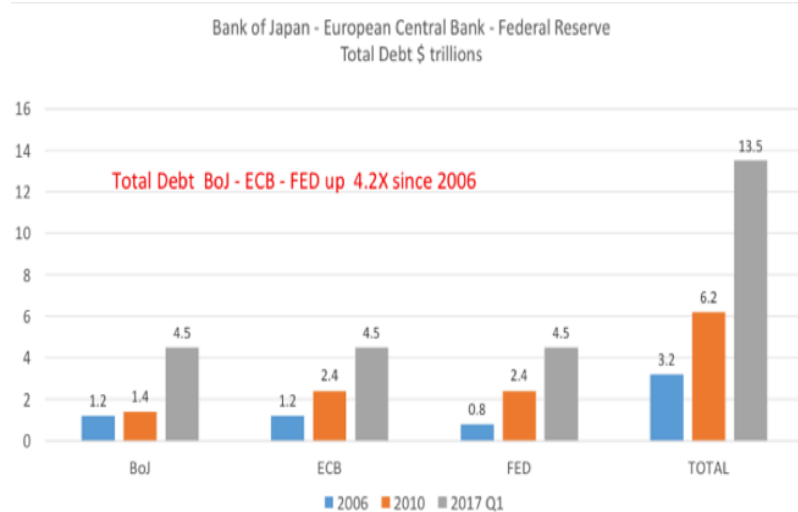
Can Deutsche Bank survive?

Thus, it is a fallacy to believe that governments and central banks are the only money printers. Most of the false wealth is created by commercial banks that blow up their balance sheets 10 to 50 times. And if derivatives are included the bank's exposure can be over 100 times the equity. **Take Deutsche Bank for example; the total balance sheet exposure is 25 times equity. Adding their derivatives exposure of €68 trillion, Deutsche's leverage is 100 times share capital and reserves. This means that a depositor hoping to get his money back from the bank should be aware that any loss above 1% of Deutsche's assets would make them bankrupt.** There is obviously no question that Deutsche will lose only 1%. They are virtually guaranteed to lose more than 10% and probably at least 50% of total assets which means that if you are a depositor you will definitely not get your money back. Most European banks are in a similar position and so are many US banks including JP Morgan, Bank of

America and Citigroup. And don't believe that Japanese, Chinese or Emerging Market banks are in a better position. This is of course the reason why most major banks' share prices have fallen 75-95% since 2006.

Central banks' balance sheets have exploded since 2006

Governments and central banks were virtually bankrupt in 2006, which is when the fraud of central banking was finally revealed to the world after almost 100 years of manipulation and abuse. Nothing, no absolutely nothing has been mended since then. With propaganda, more money printing and interest rate hocus pokery, the world economy has been dragged forward like a fatally wounded creature. The outcome has always been certain but the road there has been long and painful. Yes, a minuscule minority of much less than 1% of the world population has continued to benefit greatly whilst the masses have been burdened with another \$100 trillion in debt plus unfunded liabilities and derivatives of much more than that.



And most major central banks have blown up their balance sheets by more than four times since 2006. If we just take the Bank of Japan, ECB and the FED, their total balance sheets are expected to increase from \$3.2 trillion in 2006 to \$13.5 trillion in Q1 of 2017. Although this increase of "only" \$10 trillion is a drop in the ocean compared to the total increase in debt, these central banks set the trend through their irresponsible policies. The assets that these three central banks hold will be totally worthless in the next 5-7 years. But before that their balance sheets will expand exponentially in a final Keynesian attempt to save the global financial system from total implosion. This will lead to a short period of hyperinflation before the deflationary implosion of the system. Because you cannot solve a problem using the same method that created it in the first place, this will be the necessary total eradication of all debt. But it is not only debt that will disappear, most of the assets financed by this debt will also decline dramatically in value, leading to a massive destruction of wealth.

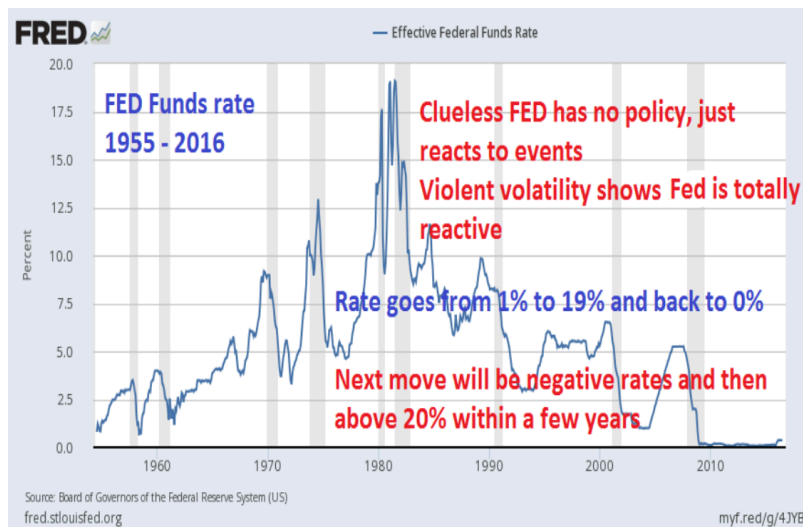
Central banks will of course attempt all the methods available to them before they give up. This will include not just money printing and more negative rates but also debt forgiveness, devaluations, moratoria, stealing pension funds and bank deposits, bail-ins plus many other tricks that will impoverish most ordinary people. Neither governments, nor central banks will have any qualms about totally destroying the wealth of their people.

Central banks' roller coaster misgovernance of the financial system

The Federal Funds rate over the last 60 years shows that central banks have no policy but are only reacting to events in their desperate attempts to manipulate the financial system and the economy. The only thing they succeed with is to create wealth for themselves and their banker friends at the expense of ordinary people. From the end of WWII to 1980, the Federal Funds rate went from 1% to almost 20%. And since then it has come down to virtually zero in 2008 and stayed there. So rates have now been in a downtrend for 35 years but within that there have been massive volatility as the Fed has reacted to events.

Master Greenspan played yoyo with the rates up and down clearly showing that he didn't know what he was doing. So when Bernanke took over in the midst of the crisis he sent rates to zero and printed more money than all previous heads of the Fed together. But in spite of his helicopter money, the world is now in a state where there is no solution but only consequences. And sadly these consequences will be horrendous for a very long time before we see new green shoots again.

Greenspan and Bernanke playing yoyo with rates



So there we have it. Central banks have led the world on a course that could only have one result. And sadly, I believe that we are now very near the beginning of a disaster that will have a bigger impact on mankind than any war, disease or depression that the world has ever experienced.

But this extremely serious adjustment to the progression of the world and mankind is not the end of the world as long as there is no major nuclear war. It will change our lives for quite a considerable time but human beings are infinitely adjustable even if the transition will be difficult.

Family and friends will be more important than ever. Some physical gold and silver will be the best money to own instead of worthless paper currency. Because precious metals will in the next few years reflect the total mismanagement of the world economy by central banks in their final and failed

attempt to save the financial system. This will lead gold and silver prices to levels which will be difficult to imagine today.

Egon von Greyerz

Founder and Managing Partner
Matterhorn Asset Management AG
matterhorn.gold
goldswitzerland.com