# FINDING GOLD SAFETY IN A COMMAND-CONTROL NEW ERA OF INFLATIONARY POLICY

written by Egon von Greyerz | March 25, 2021

In this 15-minute MAMChat, Matterhorn principals Egon von Greyerz and Matthew Piepenburg look bluntly at the increasingly incontrovertible direction of rising inflation in concert with relatively lower yields, paving the way for longer term scenarios in which inflation rates outpace nominal yields—the ideal setting for precious metal strength.

On the inflation side, and despite current inflationary yawns, Matt reminds of the objective tailwinds for more inflation down the road, namely: 1) bogus CPI inflation reporting, 2) unlimited QE, 3) rapidly rising money growth from fiscal deficit spending, 4) a super cycle in commodity-driven price hikes and 5) the now confessed objective of the central banks themselves to inflate their way out of historically unprecedented debt levels.

Adding to these open and impending tailwinds for inflation, is the largely media-ignored (but oh-so critical) move by central banks to provide credit guarantees to commercial banks. This structural pivot literally ensures even greater increases in the broad money supply, and by pure definition, a greater increase in the inflation rate so critical to the long term price trend in precious metals.

Perhaps more alarming, however, are the broader implications of such governmental command-control over commercial banks and hence money supply. The implications which lie beneath such deliberate financial repressions will have a staggering impact on assets which interfere with such a control-economy, most notably cryptos like Bitcoin. As importantly, rising capital controls and bank regulations will make “gold ownership” in commercial banks all the more risky, as we have argued for years.

Turning from the macro picture to the ground level data on gold, Egon reminds investors of the relationship between money supply and gold pricing, objectively demonstrating that current metal prices are in fact incredibly attractive. Furthermore, Egon reminds that the gross returns enjoyed by inflated risk assets since 2000 ignore the discounted inherent power of the underlying currencies in which those gains are measured—a sobering but largely ignored fact in the current securities hysteria/bubble.