

FIRST QE THEN QT THEREAFTER TE –THE END

written by Egon von Greyerz | July 19, 2018

Where have all the dollars gone?
Long time passing
Where have all the dollars gone?
Long time ago
Where have all the dollars gone?
Uncle Sam has spent them everyone
When will he ever learn?
When will he ever learn?

When Pete Seeger wrote the famous song “**Where have all the dollars flowers gone**” back in 1955, little did he know that the total US debt which then was a few hundred billion dollars, would 63 years later be almost \$70 trillion.

But there is no reason why Seeger should have known. He was a singer songwriter and his legacy will last a lot longer than Nixon’s, Greenspan’s, Bernanke’s and all the other players that have contributed to this massive growth in credit and destruction of the dollar. Whilst Seeger’s song – a work of art – is likely to be around for at least another 50 -100 years or much longer, all the opportunists that have destroyed the US economy, and thus the world economy, will soon be forgotten.

It is absolutely unreal how the world pays so much respect to mediocrity or even incompetence when it comes to running the financial system. Central banks and their heads have created this monster balloon which is now waiting to be popped. They have given the world the impression that they have been instrumental in saving the world economy when they in fact have created the bubble. The central bank chiefs that managed to retire before the balloon burst can count themselves lucky. In my view the luck for the present ones is now in the process of running out.

QE HAS FAILED AND QT WILL FAIL

These chiefs believe so much in their own ability as saviours of the world that they don’t understand that all they are doing is to create a much bigger monster by printing and printing and printing. They are so arrogant that they can’t even name their actions by an honest name. What they are doing is sheer Money Printing or MP. But instead they call it QE or Quantitative Easing. What an absolutely ridiculous name in order to hide their own inadequacies as well as cheating the people. Nobody understands what QE means and that is of course deliberate. Confuse the people and mislead them to believe that your hocus pocus is actually some alchemistic formula that creates eternal prosperity.

These central bank heads are now so confident of their control of the situation that they are turning the QE to QT (Quantitative Tightening). That is of course utter and sheer arrogance. **The QE hasn't worked. All it has done is to turn a fragile financial system to the biggest bubble in history.** Even with zero or negative interest rates combined with massive MP, real GDP is not growing (measured with real inflation). Also several dollars, euros or pounds of credit expansion are required to create just ONE dollar, euro etc. of GDP growth.

Since QE, MP, or whatever you call it hasn't worked how the hell does anyone think that QT will work. This is like taking away the punchbowl from a chronic alcoholic who will die from his drink or die due to lack of drink. And it is exactly the same for the global economy. It will collapse with more QE and will collapse from QT. So QE / QT = TE (THE END).

\$240 TRILLION MONSTER BUBBLE & \$2.5 QUADRILLION MONSTER BALLOON

"When will they ever learn, when will they ever learn" that you can't create prosperity by printing money. And remember that money printing is not just what central banks do directly. Money printing also means credit expansion by banks, credit card and finance companies etc. All these lend out 10-50 times the deposit or capital they receive.

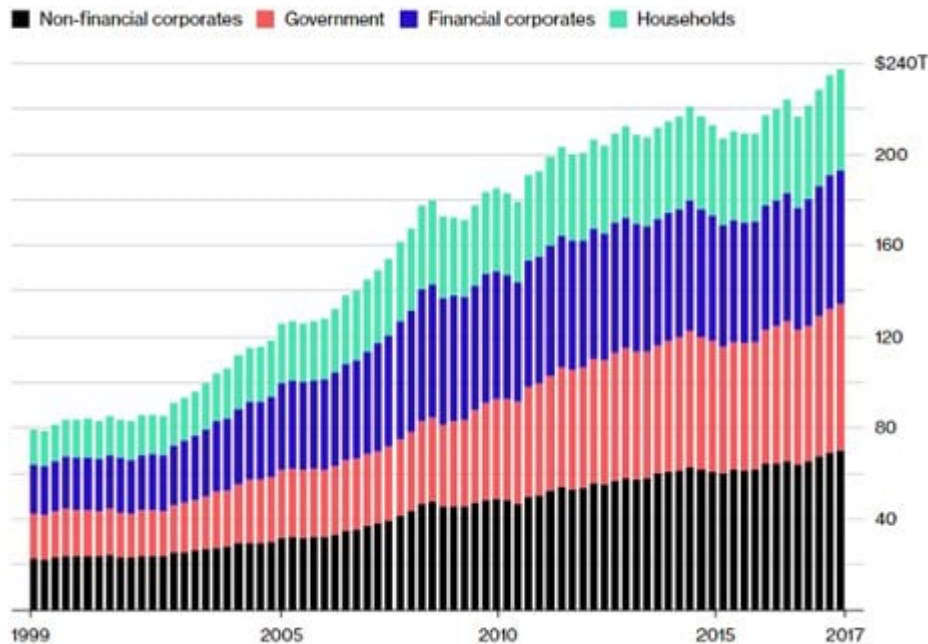
There is of course only one way to learn a lesson properly which is the hard way. And the hard way in the case of the world economy is that the monster bubble pops. And like with many bubbles, this one only contains hot air. **Thus the \$2.5 quadrillion monster balloon contains just empty promises that all disappear when the balloon is popped, like debt, unfunded liabilities and derivatives.** But these promises are not only words but also \$2.5 quadrillion of monetary promises or IOUs. To keep the balloon from deflating, central banks have had to constantly pump it up bigger and bigger. So more and more debt to fill the balloon together with inflated assets and even more empty words from bankers and politicians to make it all look plausible.

The debt explosion is not just a US disease. It is a US led global phenomenon that has infiltrated most nations with a central bank that can print money.

Just look at the chart below how **global debt has tripled since 1999 from \$80 trillion to \$240 trillion today.**

A \$237 Trillion Record

Global debt climbed by 42 percent in the fourth quarter from a decade earlier



Source: Institute of International Finance

GLOBAL DEBT AND ASSET BALLOON IS EMPTY INSIDE

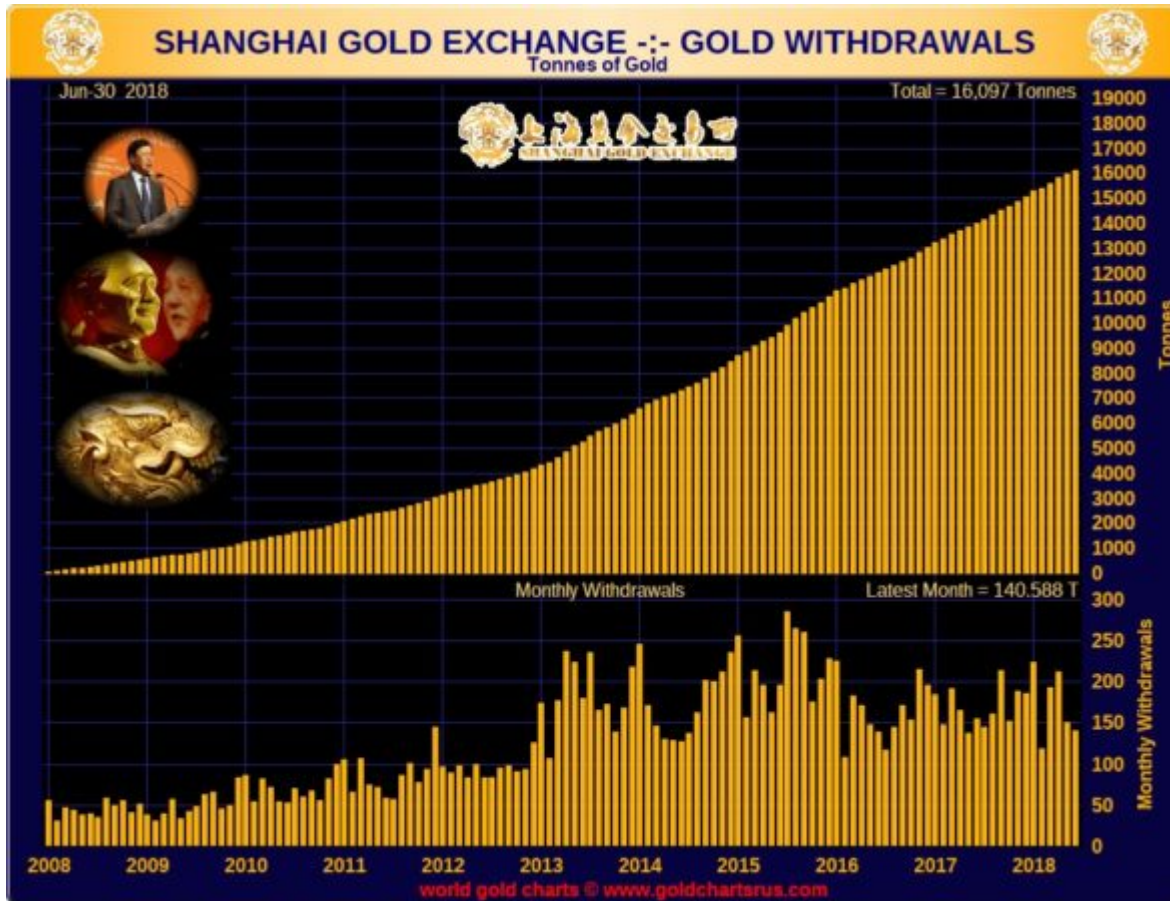
When the global debt and asset balloon pops, the world will find out that there was nothing inside. Of course, some of that has been real assets and real wealth. But the problem is that **when the balloon pops, all the debt will implode as no one can repay it and with that a lot of the assets will become worthless too.**

It is **only a question of if stocks, bonds, property and other assets will go down by 75% or 95%.** In my view, the biggest bubble in history will lead to the biggest collapse. There just is no one or nothing that can save the world from the biggest financial calamity in history. MP (QE) will have zero effect except for causing temporary hyperinflation. A lot of assets will decline by 100% such as money in the bank, bubble companies which are heavily leveraged, like Tesla, and many others. Even very valuable assets can be bought for pennies on the dollar, euro or pound.

CHINA HAS ACCUMULATED 16,000 TONNES OF GOLD SINCE 2007

Paper money has always come and gone throughout history since no fiat currency has ever survived. Gold has for 5,000 years been stable purchasing power and the only money that has survived. This is why countries that understand the importance of physical gold continue to accumulate, countries like Russia, China and India. In the meantime the rest of the world has only invested less than 0.5% of world financial assets into physical gold.

Just look at China in the chart below. Another 140 tonnes bought in June taking the total up to 16,000 tonnes or \$650 billion, with virtually all of it acquired since 2007.



PAPER MARKET IN GOLD AND SILVER WILL COLLAPSE

When the monster balloon pops, so will the paper market in gold, silver and other precious metals. The size of this market is at least 100 times bigger than the physical market. The rise of this market is very much linked to manipulation of the precious metals by central banks, the BIS and bullion banks. **When the paper metal market pops there will be no gold (or silver) offered at any price. This is the time when overnight or over a weekend the price can go from \$1,250 to \$10,000 or \$100,000.** This might sound totally unreal and sensational but this will be the most likely consequence of the monster bubble popping and everyone in markets running for the exit.

Most people believe that the status quo can go on forever and that central banks will continue their ridiculous game of pretending that air is real money and can create wealth.

There is a serious risk that the system will not survive in its present form, and that most assets, be it cash bonds or stocks, could decline substantially in value. With financial risk at an extreme, investors must seriously consider insuring their wealth.

THE BIGGEST BEAR MARKET IN HISTORY IS IMMINENT

The next decline in financial markets is likely to start later in 2018 or early in 2019. And this will not be an ordinary decline or normal correction. **Instead it will be the beginning of the biggest global bear market in history.** And this time central banks and governments will fail in their

attempts to save the system. They will certainly print a lot of money and try to reduce interest rates. But as bond markets collapse, rates will go up rapidly and not down. This means that bonds and stocks will both crash together with most assets.

The only real insurance against what is coming is physical gold and some silver, obviously held outside the banking system. **There is absolutely no argument against holding precious metals to protect against the risks in the financial system. The only question is, should you hold 10% of your financial assets in gold or more than 50%** as some of our wealth preservation clients do? In my opinion, this is the time in history that you need to be fully protected. Each one to himself to decide what full protection means. But remember that this time it will be costly to underinsure.

The recent decline in the metals is the end of a several year long correction. This is the last opportunity to buy gold and silver at what will prove to be extremely favourable prices.

Hopefully no one reading this will ask when it is too late: *“When will we ever learn”?*