# FROM YELLEN’S TWEETS TO BASEL III, GOLD CAN ONLY TREND NORTH AS CURRENCIES CAN ONLY GO DOWN

written by Egon von Greyerz | June 14, 2021

In this 20-minute MAMChat, Matterhorn Asset Management principals Egon von Greyerz and Matthew Piepenburg address the current and ever-evolving inflation narrative as well as its inter-relationship with interest rates. This relationship has a direct impact upon gold pricing in a global backdrop of rising and unsustainable debt levels. Matt begins with a brief “translation” of Yellen’s most recent comments on increased fiscal spending, reminding viewers that such serial stimulus from DC has massive inflationary implications despite the meme out of DC that current inflationary tailwinds are merely “transitory.” Egon reminds, of course, that inflation is ultimately about currency expansion (and debasement), and discusses the conditions for a hyper-inflationary future.

Gold, as we all know, favors negative real rates, and with inflation rising and rates falling, the scope of increasing/continuing negative real rates in favor of gold’s trend north is openly clear. Toward that end, Matt and Egon share thoughts on the sustainability of continued rate suppression. Matt’s near-term view (citing Yellen and the IMF) is that rates will be forced to the basement in order to service staggering debt levels and policies going forward. Egon addresses the issue of whether such a “plan” is sustainable.

Sustainable or unsustainable, rate suppression and fiscal stimulus costs lots of fiat dollars, which means further debasement of currencies going forward, and hence further reason to preserve and measure one’s wealth in precious metals rather than not-so-precious paper money. As for paper money vs. physical gold, Egon touches as well upon the Basel III rules which will require the banks to show more of physical rather than paper evidence of their own gold holdings, all of which has implications on gold pricing in the years ahead.