

Gold above \$ 2,000 and the Dow below 13,000 in 2015?

written by Egon von Greyerz | September 10, 2015

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Very few people in the world understand that the last hundred years have been totally exceptional in world history. Most people never study history and therefore they believe that whatever happened in their and their parents' lifetime is normal.

An abnormal century

But let me categorically state that very few things have been normal since the early 1900s. As a matter of fact the world has gone totally mad with excesses and manipulation in all areas, whether they are economic, financial, social or political. In essence we have created a world based on debt and instant gratification. This has been achieved by creating massive perceived wealth based on money printing and credit creation. Most people ought to understand that it is impossible to create wealth by printing worthless pieces of paper that are called money. **But alas, when a Nobel Prize winner in economics like Krugman prescribes money printing as a solution to the world's economic problems, what hope is there for the rest of the world to understand what is happening.** Poor Alfred Nobel, he must be turning in his grave.

Exponential Debt, Inflation and Population explosion

Just let us look at debt. **In 1900 US Federal Debt was 10% of GDP now it is over 100%. Also in 1900, world debt was negligent and today it is over \$200 trillion which is 3 times world GDP.** And that excludes \$1.5 quadrillion of derivatives plus a few hundred trillion of unfunded liabilities such as pensions, social security and medical care. What is remarkable is that **since 2008 when the financial system almost went under, world debt has increased by 40% or \$60 trillion and we are in a bigger mess than ever.**

If we look at inflation it is a similar story. A house in the US cost approximately the same in early 1700s as in the early 1900s. Then the Fed was created in 1913 by private bankers for the benefit of private bankers. This was the start of the money printing and credit creation extraordinary bonanza that we have now seen in the last 100 years. **Nixon abolishing the gold backing of the dollar in 1971 was like firing the after burners of the paper money rocket.**

Another abnormality in the last 100 years has been population growth. Until 1900 world population was around 1 billion. Today we are 7 billion.

Thus debt, inflation and population in the world have grown exponentially in the last 100 years and since 1971 the graph is pointing virtually straight up like a spike. Anyone who understands a graph knows that a spike can only finish in one way especially when it measures a big sample like the world. A spike never just corrects sideways. No, a spike always finishes with a spike down or a collapse.

First hyperinflation then deflation and implosion

In my view this spike down will start very soon. Risk worldwide is at a maximum whether we look at Japan, China, Europe or Emerging Markets. The downturn really started in 2008 and the world has been on life support since then through the injection of \$60 trillion of new credit.

So we are likely to see an implosion of credit which will lead to a deflationary collapse and a reduction in world population of massive proportions starting very soon.

Governments and central banks will initially react with massive money printing but this time it will have no effect. It will be like pushing on a string. But short term it will lead to all currencies collapsing with hyperinflation as a result.

The next few weeks we are likely to see world stock markets turning down massively as fear sets in. There is a confluence of fundamental and technical factors that point to fear and panic in markets this autumn. The risks are so many that the catalyst can come from anywhere. All that is needed is that last snowflake to trigger the avalanche. I would not be surprised to see a fall in stocks of 30% or more in 2015. Before the secular bear market is over stocks will have fallen by at least 90%.

Bail-ins, bankruptcies and defaults

And the financial system will fight for survival. There will be bail-ins, bankruptcies and defaults. Government bonds will of course become worthless eventually. It is incomprehensible today that anyone can buy or hold bonds issued by bankrupt governments yielding zero return. Everyone knows or should realise that these bonds cannot be repaid with real money.

Social unrest and wars

Social unrest is guaranteed due to unemployment, famine and a total disappearance of the social security net. Add to that the mass migration that is now happening all over the world. This will lead to a very different world for coming generations. In addition the risk of war is major.

I sincerely hope that the above predictions are wrong but I fear that I will be right. The world is now facing risks which are unprecedented in world history. And governments have no more tools left to prevent this happening.

All they know is to print money but they should have understood long ago that issuing credit and printing money is not the solution but the cause of the precarious situation that the world is in.

Gold \$2,000 just the beginning

So why will gold potentially be over \$2,000 very soon. Because as fear sets in within the next few weeks, the panic that this will create will lead to a flight to wealth preservation assets such as physical gold and silver. The physical gold and silver markets have been very strong for years. All the physical gold that is produced is sold. There is only 2,500 tons produced annually by the gold miners plus around 1,000 tons of scrap gold. China and India alone buy a total of 3,000 tons every year. Adding the purchases by the rest of the world, there is a constant depletion of gold stocks. This means that central banks and bullion banks in the West have very little stock left. The gold market is flooded with paper gold both in futures exchanges and in the banking system. Just taking **Comex, they have only one ounce of physical gold for every 207 ounces of paper gold claims.** As the paper holders of gold realise that their investment is at risk, they will ask for delivery. But Comex has no chance of finding the gold to cover their commitment. The result is at best settlement in cash but more likely a default. This could happen at any time and could start in the next few weeks. At that point it will be impossible to get a price at any level and virtually impossible to get hold of physical gold. At some point the market will become less nervous and then gold will cost \$2,000 or more. That price could easily be attained in 2015.

Jim Sinclair sees gold at \$50,000 in the next few years.

His USA Today interview with Greg Hunter is a MUST WATCH.

Gold at \$1,100 today is at an inflation adjusted price at the same level as in 2002 when the price was \$300. Thus gold at \$1,100 is an absolute bargain and a price that will never be seen again in our lifetime. But the only way to own gold for insurance and wealth preservation purposes is to hold physical gold in private vaults in safe locations, outside the banking system and outside of your own jurisdiction.

[Click here to also read my Sept 4 King World News Interview](#)

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