

GOLD MAGINOT LINE BROKEN – TIME TO BUY INSURANCE

written by Egon von Greyerz | June 14, 2019

The breakout in gold and silver that we have been patiently waiting for is now starting. The long term up move in the precious metals, which have been pausing since 2011, is now resuming. We can with confidence expect all the short term resistance levels to be broken. The first obstacle was the Gold Maginot Line at \$1,350. As I have said for quite some while, this 6 year resistance was always guaranteed to break. It has already been broken in most currencies, so gold in dollars was never going to hold out for much longer. And today it happened in Asia and Europe with gold reaching \$1,358.

As expected, when the Comex opened the gold paper boys used their paper soldiers to push gold and silver down. But they will fail, maybe already by the close today or certainly very soon.

REAL UP MOVES IN GOLD NEVER START ON COMEX

My experience is that the real up moves in gold normally start in the Far East or in Europe and this was the case today. Comex is not a trend setter, just a disrupter, since they deal in paper gold.

Next target for gold is above \$1,600 and for silver \$25 at least.

At the beginning of this century, we judged that risk in the financial system was becoming too elevated for comfort. We thus came to the conclusion that there would be serious problems in the system, leading to money printing and currency debasement and that wealth protection would be critical. Which asset to use for insurance against these risks was an easy choice since physical gold is the only money that has ever survived in history and is no one else's liability. Although the crisis only started in 2006, the gold price was giving clear indications already from 2002 and this is actually when the real move up in gold started.

AN OUTSTANDING CENTURY FOR GOLD

So let us look at how gold has performed from 2002 – 2018 in three major currencies, namely US Dollar, British Pound and Euro:

GOLD IN US\$, POUND & EURO 2002 - 2018 - change in %

%	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AVG 2002-2018	AVG 2002-2018
USD	24.7	19.6	5.3	20.0	23.0	30.9	5.6	23.4	29.5	10.1	7.0	-28.3	-1.5	-10.4	9.1	13.6	-2.1	20%	12%
GBP	12.7	7.9	-2.3	33.0	8.1	29.2	43.2	12.7	34.3	10.5	2.2	-29.4	5.0	-5.2	30.0	3.2	3.8	18%	12%
EUR	5.9	-0.5	-2.7	36.8	10.6	18.4	10.5	20.7	38.8	14.2	4.9	-31.2	12.1	-0.3	12.4	-1.0	2.7	14%	9%

GoldSwitzerland

The first remarkable observation is that from 2002 to 2012, Gold in Dollars did not have one single loss year. The average annual gain for gold in that period was 20%. The six year correction 2013-18 has been both long and significant. But we must remember that the long term bull market in gold started in 1971 at \$35. And the latest uptrend in gold began in 2000 at \$250.

A significant correction is part of climbing the ladder of worry.

If we look at the whole period 2002-18, Gold in Dollars and Pounds have, in spite of a major correction, gained a very respectable annual 12% on average and also outperformed the Dow Jones and all global stock markets.

Gold in Euros returned an average of 14% 2002-12 and 9% in 2002-18.

Interestingly, Gold in Euros had a significant correction (31%) only in one year which was 2013. That was also the year that Gold In Euros bottomed.

Gold has also outperformed all stock markets since 2002 (even more so since 2000). The Dow for example (excl. dividends) has lost 46% against Gold since 2002.

If we compare the return on Gold to interest rates, it is far superior. Dollar rates crashed from 2007 and were at zero percent between 2008 and 2015. Euro rates are still negative up to 12 years' maturity which is quite remarkable. Between 2002 and 2018, interest rates averaged between 2.5% and 0% depending on the currency. With gold returning annually 9% in Euros and 12% in Dollars and Pounds in the same period, it clearly has outperformed the return on Fiat money.

So the conclusion is straightforward. Whether we take 2002 as a start year, since that is when our company decided to invest significant amounts in physical gold, or we take the whole of this century, Gold in all currencies has outperformed all major asset classes and naturally Fiat money.

WHY DID NO ONE IN THE WEST DISCOVER THIS SECRET

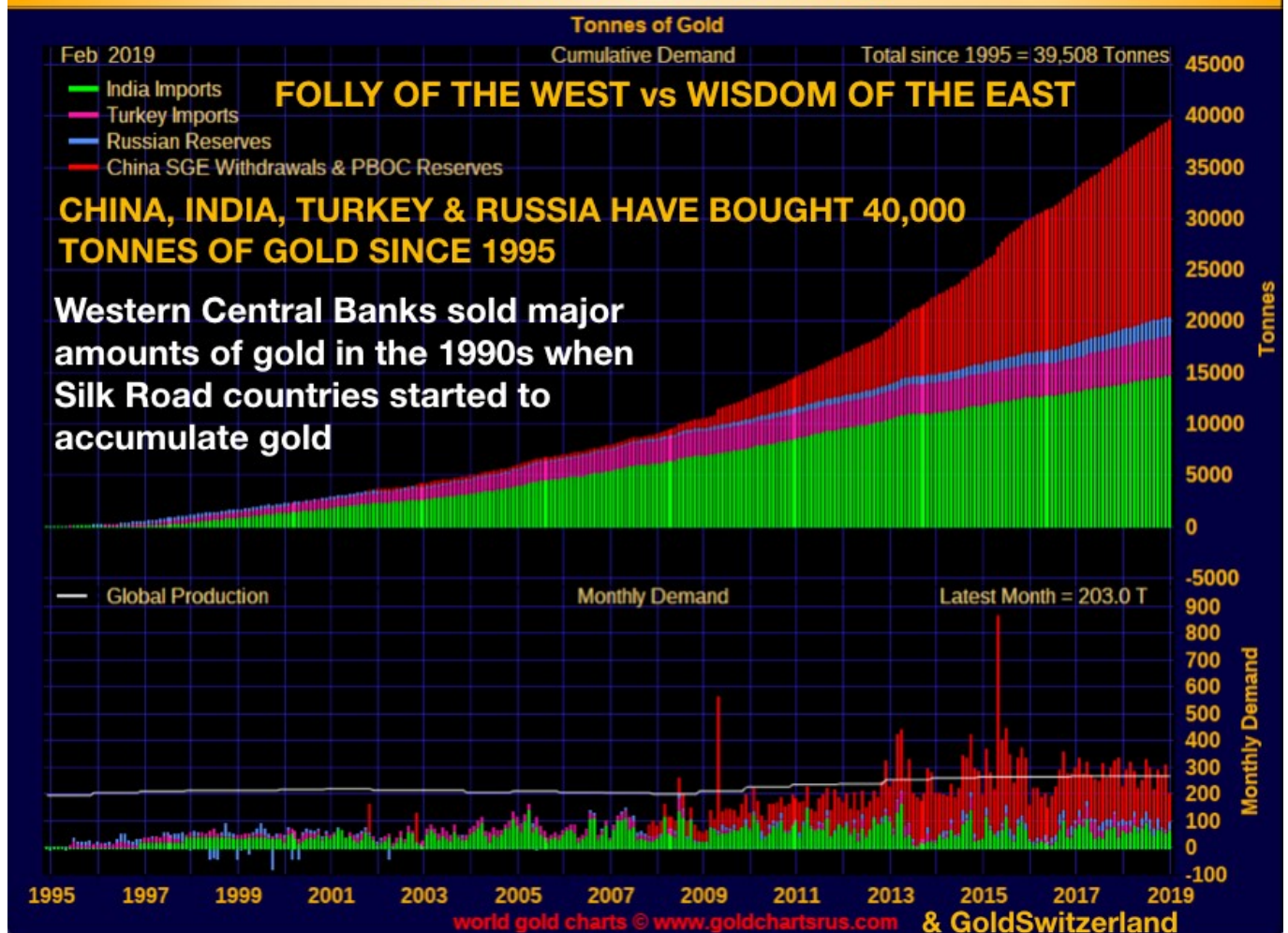
Aurum non gratum – Gold not welcome. So why is gold not acceptable by Western investors, Governments, or Central Banks. Western Gold Reserves have been reduced significantly in the last few decades. It would be surprising if there are even half of the 23,000 official holdings left.

Most of the gold has probably been covertly sold or leased to the market and bought by China, India or Russia. All Central Banks hold is a worthless IOU from a Bullion Bank that they are owed gold. The Bullion Banks can of course never get hold of the physical gold to honour the IOU.

Gold is the best kept investment secret in this century. It is such a well kept secret that less than 0.1% of investors have participated in the ascent of gold since 2000. As a company, we entered the gold market at the beginning of 2002 when gold was \$300 an ounce. Our analysis at the time was that gold was an asset which was unloved and oversold at the same time as risk in the world was increasing rapidly.

THE FOLLY OF THE WEST vs THE WISDOM OF THE EAST

SILK ROAD GOLD DEMAND



It was such an easy risk analysis and investment decision which makes it totally surprising that so few in the West saw it. At the same time as the West was selling gold, the East started to accumulate major amounts. The chart below shows the Folly of the West versus the Wisdom of the East.

MONEY PRINTING SERVES THE WEALTHY MUCH BETTER THAN GOLD

The Western economy and financial system is based on greed and unsound principles. When you run out of money, you just print more and expand credit. You would have thought that Governments and Bankers are really stupid as they can't see the virtues of sound money and gold.

But we know that it is not stupidity that leads the Powers That Be to ignore gold and print money. They know what they are doing. They have created a system that makes the rich significantly richer every year. Let's just take the Forbes World list of billionaires. This list was first started in 1987:

GLOBAL BILLIONAIRES 1987 - 2018

	1987	2018	INCREASE
No of Billionaires	140	2153	15x
Total Wealth	\$295 billion	\$8.7 trillion	29x
GDP Germany, France, Italy	\$3 trillion	\$9 trillion	3x

The table above explains why the Elite prefers money printing to Gold. The number of global billionaires has increased 15x in the last 31 years and the total wealth held by billionaires has gone up 29x to \$8.7 trillion since 1987.

These 2153 global billionaires have a total wealth which is equal to the GDP of Germany, France and Italy combined with a population of 210 million. Even more significant is that the wealth of the world's billionaires has grown 29x since 1987 whilst the combined GDP of Germany, France and Italy has only gone up 3x.

A 3x times GDP growth over 31 years means that the country as a whole or ordinary people have hardly kept up with inflation. At the same time all this printed money and credit creation benefits the wealthy with an exponential 29x growth of their wealth. This is how revolutions start.

So the financial system designed by the elite has served them perfectly. The unlimited money printing and credit creation in the world since Nixon closed the gold window in 1971 have led to a small elite getting a bigger and bigger piece of the cake.

THE BIGGEST WEALTH DESTRUCTION IN HISTORY IS NEXT

There is of course one major problem that they are not prepared for. The coming implosion of asset bubbles and debt will lead to **a global wealth destruction that has never been seen in history. The bubble assets, stocks, bonds and property, will decline by more than 90% in real terms. By 2025 the Forbes Global Wealth list will be totally decimated and unrecognisable compared to the 2018 list.**

So although they have done much better by multiplying the paper assets than they would have done in gold, that is all about to change.

BEST INSURANCE MONEY CAN BUY

In 2002 I introduced some investors to an insurance that gave them a **9% to 12% annual return ON the capital** (depending on currency) in the ensuing 18 years **plus a guaranteed return OF the capital**. A few wise investors jumped on it. The investment was of course gold. Over 99.9% of investors would have

laughed at the idea.

If I today suggest that there is an investment that will give double digit returns for at least 6 years and guarantees the return of the capital, most investors would love the idea. If I then explain that the investment is physical gold, there will be no takers.

PANIC IN A CHINESE LINE FOR 40 GRAM GOLD



Whether it is the Forbes billionaires or ordinary investors, they have today a unique opportunity to insure their wealth with virtually no risk. But no one will do it. Everyone will continue to believe that trees grow to heaven and that their wealth can be multiplied again and again.

The Western world at large will only look at gold when it has doubled or more. Then they will wait for a correction which will not happen. Then at multiples of today's price they will rush to buy gold and silver but at that time there will be virtually no physical gold or silver available at any price.

We will see a similar panic as in China in the 1948 hyperinflation when people were panicking to get hold of 40 gram of gold allocated by the government.

INSURANCE MUST ALWAYS BE BOUGHT WHEN IT IS NOT NEEDED

Insurance must always be bought when you don't need it. Afterwards it is too late. For investors who want to avoid the coming panic in financial markets, now is the time to buy protection in the form of physical gold and silver. This is probably the last chance to buy insurance which will not only give a guarantee of the return OF the capital but is also likely to give an extraordinary return ON the capital.