Gold: Patiently Waiting for the Hangover in Global Markets

written by Matthew Piepenburg | May 30, 2022

In this engaging interview with ParadePlatz's Lukas Heassig, Matterhorn Asset Management principal, Matthew Piepenburg, sits down at MAM's Zurich office to discuss gold ownership in an increasingly volatile macro backdrop.

Matthew speaks briefly to his own evolving understanding of precious metals as currency insurance despite a Wall Street background centered almost exclusively around traditional risk assets, and of course, traditional misconceptions about risk and valuation. Having personally experienced extreme over-valuation in the 2000 dot.com and 2008 sub-prime bubbles, his understanding of both market and currency risk naturally evolved from personally observing the reckless central bank policies. That is, those same policies (print, hope and postpone) which created these *prior* bubbles, are directly responsible for the current, and most dangerous, "everything bubble."

And as Matthew reminds: All bubbles pop.

Lukas presses many difficult yet fair questions regarding gold's current price levels, which seem low relative to the otherwise optimal environment of rising inflation, negative real rates and geopolitical risk. Matthew responds by zooming out to the larger perspective of gold's anti-fragile performance to date and the common illusion (and mistake) of precise price timing. In short, just because gold's price rise is inevitable, this doesn't mean or require precise timing. Debt levels, cornered central banks and their policy fantasy of solving a debt crisis with more debt, which is then paid for with trillions in mouse-click money, leads to inevitable currency debasement and hence inevitable advances in gold price.

In short, the "good times" of drunken money expansion and hence inflated risk asset markets must and will end with an historical market hangover and recession. Gold, always patient and loyal, will shine when the postponed hangover becomes a real hangover.

Ultimately, the conversation turns to trust, namely investor trust in their central banks, markets and currencies. As inflation and currency debasement inevitably rises beyond the painful to the unbearable destructive, investor faith in these broader systems and currencies can no longer be "bought" by central bank promises or central bank money creation. Timing the death of such trust is a fool's errand, but preparation for the inevitable is simply a matter of wise investing. Hence gold.