

# LIVING AND DYING BY A CENTRAL BANK SWORD

written by Egon von Greyerz | September 9, 2020

In this second MAM Chat, Egon von Greyerz and Matthew Piepenburg swap thoughts on the seductive yet dangerous 2020 market melt-up. Not surprisingly, all patterns point toward the case for precious metals.

Matt reveals how the forces sending markets higher—namely 1) central bank rate suppression and 2) record-breaking fiat money creation—are the very same forces that will send markets and economies to historical lows. Unlimited fiat currency creation loses its allegedly “magical” impact when faith in paper money (and its declining purchasing power) collapses. Similarly, the so-called “benefit” of rate suppression (and negative yielding bonds) ends when those once compressed yields spring higher in the backdrop of rising inflation and increasingly waning faith in bonds as a “safe-haven” asset.

Egon addresses the technical and fundamental tailwinds behind the market melt-up and the possibility of even greater crescendos in the backdrop of inflationary trends and continued QE policies—the primary tailwind for risk assets, whose valuations are now totally divorced from reality.

Matt places such dangerous boom/bust (credit/liquidity crisis) cycles into historical context, from needle-peak moments preceding the 1929 market implosion to the Nikkei of 1989, the NASDAQ of 2000 or the S&P of 2008. As for the 2020 needle-peak in risk assets, COVID snuck in as an ironic tailwind (i.e. excuse) for greater market support via greater liquidity/QE, all of which points toward a heightened need for gold as a hedge against increasingly diluted global currencies.

Finally, Egon explains why precious metals, unlike risk assets, are not a mere “melt-up” asset, but an undervalued remedy for the current insanity in the broader markets, giving particular attention to the DOW/Gold ratio and gold as the historically confirmed antidote to the destruction of paper money.