No Good Solutions Left for Central Banks

written by Egon von Greyerz | July 15, 2022

In this brief interview with Wall Street Silver's Jim Lewis and Ivan Baroukhi, Matterhorn Asset Management principal Matthew Piepenburg discusses the trap which central banks have set for themselves and the longer-term implications this will have on inflation and hence precious metal pricing. Matthew opens with the slow but clear process of de-dollarization taking place in the wake of backfiring western sanctions against Putin. This process points to a declining dominance of western/U.S. rule over global settlements, trade and dollar leadership.

Matthew repeats Grant Williams' (not Johnson…) observation that February of 2022 was as large a watershed in the global currency markets as the August 1971 closing of the gold window under Nixon. Matthew further addresses the current decline in paper gold pricing, underscoring the temporary headwind of a relatively strong USD driven by Fed rate hikes of late. This rate-driven surge in the USD, however, is unsustainable given U.S. public debt levels. In short, the U.S. cannot endure a long-term policy of rising rates. The current rate hike is largely driven by the Fed's attempt to lift rates today so that they can have "something—anything" to reduce when markets sink lower as the Fed tightens policy into a debt crisis. The claim that gradual rate hikes is being used to fight inflation is entirely false; with CPI near 9%, the Fed's rate hikes are impotent to make a dent on inflation. Ultimately, the growing gap between declining US income (as measured by GDP, tax receipts etc.) and rising deficits will need to be filled by an inflationary money printer. Sadly, the majority of DC "experts" refuse to see or honestly address such addictive inevitabilities.