

Quantitative easing = Unlimited printing

written by Egon von Greyerz | March 19, 2009

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The Fed decided yesterday to spend another \$ 1.15 trillion to try to save the financial system. They will spend \$ 750 billion to buy mortgage backed securities and \$ 300 billion to buy long term Treasuries.

These purchases will make the Fed's balance sheet balloon to \$ 4 trillion. Most of their assets will consist of worthless and unmarketable paper.

The total committed spending by the Fed and US treasury is now approaching \$ 13 trillion. **This amount is higher than US GDP for 2009!**

But this won't be enough. We have previously forecast that total support or money printing will reach \$20-30 trillion. We now ask ourselves if this will be sufficient.

One thing that is guaranteed is that this unlimited money printing will lead to hyperinflation.

Markets responded instantaneously to the Fed statement with the dollar falling like a stone. The Euro is today up 5% against the dollar since the statement yesterday. Gold and silver surged on the statement.

I have just seen a video from Zimbabwe showing traders refusing anything but gold as payment for food. A loaf of bread is 1/10th of a gram of gold (€ 2 or \$ 2.80)

This is the effect of unlimited money printing. Nobody wants paper money since it is totally worthless.

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