

THE DEMISE OF THE FINANCIAL SYSTEM IS IMMINENT

written by Egon von Greyerz | November 17, 2020

"The next five years is not about winning but surviving."

That is the headline of an article I wrote in early August 2019. At that point, I was primarily thinking of economic survival. But now the world is facing multiple threats and multiple failures.

As I have already stated, Covid-19 is not the cause of global market crashes, but the catalyst.

Even if I had been totally certain that the world will see an economic collapse greater than any crisis for hundreds of years, this is the worst catalyst that anyone could have expected. Yes, a global virus was always one of the potential risks, but of all triggers, this one was certainly the most unwelcome and horrible.

COVID-19 IS FAR MORE SERIOUS THAN THE WORLD REALISES

Before I talk about markets and gold, I will mention some of the horrific effects that have hit the world due to Coronavirus. Just to summarise that my market views haven't changed. Stocks will go down by at least 90% from here and gold will surge to levels that few can imagine.

No one knows the extent of people affected by the CV. China has never given us the real figures. And the rest of the world hasn't got a clue where they stand.

Outside of Asia, Italy got it first, and they still haven't got a clue how many people have been infected.

It's the same in the UK, US, Sweden, Switzerland, Germany, and most other nations. So, the real numbers are certainly 10x greater than reported or much higher. Forecasts suggest that **70% of the world will be infected and that doesn't sound improbable.**

SMALL BUSINESSES DON'T EVEN HAVE CASH FOR 2 WEEKS

For a world economy that is totally dependent on credit to the extent of \$265 trillion, what is happening is a total disaster. Small businesses will not have the cash to survive for even a couple of weeks. Same with ordinary people.

Virtually nobody has any savings, only debt. Many are being laid off already. The airline industry was extremely weak before the crisis. The tourist industry with its thin margins is collapsing. The same is happening in a great number of industries.

The banking industry will not survive the next phase but will initially be the beneficiaries of massive global money printing.

MARKETS

What is now happening economically in the world was totally predictable even though the catalyst was not the most obvious one. But what is not obvious for 99.5% of investors is what will happen next. And for most people, it is of course impossible to understand a market that can go down 2,000 points in one day and up 2,000 the next, like the Dow. This is obviously totally illogical and irrational behaviour.

With High-Frequency Trading and irrational investors creating a lot of this volatility, how can we expect markets to behave in a logical manner? And more importantly, with dip buying investors having been supported by central banks for decades, it has been impossible to lose money.

But those days are now over. **Sadly, anyone buying the dips in the current market is going to be burnt for years.**

Let me summarise how I see markets in the short and long term.

STOCKS

Stocks globally have topped and crashed as I forecast in January and February. See my articles:

INFLATE AND DIE – STOCK COLLAPSE AND GOLD SURGE IMMINENT
THE CRISIS WILL SINK STOCKS AND PROPEL GOLD

We are now facing a secular bear market which will last for at least 5-7 years. The economy will be in a recession and depression for much longer than that.

There will of course be volatility on the way down with major pullbacks. But there is absolutely no question that all stock markets will decline by 90% or more in the coming years. There will of course be violent corrections up, often assisted by the Plunge Protection Team in the US and similar in other countries.

GOLD

Often when a crisis starts, the public focuses on the wrong area. Thus, shops both in Europe and the US ran out of toilet paper. Yes, toilet paper is useful in the short term, but history has taught us that in the medium term, as hyperinflation ravages, gold will be much more important to own. For the very few Venezuelans who understood this 10-20 years ago, it saved their lives.

Let me categorically state that **there is no shortage of gold, YET.**

Some gold dealers are reporting that they are running out of stock. There was a recent article on Zerohedge on this subject by a Singapore dealer. Precious

metals dealers who mainly deal in retail quantities are probably running out gold and silver coins.

But as we are based in Switzerland where 70% of all the physical gold bars in the world are made, we can state that there is currently no shortage of physical gold bullion at the wholesale level. **There is ample supply of gold bars currently from the Swiss refiners.** But there is high demand for smaller gold retail bars.

That is the good news. **The bad news is that this situation is not going to last long.** As we know, the gold price is set in the paper market currently. And when global markets panic, many speculators in paper gold sell their positions for liquidity reasons.

This gives the manipulators, with the BIS leading the exercise, a chance to push gold down \$100 on a Friday afternoon in Europe over a 3 hour period as they did on February 13th 2020. The BIS and their lackeys, the bullion banks, clearly wanted the opportunity to pick up gold at bargain prices before the real rally starts.

STOP PRESS

Due to Coronavirus, the Swiss refiners are now cutting down on production as they must reduce the work shifts. At some point, it is possible that production must shut down completely. At this stage, decisions are taken from day to day. This is likely to lead to shortages of both gold and silver bullion in the short to medium term.

GOLD IS AT THE VERY BEGINNING OF A LONG TERM BULL MARKET

Let's be very clear. Gold is at the very beginning of an extremely strong long-term uptrend. Current volatility is just temporary due to global conditions. This will soon change. The state of the world economy and the extremely precarious financial system guarantees that.

Coronavirus is the catalyst and not the cause of the coming economic and financial collapse. The trigger could have been any event such as a credit default or a bank in trouble. But unfortunately, Murphy's law prevailed and anything that could go wrong did and also at the worst possible time.

I have for years warned about the risks in the world economy and most recently that a market collapse was imminent as I mention above. This collapse has now started. **I have also stated that gold will surge and this is still to come. There is absolutely no doubt in my mind about this.**

The current correction in gold could last a bit longer and at worst go down to \$1,450 where the price was in November and December 2019. But that is not my preferred scenario. At some point soon, I expect gold to turn up strongly on its way to new highs, also in US dollars. In all other currencies, gold has already surpassed the 2011-12 highs.

CENTRAL BANKS ARE GOLD'S BEST FRIEND

I have for many years stated that the Central banks (CBs) are gold's best friend. Sure, most CBs prefer to hold gold down since a high price reflects their mismanagement of the economy. But unlimited money printing, especially since 2006, is the best support gold can ever get.

Incessant printing of worthless currencies has zero positive effect on the economy but a massive effect on gold since it debases the value of paper money.

Due to suppression, the price of gold is not reflecting the total effect of this, but will very soon as central banks start the next phase of accelerated money printing.

Back in late August 2019, I stated the central banks were starting actions that were similar to August 1971 when Nixon closed the gold window. In August 1971, China was the only country to realise the effects of Nixon's actions:

“These unpopular measures reflect the seriousness of the US economic crisis and the decay and decline of the entire capitalist system.”

The above quote is from the People's Daily in China in Aug 1971.

CHINA HAS 20,000 TONNES OF GOLD AND THE US VERY LITTLE?

Since then the dollar and most currencies have lost 98% against gold and global debt has exploded. The Chinese saw it clearly then and that's way the Chinese government has probably accumulated gold of at least 20,000 tonnes whilst the US probably has very little left of their official 8,000 tonnes.

How right the Chinese were 50 years ago. And the world is likely to find out who really holds the gold and the power in the near term future.

The Central Banks around the world started panicking in the early Autumn of 2019 with Repos and QE in the \$100s of billions. Major parts of the world are today in total lockdown due to Coronavirus. No one understands or can estimate the effects of this. But what we can say with certainty is that a world that was already very fragile economically and financially before the virus, will suffer immeasurable financial and human consequences due to the CV.

\$1.5 QUADRILLION OF DERIVATIVES ARE NOW AT RISK

With economic activity virtually shut down in many countries and more certain to follow, like the UK and US, the amount of money printing coming will be endless and of unimaginable quantities.

It will start in the \$ trillions, but as the banking system comes under pressure, it will grow to \$10s of trillions.

When one day Deutsche Bank, with \$50 trillion in derivatives, comes under real pressure, which is not far away, the Bundesbank and ECB will have to print in the \$100s of trillions. Remember that counterparties will fail simultaneously and JP Morgan for example also has around \$50 trillion in derivatives.

And soon at least \$1.5 quadrillion is at risk when all counterparties fail.

The collapse of the banking system might not be in 2020 but once it unravels, Central Banks have no chance of stopping it but they will still use the only tool they know which is unlimited money printing.

As I have said many times, **YOU CANNOT SOLVE A PROBLEM WITH THE SAME MEANS THAT CREATED IT IN THE FIRST PLACE.** Thus the money printing will fail, but before that many clueless investors will buy stocks again before the next big fall.

THE BOND MARKET WILL NOT SURVIVE

The bond market is the biggest danger globally combined with the derivatives. The artificial manipulation of interest rates might last for some time yet. It could go on for a year but the bond market might also collapse tomorrow. There is so much junk and so much bad debt in the system that it would be surprising if Central banks could maintain this charade for much longer.

Thus the bond market will default and collapse at some point not far away. The question is only when. What is certain is that investors will soon start bailing out. And as Central Banks accelerate money printing, they will be the only buyer of their own junk debt. The end of the financial system as we know it today is guaranteed. **Its demise is imminent.**

THIS TOO SHALL PASS

But please remember that This Too Shall Pass. The world has difficult times ahead. It is obviously made worse due to many people, and especially the old, being isolated. Still, we have phones, FaceTime, Skype, Zoom etc so it is still possible to keep in touch with our loved ones and friends. At some point in the next few months Coronavirus will hopefully weaken and we can then function better.

The financial implications will last a lot longer and the world will have to get used to a much lower level of economic activity. But as I have stated many times, there are so many wonderful things in life that are free – like family, friends, nature, books, music, television etc.

Hard times bring people closer together for as long as we have a roof over our heads and enough food to eat.

Matterhorn Asset Management (MAM) / GoldSwitzerland – Procedures

MAM has always had a contingency plan for emergencies of the nature that the world is experiencing currently.

All MAM staff is now self isolating. The company is structured in such a way that we can operate with 100% efficiency without sitting together.

During this period we will not receive visitors in the office but are happy to have video conferences with clients or potential clients.

The vaults are operating normally but have also taken the precaution of separating staff as well as self isolation whenever possible.