

# THE WORST GLOBAL DEPRESSION IS NIGH

written by Egon von Greyerz | December 19, 2019

Since the Great Financial Crisis started in 2006, global debt has more than doubled from \$125 trillion to \$260 trillion. The more money that has been printed, the lower interest rates have gone. In 2006 US short term rates were 5% and between 2008 and 2015 they were ZERO. Today they are at 1.5%. But at the same time almost \$13 trillion global debt stands at negative rates.

So the world has manufactured \$135 trillion debt with the push of a few buttons and at ZERO cost since 2006. **This means that more than 2x annual global GDP has been created at no cost and with no service or goods produced. Instead fake money has been printed which corresponds to TWO YEARS' global production but no one has done a day's work or manufactured a single product, so this money has been created out of thin air.**

## HOCUS POCUS CREATES 1 TRILLION MAN DAYS

Global working population is estimated at 3 billion. Let's assume on a conservative basis that on average a person works 200 days per year. That would make 1.2 trillion man days for two years. **So central banks and governments can with some hocus pocus do the work of over 1 trillion man days.** Well, that certainly beats working and is in line with MMT (Modern Monetary Theory) which states that countries can print themselves to prosperity.

Well, this seems to have worked quite well since the Fed was created in 1913 and even more so since 1971 when the debt explosion started in earnest. For the ones who have forgotten, 1971 was when Nixon closed the gold window which allowed central banks to create unlimited money and debt.

## WITH AI AND MMT PEOPLE ARE NOT NEEDED

The world is today in the wonderful position that with MMT, or Modern Money Trickery we can now replace work with money printing. In coming years, this could then be taken to its extreme with no one working and no one producing anything, except for a number of robots. For all the world's needs, unlimited money is printed. This is the real Shangri La and ultimate paradise. But is it really? Because the robots will then take over and get rid of mankind since we will just be superfluous parasites.

This scenario might be the ultimate outcome of AI (artificial intelligence) combined with MMT as well as decadence and irresponsible adherence to false economic theories. But it is fortunately unlikely to happen in my lifetime.

## THE THIRD COLLAPSE THIS CENTURY WILL SHOCK THE WORLD

Here we are at the end of the second decade of this century. In the last twenty years we have seen the collapse of a tech bubble and we have experienced the implosion of fake debt aka (also known as) the sub prime debt

collapse. Central banks have skilfully but deceitfully navigated between Scylla and Charybdis as in Homer's Odyssey and managed to avoid the total and final collapse of the system.

But I doubt they will be third time lucky. This time, printing unlimited free money will be recognised for what it is, namely Modern Money Trickery or Wizardry that can't fool the world a third time in the 2000s. The effect of that will be that buying the dips will fail this time because stocks will soon start their journey to the bottom which is likely to be at least a 75% fall but more probably a 95% fall in real terms. So now as the world discovers that the last 100 years have been an illusion with fake money, fake assets and fake debt, we are all in for the biggest shock in the financial history of the world.

## **HALF A CENTURY OF WORKING LIFE**

I have been fortunate in my working life to experience half of the most remarkable period in the world economy since the Fed was created in 1913.

2019 has for me personally signified the anniversary of a 50 year working life. It is quite an interesting phenomenon that many of the people I meet in my professional life were not even born when I started working. I am obviously extremely fortunate to both have the health and the brain which is functioning although there might be some doubters who would dispute that!

It is obviously incredibly stimulating to work with people who are almost without exception younger than yourself. I was born at the end of WWII and have been extremely lucky to not have been involved in any war or not even a depression. The 1950s and 1960s were decades with a very high quality of life both morally and ethically as well as economically. Those were times when economic growth was achieved through hard work, high moral standards and without excessive debt financing or money printing. In Europe there was law and order and no concern about crime or violence.

## **ONLY THE CHINESE SAW THE BEGINNING OF THE END IN 1971**

But 15th of August 1971 was going to change everything even though nobody except for the Chinese understood it at the time.

The People's Daily in China said in August 1971:

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

The paper went on:

**"mark the collapse of capitalist monetary system with the US dollar as its prop"... "Nixon's new economic policy cannot extricate the US from financial and economic crisis."**

**"The policy is meant to fleece the American working people and to shift the worsening of the US financial and monetary economic crisis onto other**

**countries.”**

It is quite remarkable that the Chinese were so clear-sighted already back in 1971. But Chinese wisdom has stood the test of time in spite of economic and political upheaval. They saw what was coming already back then. **The official Chinese gold holdings are just under 2,000 tonnes. But according to my sources who have close links with China, that figure probably is not more than 1/10th of the actual Chinese gold holdings.** A lot of the Chinese gold was stolen by the Japanese during the 1930s and WWII. But there were still major quantities left in China. Today China is the largest gold producer in the world by a big margin. Their annual production is around 450 tonnes. It is generally assumed that the total Chinese production has been kept by the government for decades.

**CHINA IS ESTIMATED TO HAVE 20,000 TONNES AND USA LESS THAN HALF OF 8,000T**

**There are rumours in the market that China is planning to announce a gold backed yuan supported by gold holdings in excess of 20,000 tonnes.** If that were true, this would be very supportive for the gold price and also extremely negative for the US dollar. The US supposedly has 8,000 tonnes of gold. But they have not had a physical audit since the 1950s when Eisenhower was president.

Many market experts doubt that the US still has 8,000 tonnes. A major part has been leased to bullion banks and is now in China. All that the US government has is an IOU from a bullion bank that could never return the physical gold. Some of the US gold has also been sold covertly. If China announces a gold backed yuan supported by 20,000 tonnes of gold or more, the US will be at pains to prove that they actually hold 8,000 tonnes of gold.

**BULL MARKET SOON TO END**

The secular bull market has been kept alive with massive money printing combined with financial as well as verbal manipulation of markets. It is not easy to kill a secular bull which has survived for centuries. **Fundamentally and technically we are now at the end of the end of this incredible bull market.** It is ending with a bang and does not have far to go. The market could top at any time between the second half of December and first half of January.

We are not just talking about the US market topping but all stock markets globally. Even the UK market which is now in a short term euphoria due to the Boris Johnson election victory. There are a number of technical signals, both long and short term, pointing to this coming top. **It is the end not only of a multi decade bull market but most probably also a multi century top.** Many historians will write about this in coming years and decades.

The coming secular bear market will be both spectacular and frightening. Very few investors are prepared and when it all starts, most people will believe that they will be saved by central bank money printing. **So we will see a lot of bottom fishing in the stock market which will turn out to be many fathoms**

**from the actual bottom. Anyone buying the dips will end up in tears this time and exacerbate the losses that stock investors will suffer.**

The world will soon experience the start of the most dramatic bear market in history. It could start slowly but is more likely to quickly accelerate to ever lower lows with the normal fake-out rallies that will suck investors in before the next leg down.

## **GOLD READY TO SURGE**

When stocks turn down, precious metals will surge. Gold is already up 15-20% in 2019 depending on the currency. Also, **gold has made new highs this year in most currencies except for in dollars and Swiss francs. In 2020 gold will also make new highs in these two currencies.** Gold appreciated rapidly to early September and has since seen a normal correction. This correction will soon finish, at the latest in early January. Technically gold could reach \$1,425 before it turns up but although possible, it seems less likely.

Once the metals turn up, **silver will be gold on steroids.** The gold silver ratio will start crashing from 87 currently down to 30 initially where it was in 2011. This means that silver will go up three times as fast as gold. But remember that silver is extremely volatile and the corrections will be vicious. Thus for anyone who intends to buy silver, do it now with the gold silver ratio at an extreme. Your risk will obviously increase significantly when the ratio falls to for example 60 or 50.

**In the gold and silver markets, the combination of strong demand, very limited supply, a paper market that will blow up and China potentially declaring a gold backed yuan will lead to spectacular gains for the precious metals.**

## **THE WORST GLOBAL DEPRESSION IN HISTORY IS NEXT**

So 2020 seems to be the very early beginnings of the worst global depression that the world has ever experienced. It will be devastating for everybody. We can all prepare financially by holding some physical gold and silver which is the best insurance anyone can buy against what is coming.

The world is now at the end of a decaying era of free money due to unlimited printing and credit expansion combined with no cost of money. But none of this has reached ordinary people but only the wealthy. Normal people have just ended up with a massive debt, both public and private, that will never be repaid.

## **THE WORLD WILL SOON LEARN THAT THE EMPEROR HAS NO CLOTHES**

Not only is the era of free money over but sadly there will be many unemployed, with no benefits, no pensions and little protection from the government. Until now most governments have got out of trouble by printing false and worthless money. The difference this time is that a little boy will shout out that the Emperor Has No Clothes and the world will realise that the next round of unlimited money printing will be worthless and have ZERO value.

But although the world is now approaching very difficult times, there are many more free things than fake money and these things are our best non financial protection against what is coming.

I am thinking of things like family, friends, nature, books and music. All these things are virtually free and give not only enormous pleasure but are totally essential for the survival of the next phase in history. Mankind has an incredible ability to survive if we form small groups of family and friends who support each other.