Precious Metals & Market Update

Posted October 12th, 2024 - By Chuck Coppes

"With the exception only of the period of the ***gold standard****, practically all governments of history have used their exclusive power to issue money to defraud and plunder the people."*

Freidrich A. Hayek, Austrian Economist (1899 - 1992)

*"****Money*** *is the most important subject intellectual persons can investigate and reflect upon."*

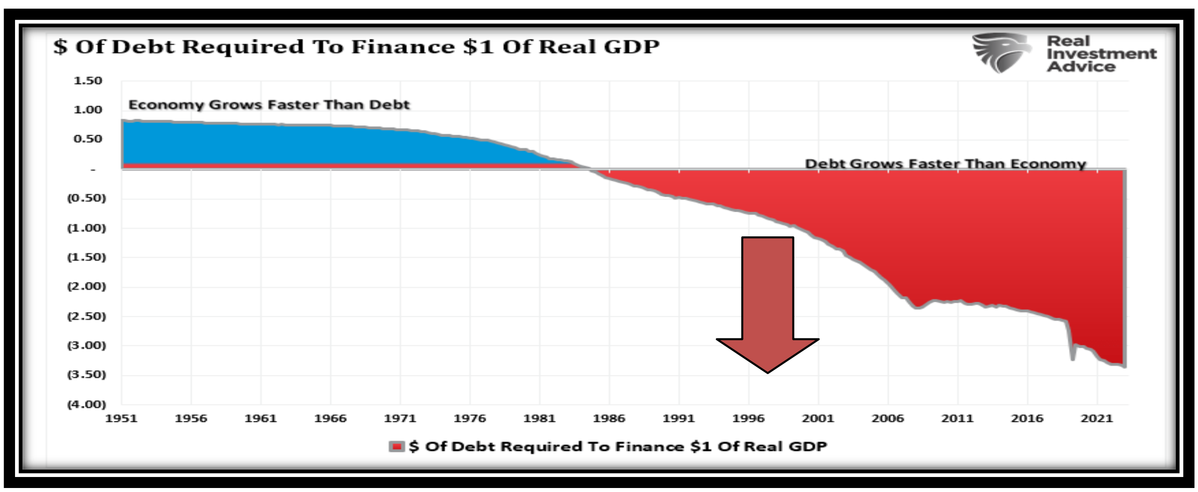
Robert H. Hemphill, President of Atlanta Federal Reserve Bank

"Of all the contrivances for cheating the laboring classes of mankind, none has been more effective than that which deludes them with ***paper money****."*

Senator Daniel Webster (1782 - 1852)

Greetings to all,

Some years ago, **Joseph Tainter** wrote *The Collapse of Complex Societies* in which he demonstrated that large societies require more and more effort to maintain the ***status quo*** and eventually the marginal costs exceed the marginal returns. And this is exactly where we're at as a Socialist nation. As seen in **this chart** we now spend (waste) **$3.50** for every **one dollar** of **GDP** growth. This is not a sustainable business model. Economists like **Reinhart & Rogoff** conclude, "Once sovereign debt reaches **90%** of **GDP** the impact is *negative* long-term growth." The future for our country is long-term negative growth as far as the eye can see. As **M. N. Gordon** warns we are facing an epic debt crisis yet not a word about this impending danger during presidential election debates or party platforms.

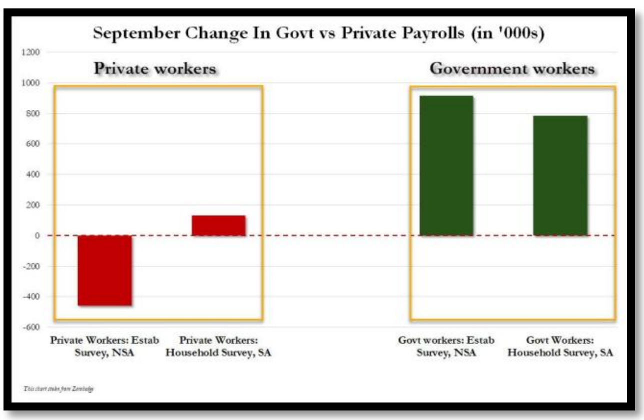


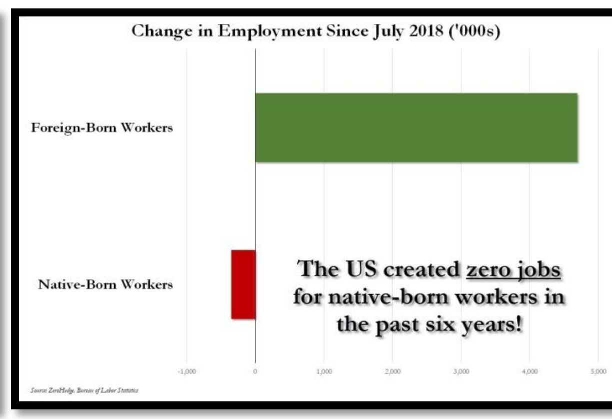
"After many decades of doing the expedient, kicking the can and increasing the debt limit, the U.S. government is in a dire fiscal condition. You would think this impending crisis of epic proportions would be a ***central focus*** *of this year's presidential election.Yet neither Trump nor Harris mentions a word of it. In fact, they both want to spend more. Welfare. Warfare. And everything in between."*

As also noted by **Gordon**, "Voters, too, want to get their hands in the till. Some want their college loans to be forgiven. Others don't want to pay taxes on tips. There are also those who want foreign wars to escalate so they can produce more bombs and fighter jets. And everyone wants to reap the promises owed to them in the form of Social Security and Medicare. No one seems to notice or care that the country is broke." I like to call this cultural Marxism or soft tyranny. We've become used to this redistribution of wealth. In fact, **85%** of our budget is called "mandatory" spending. The **CBO** just released a new **Social Security Trustee Report** indicating that it will be bust in…**2033**. Read it HERE. Again, does anyone notice or care? Our marginal costs are beginning to seriously weigh on our fiat currency in the form of **inflation** and **currency debasement** as noted by **Daniel Lacelle**.

*"There is no escape from debt. Paying for the government's fictitious promises in paper money will result in a constantly depreciating currency, thereby impoverishing those who earn a wage or have savings. **Inflation is the hidden tax**, and it is very convenient for governments because they always blame shops or businesses and present themselves as the solution by printing even more currency. **Governments want more inflation to reduce the impact of the enormous debt and unfunded liabilities in real terms**. They know they can't tax you more, so they will tax you indirectly by destroying the purchasing power of the currency they issue."*

This steady hidden inflation tax is why we have all that **red** in the above chart. It is also why the new normal for the **US** economy is to have part-time jobs and side hustles. I just finished looking at a study on employment trends in the **US** and the facts and figures are quite shocking. Because we are near the national election a new jobs report was celebrated as proof that the economy is robust and strong. Is this the case? Hardly. As **seen below** most of the jobs were for ***government workers*** and the leisure and hospitality (L&H) sector. In other words, worthless paper-pushers and non-career jobs.





This same study reveals that most jobs in the **US** have gone to **foreign-born workers** in the past six years. You are seeing that correctly! As David Stockman points out high-paying manufacturing jobs have been decreasing since **1978** while the **L&H** sector has grown by **128%**. He calls this the "great jobs replacement" from manufacturing to services that hugely distorts all of the **BLS** (BS) reports.

*"Alas, however, what might be termed the 'great jobs replacement' caper was not remotely a case of **apples-to-apples**. The typical part-time, near minimum wage job in the L&H sector pays the equivalent $24,400 per year or just **37% of** the $66,000 annual equivalent for goods-producing jobs. So in terms of economic throw-weight, or the implied market value of output and income, we have been replacing prime labor force players with **what amounts to third-stringers on waivers**. But in some cases, it may actually be even worse than that. To wit, neither the BLS employment data nor the GDP accounts are without systematic bias owing to the fact that they were designed and institutionalized mainly by Keynesian economists in the government."*

Recent Stock Market Highs & *Moral Hazard!*

Despite rigged employment numbers, unsustainable debts, fiscal mismanagement, foreign wars and overall credit unworthiness the **inflated stock market indices** convince us that **Wall Street** and **Main Street** are just fine – in fact, *doing better than ever!* As I have said repeatedly for many years the **Dow** or **S&P Index** are very poor metrics for the economy. All it reflects is the market capitalization of the casino and supported with stock buyback schemes, front-running and the **Fed Put**. An announcement by CNBC even admits, "The Fed is the key thing, that's the big driver." Our central bank is the "big driver" of the market? This is not free market capitalism. This is a grotesque form of crony capitalism that promotes wholesale **moral hazard** and an artificial **wealth effect** as **Charles Hugh Smith** relates.

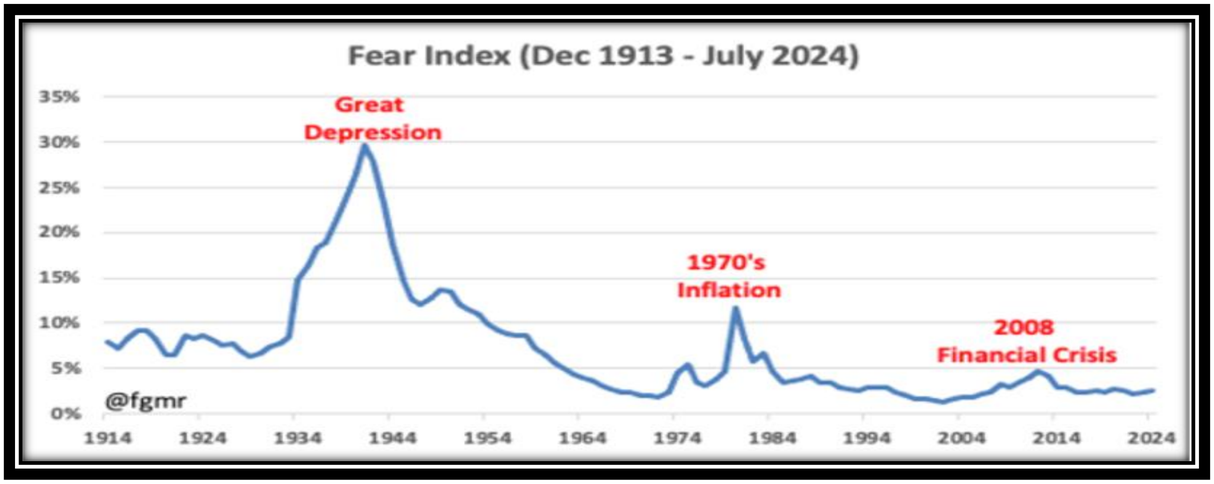
"Just as thunderstorms scent the air before their arrival, market crashes often announce themselves in the autumn zephyrs. Markets don't crash when everyone's in full-blown panic. They crash when the headlines and data are reassuring, analysts are confident in ever-higher profits, and complacency reigns supreme, evidenced by record-high household allocation in stocks and bullish sentiment readings. Markets crash after a brief bit of panic selling is immediately bought and markets are returned to a permanently high plateau *of valuation as we saw in August, as the S&P 500 shot back up within a whisker or two of all-time highs.* ***Punters buy every dip because this quick reaction to any drop has been richly rewarded for 15 years, and everyone has confidence in the*** **Fed Put** ***, ie the belief that the Fed will move Heaven and Earth to restore market confidence and the*** **wealth effect .** *In other words, market participants have embraced* **moral hazard** ***: there is no real downside, there is only upside to buying every dip****. Markets crash when the rot beneath the surface is invisible or goes unnoticed***.** *The few doom-and-gloomers who note extremes are immediately mocked off the stage, and the headlines tout the resilience of the economy, markets, employment, profits, and the techno-wonders heading our way."*

The **rot** beneath the surface (headlines) is going unnoticed and retail investors are way too complacent in this environment. It is also no surprise that **Ben Bernanke** become a senior advisor for **The Citadel** hedge fund that has perfected **high-frequency trading** and front-running the marketplace that has become commonplace in the modern era (not real stock analysis or technical research). As **Charles Hugh Smith** recently asked, "Is an economy based on **the wealth effect** generated by front-running the front-runners really that stable? Is an economy based on enriching the already rich so their wealth increases by tens of trillions of dollars as assets bubble higher a sound economy? Or is it an exploitive, parasitic neo-feudal economy of extremes awaiting **Nemesis**? Perhaps we'll find out sooner than the front-running multitude expects." Perhaps he is right and below is a good example.

In recent months, if not years, a handful of techno stocks have dominated the **S&P 500 Index**. It is a classic case of the tail wagging the dog. And it is this market cap that has elevated the stock market, not the broader market. In years past, the **US** stock market was about **75%** of our **GDP**. It is generally understood that anything over that number indicates extreme valuations – and today it is ***209%!***

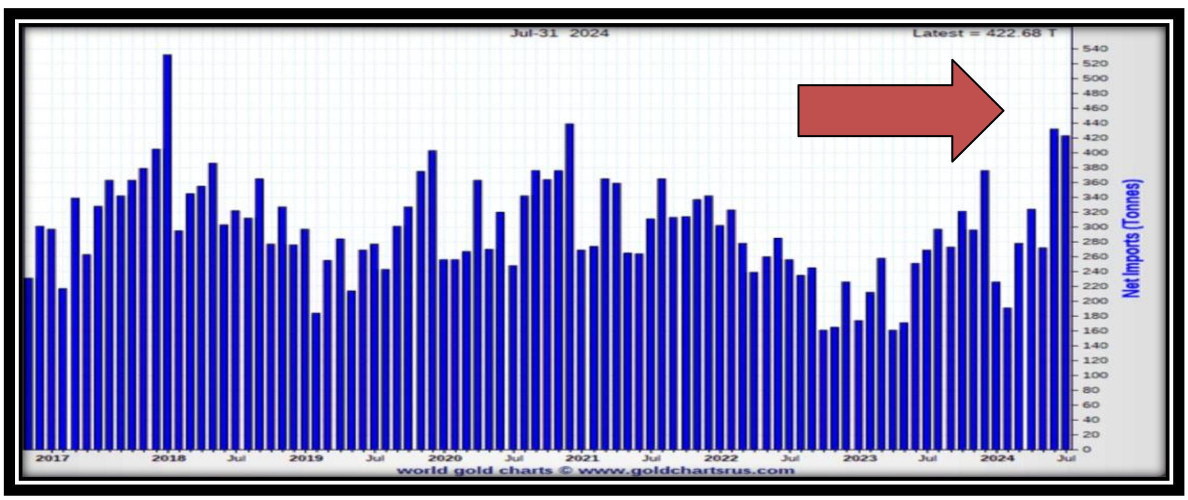
Folks, this is not your grandfather's stock market and a major crash is coming. Why are people putting cash into the casino? I suspect that one reason is that people are aware that the banking sector is still risky with **unrealized capital losses** on bond portfolios and nearly ***three trillion*** in commercial loans that are about to go bust. A **recent chart** shows depositor withdrawals since previous bank failures.

Another factor might be the inclusion of **central bank digital currencies**. As **Ronan Manly** reports, "There is an ominous development gaining momentum across the world's financial systems which has the potential to undermine monetary and personal freedom, yet which remains largely under the radar for most of the world's population. This development is the globally coordinated plan to roll out retail central bank digital currencies (CBDCs). Billed by central banks and governments as the future of money, promising benefits like payment efficiency and financial inclusion, CBDCs in reality pave the way for a dystopian future characterised by total surveillance and control, which stands in stark contrast to the principles of a free society." Read full report **HERE.** This is a grave concern and I see absolutely no good reason for the **CBDC** platform. Central bank clearing is already digital and this is simply an effort to **control people** and push for a **cashless society**. There is a bill to stop the **Fed CBDC** that has passed the **House** (HR5403) and now it needs to pass the **Senate.** Be aware.



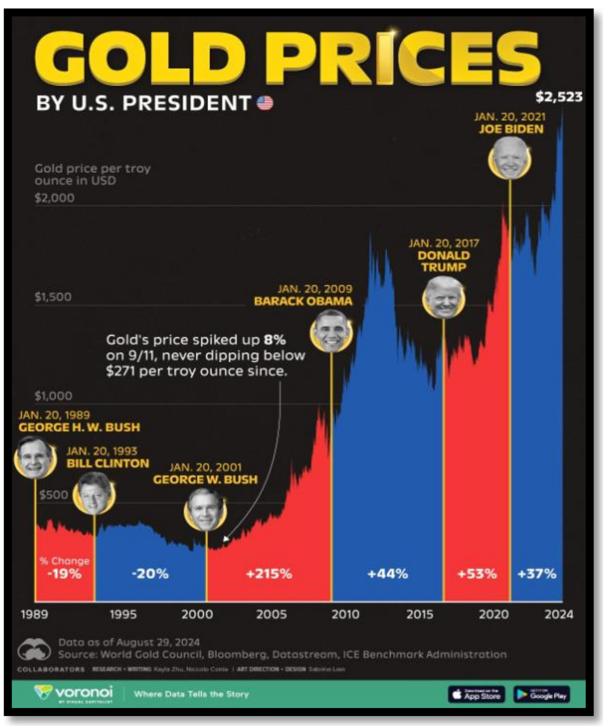
It is rather revealing that **Warren Buffet** is sitting on **$277 billion** in cash and has been dumping his **Bank of America** stock. This is something I will cover in a moment. He often says when people get greedy he gets *fearful*, and when people get fearful he gets *greedy*. In other words, he likes to buy when prices are lower**.** **The Fear Index** has been rising and monetary analyst **James Turk** says we are nearing a fourth major crisis since **1913** (the creation of the Federal Reserve System).

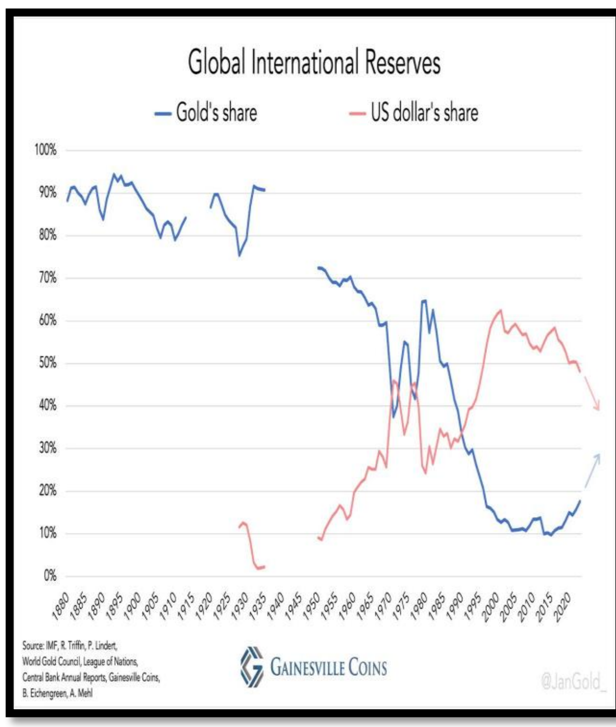
*"**Another bank crisis, a rising Fear Index, and greater purchasing power for gold will happen sooner or later**. The unanswerable question is whether the next crisis will be a minor one that is papered over (like Silicon Valley Bank) or the fourth major crisis since 1913? And if the fourth, does the world in the aftermath return to gold? **Gold is the essential pillar needed in every monetary system to exert discipline. What's more, we need to rediscover gold's inextricable link to liberty, which has been ignored for most of the 20th century. Otherwise, we will continue down the road of fascism."***



I seriously doubt that we will return to a **classic gold standard**. It is highly likely, however, in a debt restructuring scenario (reset) that **gold** will be *re-priced* to **$20-30,000/ounce** to recapitalize a failed system. Is this why the **BIS** has mandated gold as a **Tier 1 Asset**? I think so. As you can see above, **China** has been wasting no time in accumulating **gold** since **1978**. As the world's *largest producer and importer of gold* London trader **Andrew Maguire** estimates that **China** has over **40,000** metric tons of **gold**! If this is true it would truly be a game changer and perhaps allow China a "soft landing" with its overleveraged real estate/housing sector and slowing industrial economy that is teetering.

"There's rich irony in the fact that the primary gold bulls today aren't individual investors," writes **Adam Sharp**, "it's the guys running the fiat printers! This is an insider buy signal at a global scale. And these aren't fickle day traders in for a quick flip. These central banks have a new reserve policy, and it appears to heavily favor gold." Indeed, this is the case today. **Central banks** have been buying record amounts of **gold** and this should tell you all you need to know about flight-to-safety. **Gold** is up **26%** this year in both **USD** and **Euros**. Since all commodities are priced in **US dollars** the price of **gold** is actually higher in other countries. Below is what they are paying for **gold** in **Canada.**





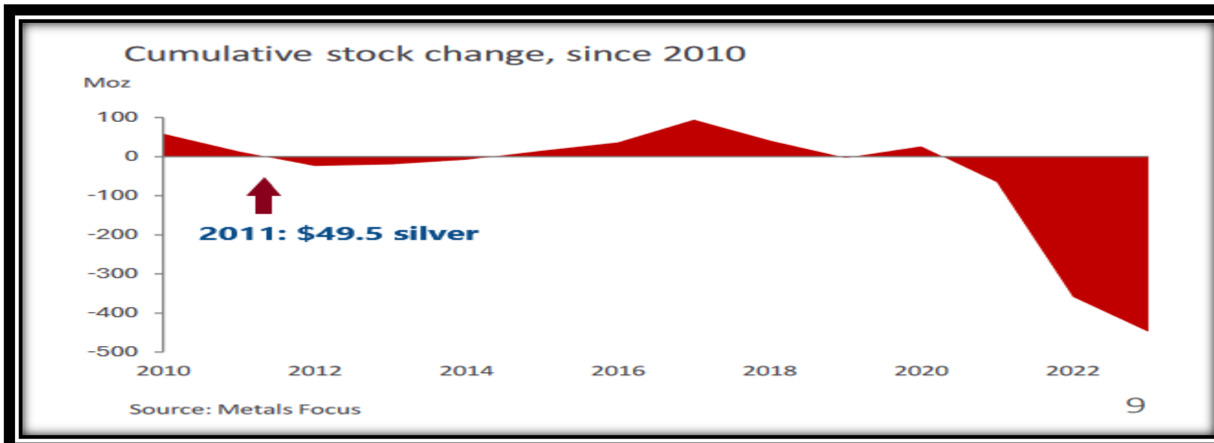
As you can see, **gold** is up in recent years but we also see that **gold's share** of international (bank) reserves has been *increasing* while the **US dollar** reserves have been *declining*. This is a significant trend and looks more and more like a fourth crisis emerging on the monetary horizon. Just this week it was reported that **gold** has now overtaken the **Euro** as a monetary reserve asset totaling **16%** while **US** dollar reserves have dropped to **48%.** This decline is a result of the **US** weaponizing its currency.

How is this not newsworthy in the mainstream financial media? So far this year the **Dow** is up **12.3%** and the **S&P 500** Index is up **20.8%.** Meanwhile **gold** is up **26%** and **silver** has gained **35%** in **2024**, but you won't hear about this and I will conclude with some comments about **silver.**

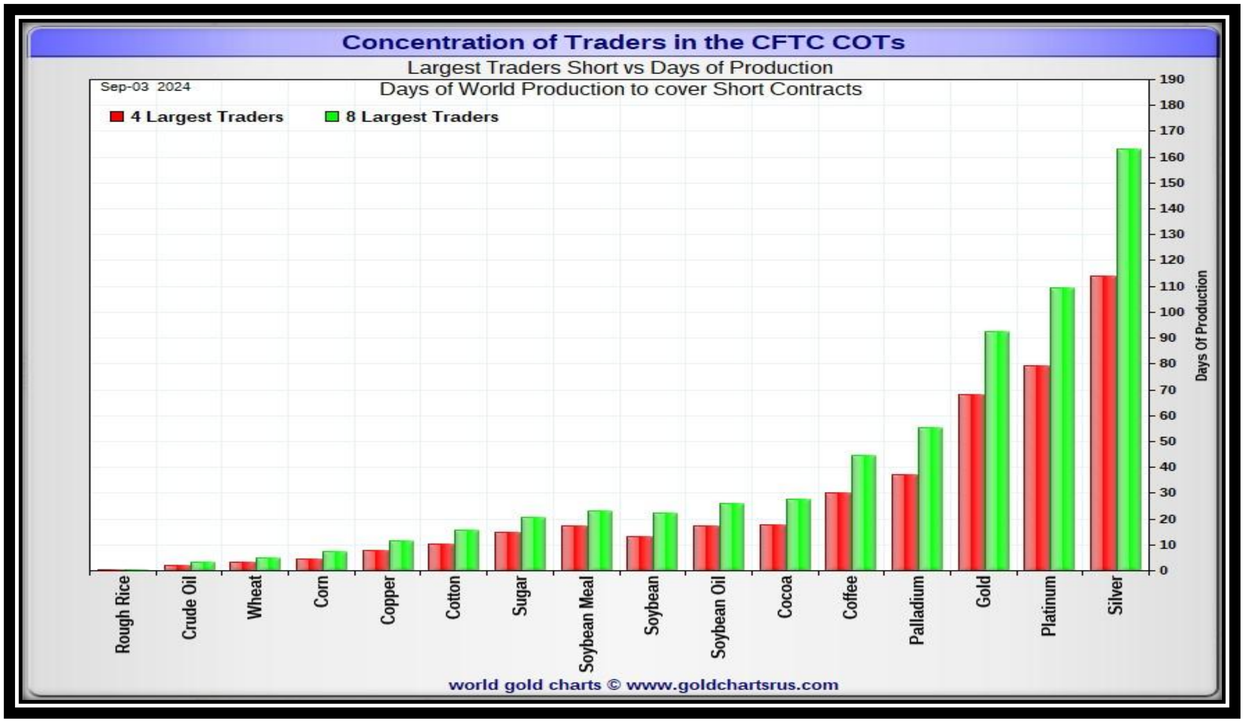
The Supply & Demand Fundamentals for Silver

Year	Supply (millions of troy ounces)	Demand	Market Balance
2015	1,047.0	1,065.4	-18.4
2016	1,046.5	991.8	54.7
2017	1,011.8	971.3	40.5
2018	1,000.5	999.2	1.3
2019	1,000.3	1,004.4	-4.1
2020	957.4	926.8	30.6
2021	1,004.3	1,099.6	-95.4
2022	1,015.4	1,278.9	-263.5
2023	1,010.7	1,195.0	-184.3
2024F	1,003.8	1,219.1	-215.3

As you can see above, silver supply has been in steady decline for the past four years. Why is this? Mostly from **solar energy** demand and mostly in **China and India** and you can see some charts at THIS LINK. Industry observers see a "silver squeeze" coming that will push the price of **silver** to new record highs. The former high for **silver** was **$50/oz**. in **1980** and we nearly reached that psychological barrier in early **2011** as seen below. In **2011**, the **silver/gold ratio** was **30:1** and today that would make **silver $88/oz. not $31/oz**! One can only imagine the price of **silver** against **$20,000/ounce gold!**



So, what is holding back silver? As most of you know the fake price for **silver** is determined in the paper futures derivatives market at COMEX (CRIMEX). The powers-that-should-not-be are actively suppressing price discovery to discourage investor interest and promote the **Wall Street casino**. This has been going on for some time with the bullion banks, trading houses and their bankster agents**. Ed Steer** is a metals expert who has followed this market for years and recently concluded, "Considering the current state of affairs of the world as it stands today -- and the structural deficit in silver -- and now most likely the other three precious metals as well, the chance that these big bullion banks and commodity trading houses could get overrun at some point, is no longer zero -- and certainly within the realm of possibility if things go totally non-linear, as they just might." **Below is a chart on this**.

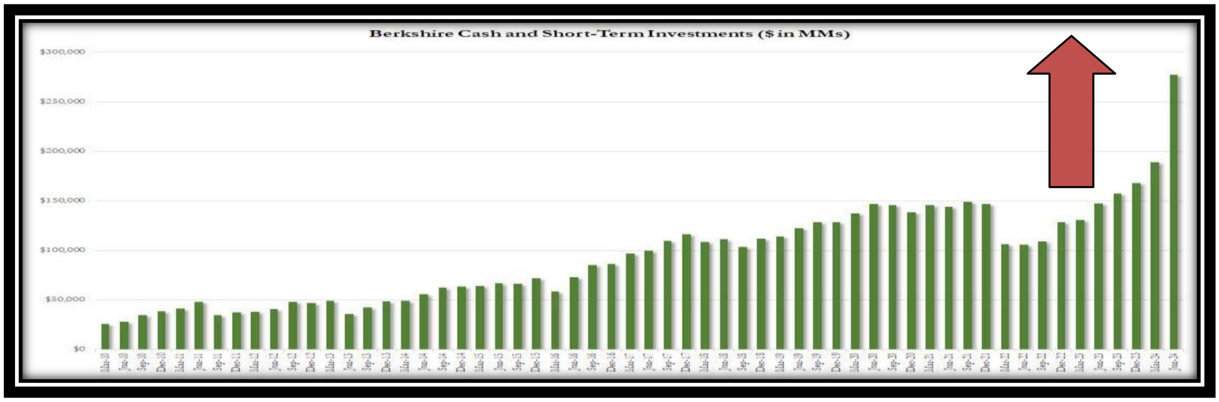


Can you spot the commodity with the most concentrated shorts among the largest CRIMEX traders? Yep, it's **silver**. Can this go on forever? Most certainly not. Consider that **JP Morgan** had a *billion ounces* of physical silver in **2011** and now they are down to maybe **200 million ounces** to meet this demand (and their SLV ETF). **Clint Seigner** provides some insight on this criminal operation.

"The dirty truth is that silver prices are not set in a market between people who own actual silver and people who need or want the physical metal. ***It is instead set in a derivatives market where paper contracts represent at least one hundred times more silver than there is sitting and ready to be delivered.*** *These contracts are swapped at light speed between speculators, high-frequency trading machines, and bullion bankers.* ***Futures market participants, for the most part, neither produce nor have any use for silver bars.*** *When the silver price behaves erratically and seems disconnected from historical patterns and from fundamental drivers, the problematic, high-leverage mechanism for silver price discovery might be a better explanation than some core shift in silver's value relative to gold.* ***A sound argument can be made that silver will get more valuable relative to gold."***

The fact that silver will become more valuable relative to gold is an understatement. I would expect a **ten-fold** increase or more. What is very different about this secular bull market is that **gold** is leading the way from **$2,000 to $2,660/oz** this year and the fact that **silver** is trading sideways or choppy is pretty good evidence that the COMEX has a "problematic" pricing mechanism (i.e., market rigging). Eventually we can expect **delivery defaults** for **silver** (*force majeure*). And this despite the COMEX Rule 589 that is supposed to impose trading stops if **silver** gains **$12/oz**. in one session – see LINK HERE. Once **silver** firmly breaks above **$50/oz**. there will be no stopping the rotation trade into the white metal. Market analyst **David Jensen** has been watching the supply and demand fundamentals for **silver** in particular at the exchanges in **London** and **NY** and says this. "In summary, because of the leveraged paper market claims for both gold and silver in the London market and the growing global shortage of gold and silver, both of these metals are trending toward **default** on the London spot/cash market. Default in one metal will likely trip to physical supply-demand pricing in both metals - a rapid re-pricing to much higher levels as the decades of *faux* paper metal supply is resolved." **Amen.**

Finally, this brings us to the curious case of **Warren Buffet** and all of that **Bank of America** stock. A recent post at Zerohedge inquires, "Market observers have been puzzled by Warren Buffett's Berkshire Hathaway's abrupt selling of billions of dollars of its long-held stake in Bank of America since mid-July." A more recent post adds, "We offered some theories about possible motives behind Buffett's BOA dumping, including an overvalued market, recession risk, consumer downturn, and the possibility that a US regulatory probe into anti-money laundering surrounding fentanyl cash laundering could expand to major US banks." Below is the **$277 billion** cash hoard that **Buffett** has now accumulated.



So why is he shedding the bank shares? The late **Ted Butler** has identified **BOA** to be among the **four largest traders** at CRIMEX with a ***huge naked short position and liability*** as follows – LINK.

*"The latest (as of Dec 31, 2021) OCC derivatives report indicates that Bank of America holds a precious metals derivatives position of **$27 billion**. It is easy to infer that BofA may be short 800 million ounces of silver or more and if it is, that means that it may be short close to **100%** of total annual silver mine production. What potential damage and liability await Bank of America which may be short **100%** of the world annual mine production of silver? Does this real-world comparison not rise to the occasion where the regulators – the OCC, the U.S. Treasury Dept, The CFTC and the CME Group – should address and clarify Bank of America's OTC precious metals position?"*

So there you have it. **BOA** has a ***$27 billion margin call*** coming and many feel this can take down the bank. Imagine this figure going up *three or four times?* **BOA** annual revenue is **$94 billion** and has taken a foolish gamble. Keep your eye on this. In the meantime, **James Turk** says, "What we need to watch now is whether silver will do some more back-and-forth filling of the pennant being formed, or whether silver is ready to break out of the pennant to the upside. When it does, I expect the move to **$50** will be a quick one – days or weeks, not months. When silver eventually breaks above **$50**, its bull market begins." **Turk** concludes that a breakout is near and **gold** is already testing new highs.

Summary & Conclusion. As you can see, the outlook for **silver and gold** is rather strong and this is an indication of Gresham's Law that bad (fiat) money drives out good money (precious metals). **Gold** has taken the lead but **silver** is the monetary metal with the most upside potential for reasons that I have cited. **CRIMEX** is like playing musical chairs with **100** paper contracts for every physical ounce of silver! When the music stops the metals space will be **re-priced** to the moon. I discuss these matters with **Alex Newman** in a recent interview and you can listen at **THIS LINK**. I would also suggest that you listen to **Ed Steer** at the brief link below for his discussion about **silver** going back to **1971** and the current outlook:

Ed Steer With Dave Janda: Currency Debasement & Re-Pricing

Complex societies are reaching a tipping point. Global debt is now **335%** to global **GDP** and something has to give. It is no surprise that the evil banksters are hoarding **gold** at the same time they are promoting **CBDC**. What does that tell you? As **Thomas Paine** once said, "The greatest tyrannies are always perpetrated in the name of the noblest of causes." In our own country we are facing a fateful election and many hearts are heavy if the Party of Chaos remains in power. "When the wicked rule the people groan" (Pro. 29:2). We should be praying for our country and our leaders (2 Tim. 2:1).

In conclusion, the times are also threatening with **war** – big wars. We have **NATO** provoking **Russia** and of course, the **Middle East** on edge. **The Bible** predicts a time when **Israel** will be surrounded and this great war will set the stage for the final days. I cover these prophetic matters in my book if you are interested, and you can also check out THIS LINK that shares a Biblical worldview and the hope that we have in the **Lord Jesus Christ** who will reign as King of kings and Lord of lords someday. "In that day the Lord shall be the only one, and His name the only one" (Zech. 14:9). "He will speak peace to the nations, and His dominion will be from sea to sea" (Zech. 9:10). "At that time He will be great to the ends of the earth" (Mic. 5:4). And we "will stand in awe of the God of Israel" (Is. 29:23). This is the **New World Order** that I am looking forward to and I hope you are also! Let's remember this during the coming holiday season.

Until Next Time, Your Messenger from Sandpoint