

Alps Precious Metals Group

Monthly Commentary and Update

April 2020

Lock-Downs and Bail-Ins



Dr. Zubin Damania Source: facos.org

MD – UCSF
Residency – Stanford University
Hospitalist – Stanford University Hospital 2002-2012
Internal Medicine – Las Vegas, NV 2012-Present

Dr. Paul Offit Source: medscape.com

Professor of Vaccinology and Pediatrics – U. Penn.
Chief of Infectious Diseases-Children’s Hospital Philadelphia
Advisory Committee on Immunization Practices - CDC
Co-Inventor of the Rotavirus Vaccine

“...There are 3 good reasons (for an extremely potent/deadly virus) to generate true emotional fear: 1) Kills children preferentially (eg, Polio); 2) Causes permanent, disfiguring harm (eg, Smallpox); 3) Kills the majority of all people infected (eg. Rabies).

COVID-19 meets * NONE *** of these three criteria and the economic costs to what we’re doing will be dramatic....”**

Source: <https://zdoggm.com/paul-offit-covid/>



Bank Restructuring Procedure and Bail-in in Switzerland

01.04.2016

4. Conclusions

In principle, all liabilities may be subject to a bail-in, except for certain specific claims.

The major difference between the Swiss and the European regulation to bear in mind is that the BRRD requires a contractual acknowledgement of the possibility of a bail-in by counterparties to agreements with financial institutions, while the Swiss regulation does not include such a requirement.

A Chart for the Record Books



Source: Bloomberg

Living through history has an odd feel to it. Streets in one's hometown and on viral videos from other places appear just like what Stephen King probably had in mind when writing "The Stand". Grocery stores becoming a daily battle of timing and dexterity to find and procure necessities. As the COVID-19 saga continues, opinions as to the proper engagement strategy for the virus are often polar opposite, sometimes leading to impassioned arguments; this in spite of the fact that no informed voice in the debate suggests that the virus is anything other than very serious. In short, we are in the middle of living in "Interesting – and trying – times".

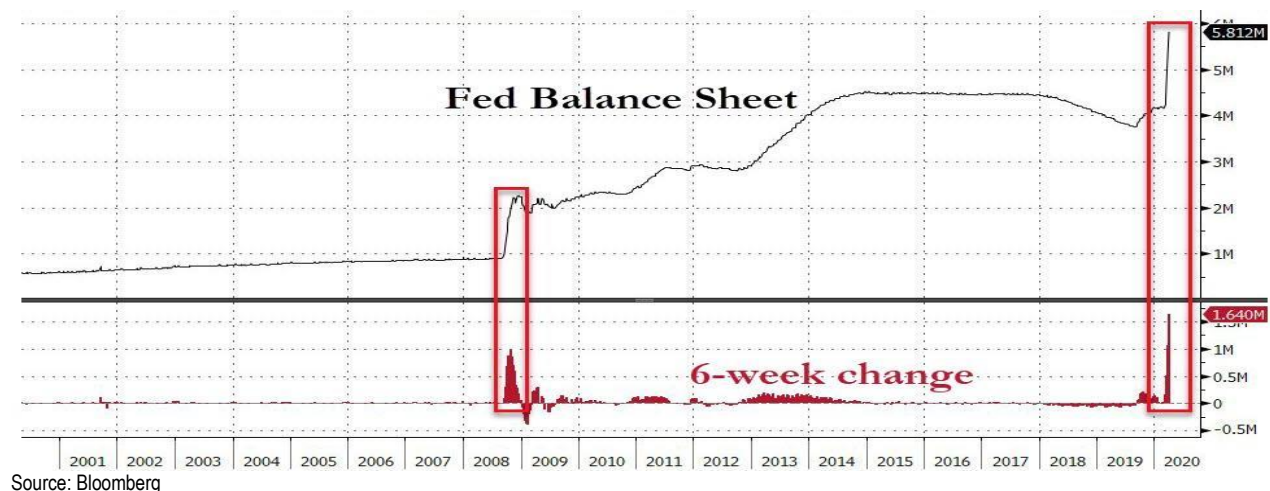
In our March commentary, we listed the following four bullet points which we identified as the destinations for "What Happens Next". Here is a brief update:

A) *COVID-19 will be found to have been far more prevalent in the global population than originally thought, meaning that people who were in fact infected but had no symptoms was and is a FAR higher number than originally thought and that the disease has been amongst us longer than was originally thought. Therefore, current measures to lockdown/isolate/socially distance the entire populace – as opposed to doing the same for ONLY those most at risk – will prove to have been a catastrophic ECONOMIC mistake which may very well prove to be a far higher threat to humanity and civilization than COVID-19 ever was.*

The short-term results are in as reflected in the history-shattering Unemployment numbers. From "Greatest Economy Ever" to "Great Depression, 2.0" in 8 weeks. The staggering economic (and health!) costs described in the interview between the two Docs above underscore this risk and we're afraid that it will indeed get much worse.

B) *Government money-printing will come under the category of "You ain't seen nothin' yet!"*

The Fed and the Treasury have made everyone's head spin with the size of their collective largesse. The following chart describes this:



C) As a result of “B)” *AND* the loss of confidence in the status quo government and banking system, Physical Precious Metals prices will rise dramatically (as to what level, see here: <http://www.alpspmg.com/wp-content/uploads/2018/03/Alps-November-2019-Update.pdf>).

Plenty of wood left to chop here; however, since the Equity Market high on 2/19/2020, Gold is up 2%, while stocks are down 27%.

D) As a result of “C)”, some banks will fail/be nationalized (Deutsche Bank, anyone?) and bail-in risk will become a reality. Precious Metals stored in such banks will be at risk of confiscation.

The second featured excerpt to begin this month’s report was one of the conclusions drawn by the Swiss law firm of Pestalozzi when reviewing the Swiss Bank legislation known as “Bail-In” Law. The key point is as shown above:

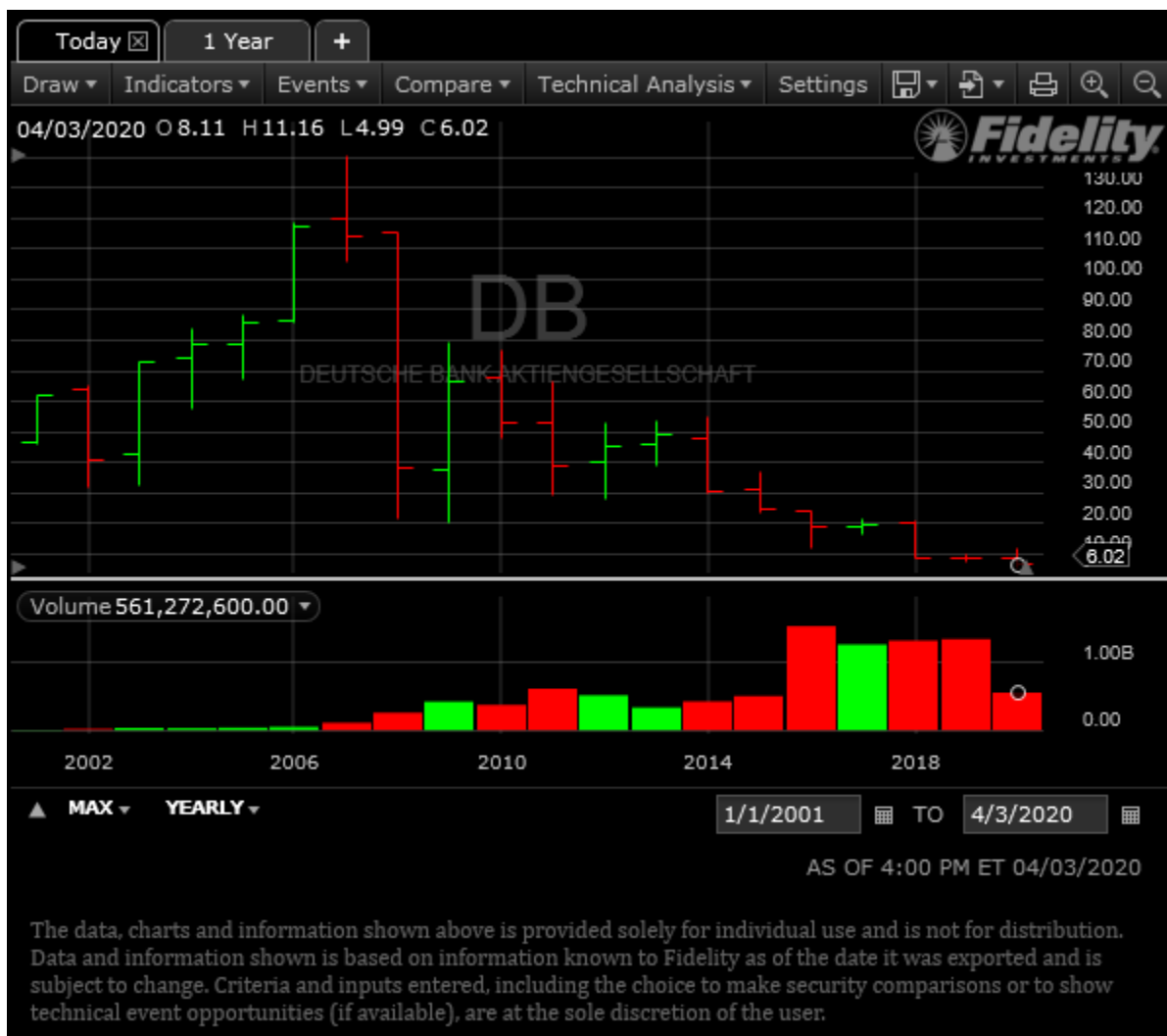
“...In principle, all liabilities may be subject to a bail-in, except for certain specific claims...”.

A phrase - perhaps better said “Truism” – we have heard with increasing regularity recently is that “Governments can do whatever the hell they want, ESPECIALLY in times like these”. Consider your town, wherever you are around the globe reading this. Does the opening stanza of T.S. Eliot’s poem “The Love Song of J. Alfred Prufrock”, published 105 years ago, resonate as you gaze at your surroundings? :

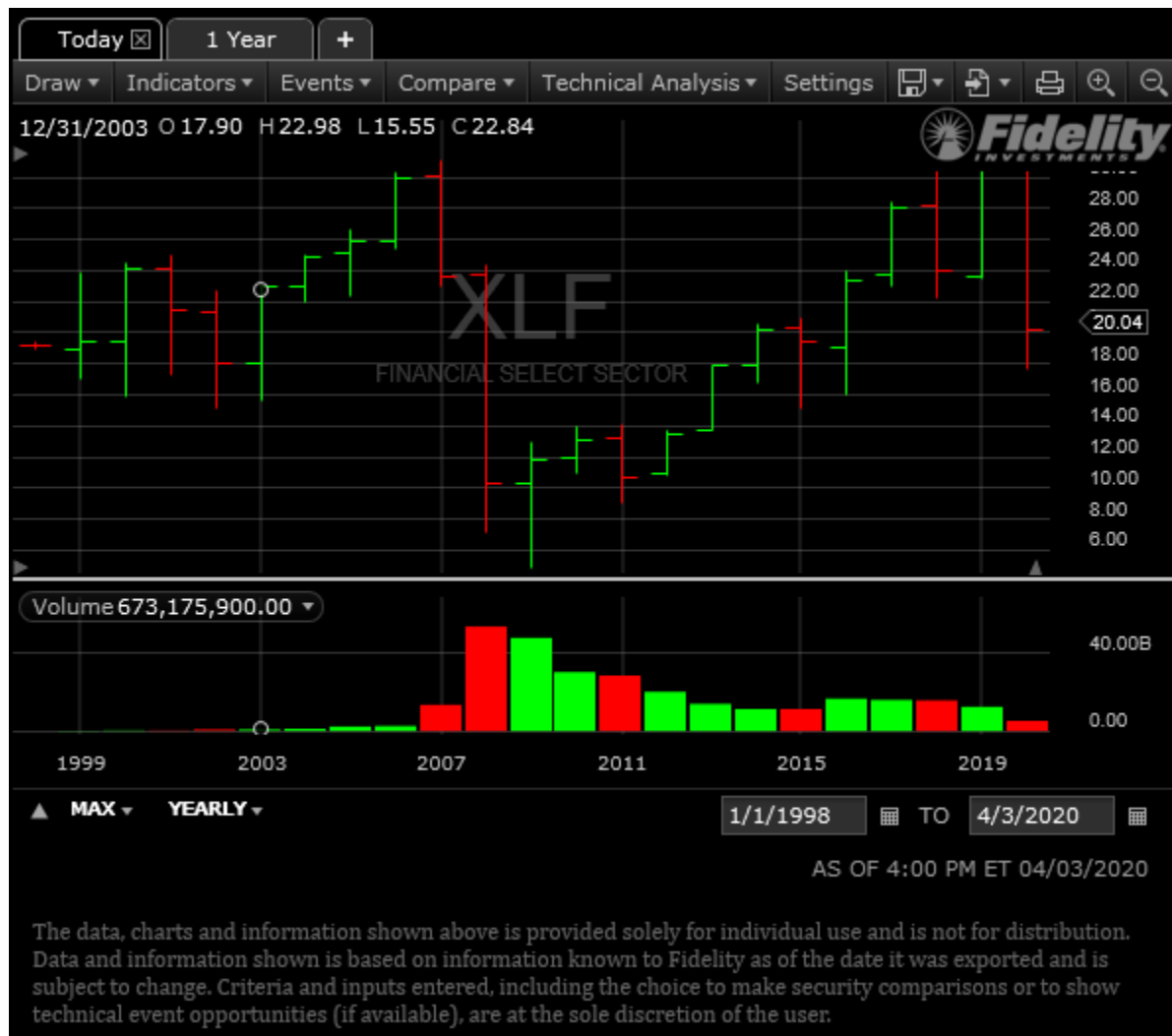
*Let us go then, you and I,
When the evening is spread out against the sky
Like a patient etherized upon a table;
Let us go, through certain half-deserted streets,
The muttering retreats
Of restless nights in one-night cheap hotels
And sawdust restaurants with oyster-shells:
Streets that follow like a tedious argument
Of insidious intent
To lead you to an overwhelming question ...
Oh, do not ask, “What is it?”
Let us go and make our visit.*

While Eliot was likely describing the “living-dead” state of post-Christian man and a Western society embroiled in World War 1, his words have sadly become uncomfortably prescient for the world in which we live.

This is germane because we are faced with a global economy which has an extremely high likelihood of falling into a Depression just as bad or worse than the 1929 edition. In such a state, businesses close, commerce dries up, rent is not paid and “default” becomes commonplace on debt. Needless to say, the global banking industry will be jack-hammered as a result. Equity prices have already begun to reflect that likely future. Below, a 20yr yearly chart of Deutsche Bank – DB is on its lows:



And the Financials ETF (“XLF”) has taken out all of the gains of the last 3 to 6 years:



Governments and Central Banks can and will do “whatever it takes” to try and fix the banks. However, their plans are not always successful (just ask the BoJ). If/when Deutsche Bank and others head towards a ZERO valuation, world markets will have the opportunity to see just how the following is defined - “...all liabilities may be subject to a Bail-In, except for certain specific claims...”. Our guess is that if/when it gets bad enough, investors and depositors will be utterly shocked at its manifestation. We suggest that manifestation will include on-deposit Physical Gold holdings “safely ensconced” in the Vaults of the very same encumbered Banks.

Our belief is that such a clear and present risk/danger needs to be addressed, which is why our company exists.

Alps, LPMG, St. Joseph Partners and Monetary Metals

Alps Precious Metals Group via our partnerships with Liechtenstein Precious Metals Group (Global and Offshore clients) and St. Joseph Partners (U.S./Canadian focused clients) is dedicated to providing the global standard for the finest and most secure storage and trading of Physical Precious Metals. Our Vaults have some of the highest security standards in the world (“Class 10” at LPMG) and, via our insurance partners, each client’s specie is insured at 100% of its market value. Our trading desks provide liquidity on each and every business day with as little as next day settlement. All of these benefits are enjoyed while simultaneously being freed from the status quo global financial system.

We have an additional partnership with Monetary Metals (“MM”). MM has a unique niche in the Precious Metals markets, which is summarized in their motto: “A Yield on Gold, Paid in Gold”. For investors who would like exposure to the Precious Metals sector but require an income flow from the investment, our partnership with MM can provide the same.

Contact us (www.alpspmg.com) to discuss how Alps can become a trusted partner in the creation, protection and utilization of the hard money portion of your portfolio.

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Managing Partner
Alps Precious Metals Group