

Alps Precious Metals Group

Monthly Commentary and Update

December 2018

3 Modern Reasons for the Kings' Gold Gift

As Christmastide is upon us (with Epiphany soon thereafter), our minds are turned toward those Wise Men of old who brought the Christ Child three memorable gifts. Along with the Frankincense and Myrrh, Gold completed the tri-fold offering. 2000 years later, Gold has retained its high ranking in the higharchy of most treasured possessions. Given this astounding track record of reliable demand and value retention, we have long been advocates of Gold's presence in the portfolios of all investors. In fact, we started a business based on the belief that our suggested strategy might be a good one that others would eventually embrace.

The Kings of yore chose Gold as one of the absolute best gifts they could offer as a token of their appreciation and respect. Their reasons must certainly have had to do with Gold's use as a medium of exchange, a store of value/labor and ability to maintain these attractive features over one's lifetime. While we concur with those reasons, we have further suggested that investors could also rely on three additional modern-day factors to strengthen their rationale for adding or increasing an allocation to Gold (and Silver) in their portfolios. To reiterate, they are as follows:

- 1) A Hedge against the unraveling of the most dangerous macro-monetary scheme in the history of Mankind.
- 2) Joining Global Central Banks on their side of the "Get Long and Longer" Gold trade.
- 3) Relative Value of Gold in today's markets.

So without further ado, here is some of the most up-to-date rationale for these 3 supplemental reasons to own the Midas (and the Argent) metal:

The Hedge

A gentleman we have had the pleasure of meeting in the course of our business is Mr. Simon Mikhailovich of Tocqueville Bullion Reserve. His commentary (much of which is available via Twitter) is always insightful and often leaves us with the thought of “Why didn’t we think of that?!?!?!?”. A post that was published last week is a perfect case in point, and without a doubt was one of the best efforts Simon has given his readers – and that is definitely saying something. Simon mused in a reply to one of his readers:



Simon Mikhailovich
[@S_Mikhailovich](#)

If one offered investors a fat tail put option that never decays or expires, costs about -1% pa to carry, has no counter party risk & no chance of ever becoming worthless, there would be a line out the door. But when one explains that this option is physical gold... no interest.

[3:01 PM · Dec 5, 2018 · Twitter Web Client](#)

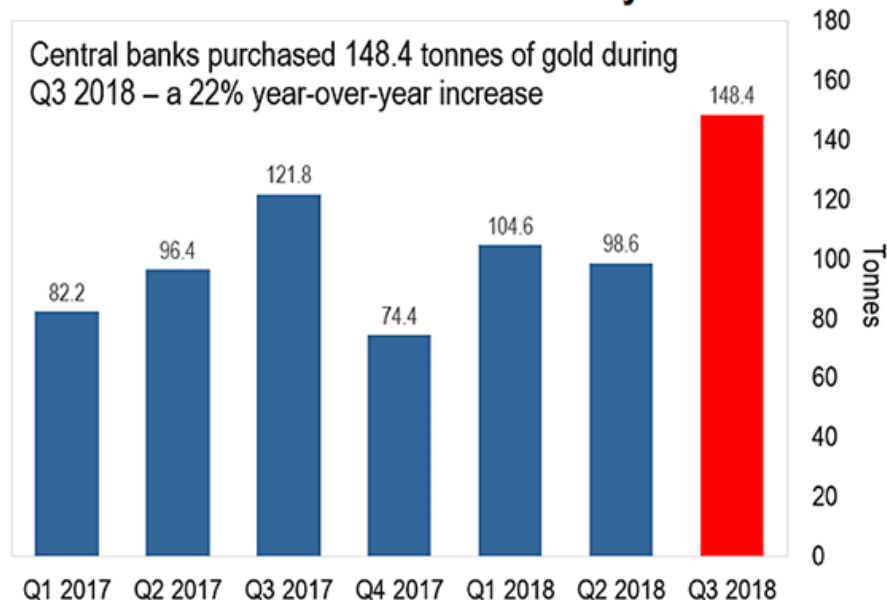
We ask simply: What has Simon missed in this pithy and powerful paragraph? We know from our history in derivatives that such an Option would indeed have hand-over-fist demand. Knowing that one’s option could not become worthless would be reason enough, but when coupled with its additional features of 1) perpetuity, 2) no counter-party to fret over, 3) and being incredibly inexpensive given its other three virtues, the shelves would be empty in a flash.

And yet, owning Physical Gold and Silver held with a partner who is not a part of the banking system and/or government is an investment practice that is generally regarded as quaint and curious – but certainly not something “serious” modern investors consider. We believe that attitude will be transformed, perhaps abruptly. When that sea-change comes to pass, Simon’s prescient comment will be remembered for its unparalleled wisdom.

Joining the Central Planners, er, Bankers

We have continued to chronicle the on-going additions of Gold to the coffers of global Central Banks. 2018 has been a year of consistent enlargement of the stash held by the Central Banks of numerous countries around the world. Our suggestion remains that individuals, families and institutions need to take matters into their own hands and become “their own Central Bank” (via keeping their Gold with a private partner, away from the Government’s paws!), riding the same wave the Government’s Banks created. Below is an up-to-the-minute chart and discussion from Bonner and Partners detailing the size and impact of these purchases for the last several quarters:

Central Bank Net Gold Purchases by Quarter



 BONNER & PARTNERS

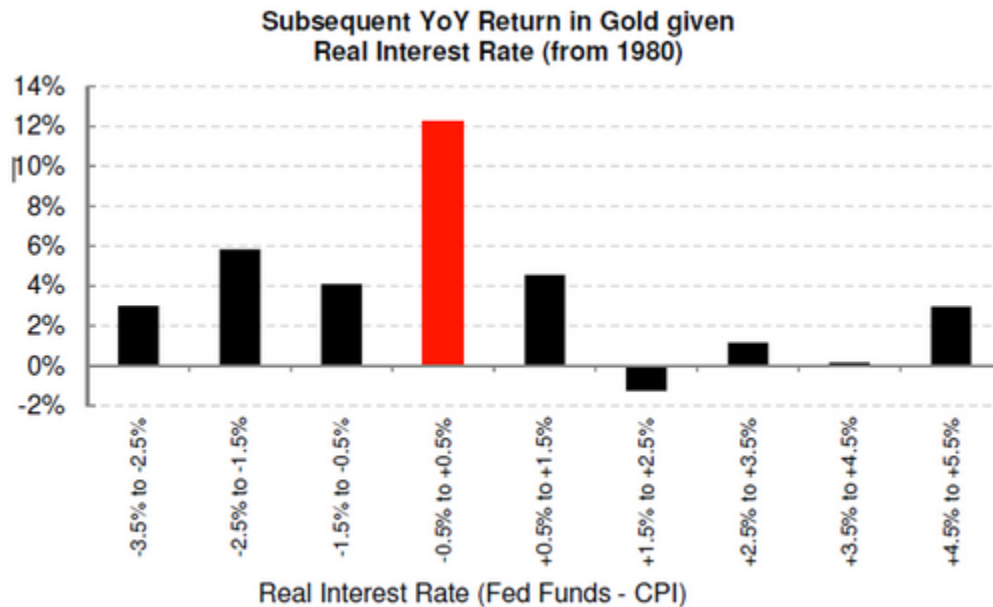
Source: World Gold Council

As you can see, central banks purchased net 148.4 tonnes of gold during Q3 2018 – equal to roughly \$6 billion at today’s price. That’s a 51% increase in gold purchases over last quarter... And a 22% increase over Q3 2017.

According to the World Gold Council, central banks increased their gold purchases as part of a global shift towards a “multipolar” monetary system, and away from the U.S. dollar-dominated system that is currently in place. That is partially because gold is a universally accepted asset with a deep and liquid global market, making it well-suited for international trade... and partially because fears of a global economic slowdown are surfacing – making gold more attractive as a hedge.

Relative Value

Forgetting about macro-risk and macro-demand for a moment, a glance at the chart below (h/t Jesse Felder) suggests that 2019 will be a good year for Precious Metals no matter what happens in the Equity and Bond markets. Strip the identity of the investment from the title on this graph and money managers would come running to buy it, given that today's real rate is "in the red" below:



Source: Bloomberg, Macrobond and Variant Perception

Alps and Liechtenstein Precious Metals

Alps Precious Metals Group via our partnership with Liechtenstein Precious Metals Group is dedicated to providing the global standard for the finest and most secure storage and trading of Physical Precious Metals. Our Vault is constructed to the highest security standard in the world ("Class 10") and, via our relationship with Lloyd's of London, insures each client's specie at 100% of its market value. Our trading desk provides 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. Contact us (www.alpspmg.com) to discuss how APM/LPM can become a trusted partner in the creation, protection and utilization of the hard money portion of your portfolio.

James P. Hunter
Managing Partner
Alps Precious Metals Group