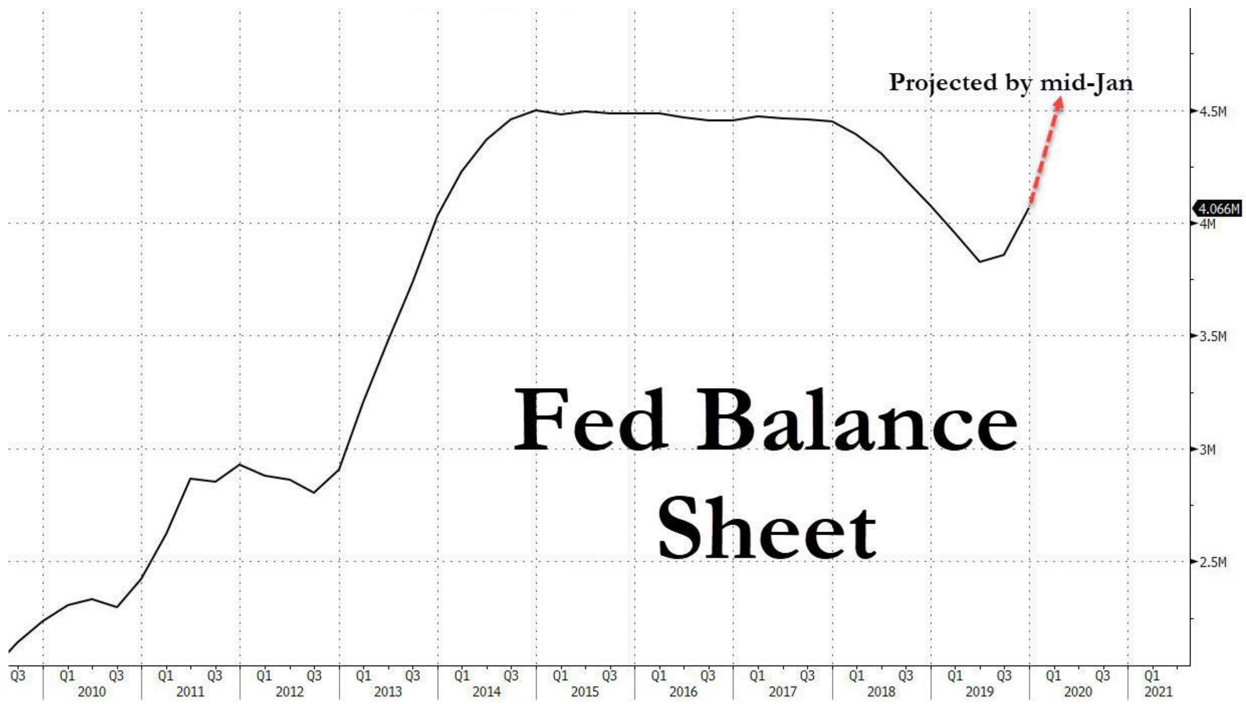
Alps Precious Metals Group

Monthly Commentary and Update

December 2019

Off the Charts



Source: Zero Hedge

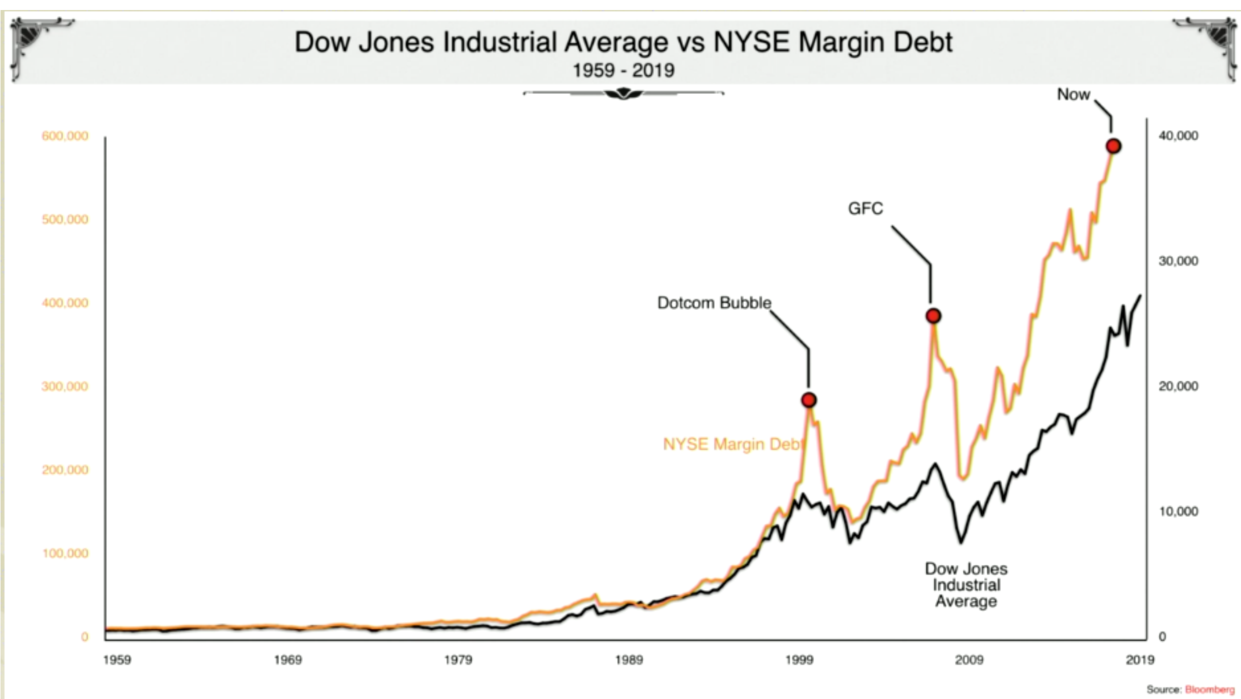
As 2019 comes to a close, we find ourselves in yet another iteration of the seemingly never-ending loop of Central Bank lunacy. After reading the sobering words of Credit Suisse's Zoltan Pozsar* on December 9th, the Fed immediately responded by promising to balloon its balance sheet to above the previous all-time high. This in the face of stratospheric U.S. stock indices, near all-time lows in U.S. Bond yields and unemployment measurements, as well as health care, education and housing costs in an "at least double the rate of CPI" upward spiral.

Charles Hugh Smith is the latest of many to make the observation that "A market that needs $1 Trillion in Panic Money Printing to stave off implosion is NOT a market". Indeed, and our observations this month in the following "off the charts" charts confirm the same.

Valuations worse than 1929. Corporate profits, economic fundamentals and commodities as out-of-whack to Equity prices as they have ever been in history; and on and on. Our purpose in displaying the following charts is to paint as true a picture as we can as to the state of discombobulation in which today's "markets" reside, and that these charts suggest that the resolution of such episodes will not be pleasant. As we believe that the re-setting of the current imbalances is upon us, we further suggest that when artificial means of supporting markets must be rescinded or, more likely, the confidence is lost in the efficacy of these Central Bank measures, one of the only safe havens for investors will be physical precious metals.

While we continue to be astounded at the seemingly unending ability of bubble markets to expand, we remember having the same feeling in 1999 and 2007; additionally, history teaches that many, many others experienced an identical astonishment in 1928 and the first half of 1987. Here begins a stroll through the charting reality of where we find ourselves at the end of 2019 and why physical Gold and Silver offer the elixir to the illusion of prosperity that enwraps the West.

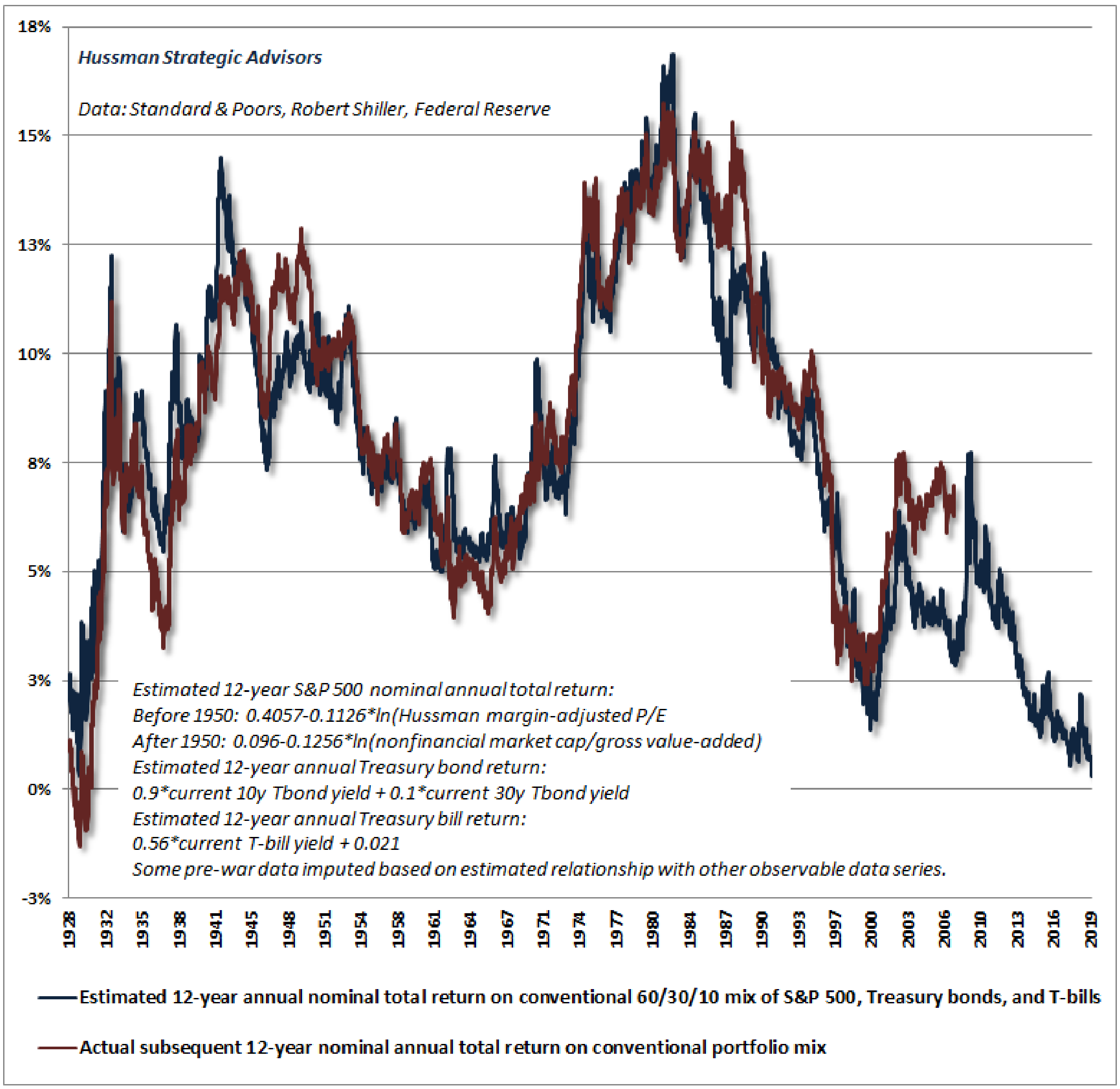
First, a picture of how leverage in the stock market is at all-time highs; far higher than 2000 and 2008; and why not, when the Fed backstops all risk with never-ending money printing? Leverage and unexpected drops in asset values makes for a nasty outcome:



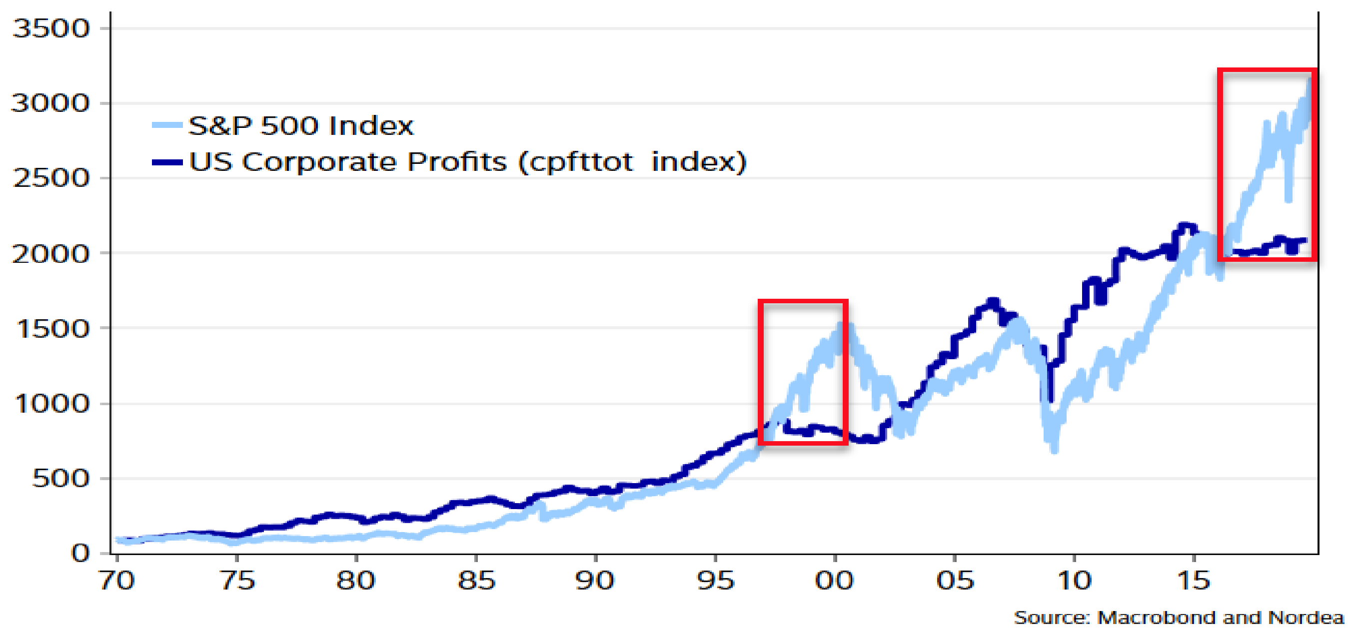
Source: Grant Williams and Bloomberg

Next, Dr. John Hussman highlights the dubious “achievement” of the Fed earlier this month. Please note that the blue line projects the ultimate destination of the red line; to get the lines back on their 90+ year historical relationship implies a significant downdraft in the S&P 500:

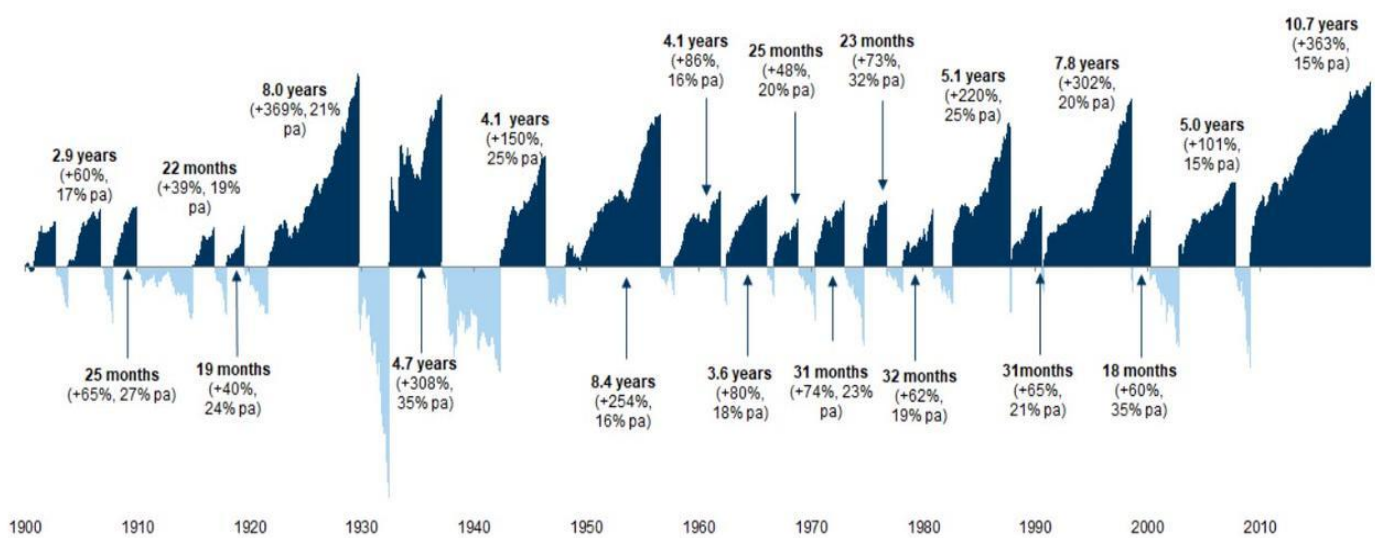
Congratulations to the @FederalReserve! You've successfully created the most extreme, pre-collapse yield-seeking bubble in U.S. history! With lower return prospects than Aug 1929! While encouraging a debt bubble where half of all "investment grade" debt is one step above junk!



Here's another set of price series that don't like being apart – Corporate profits and the S&P 500. If the '97 to '02 experience is emulated, the reuniting of these series implies a much lower level of equity prices:

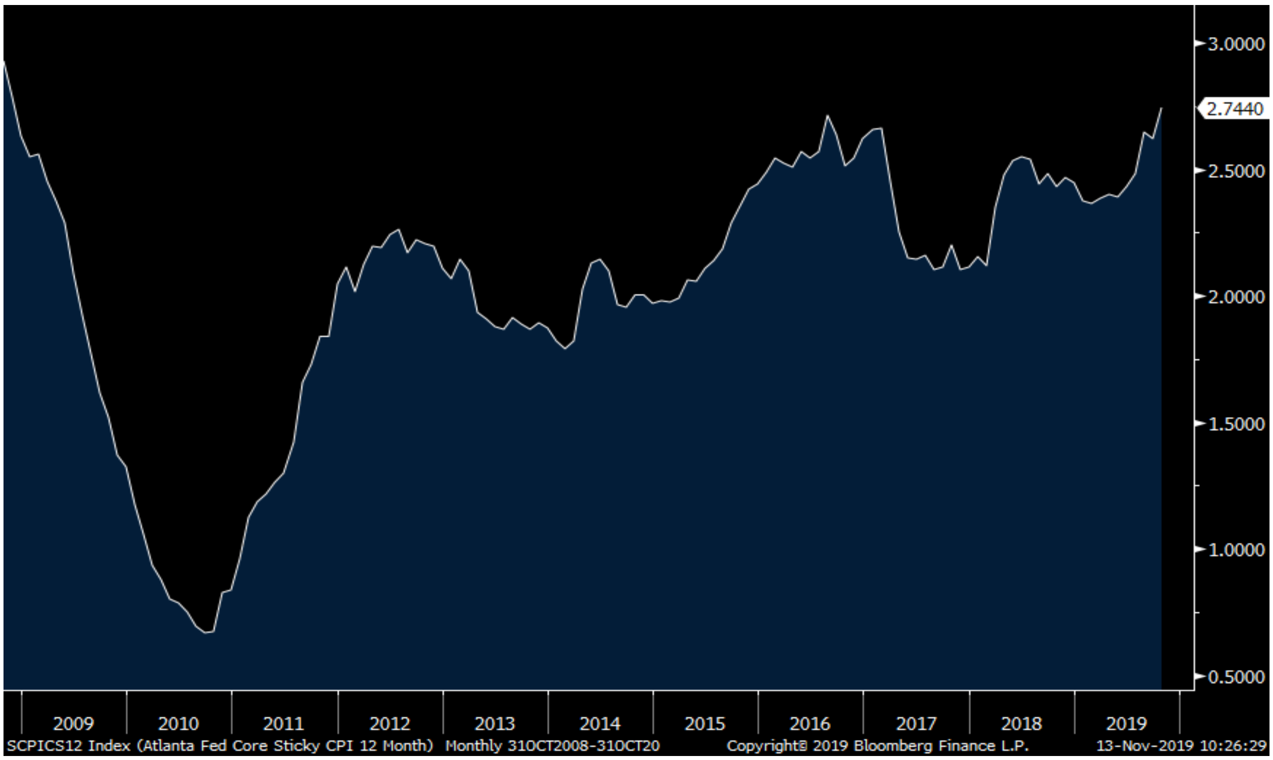


How about an "all-timer" in terms of longevity of the current bull market (better said, "bull market" in the effects of Central Bank money printing)? Behold the longest running up-market in all of modern financial history without a 20% correction:



Source: Goldman Sachs

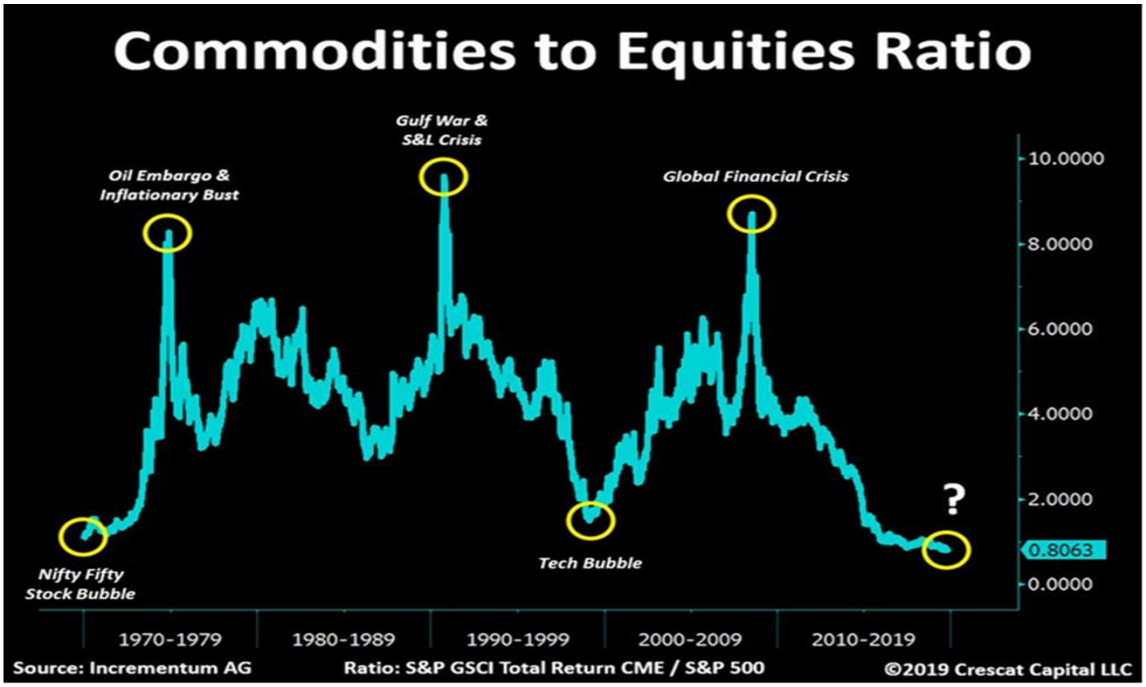
The following is a picture of Inflation as measured by the Atlanta Fed. This chart demonstrates that the Fed's goal of 2% inflation has been met and then some. Peter Bookvar's comment on this depiction of "Core Sticky CPI" was to say "no wonder people are angry" when this rate is at a 9-year high:



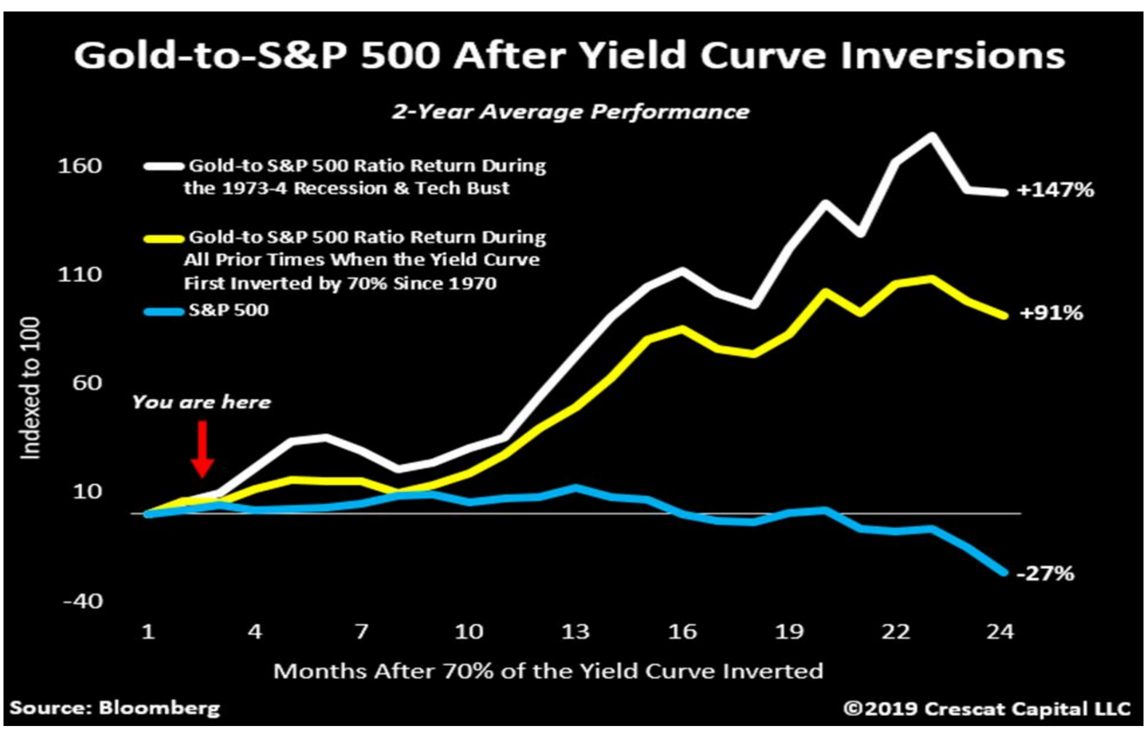
Source: Atlanta Federal Reserve Bank, Peter Bookvar and Twitter

Finally, for one more "all-timer", we come full circle back to where we started - here's the monthly change for the Fed's Balance Sheet:

So how does the investor respond to the above realities? To begin, where is general value found? Look at Commodities on a relative basis:



Then, as Gold is a material portion of a tallying of "Commodities" prices, how does Gold perform after massive Yield Curve inversions, such as we just recently had?



If the final chart correctly forecasts the upcoming 24 months, we may find ourselves in the midst of a re-setting marketplace with Gold prices at or near parity with the level of the S&P 500. When coupled with our frequent past references to how (in these interesting times we have been in since the United States demolished the Dollar's conversion into Gold) the Midas metal is negatively correlated to equity prices during major market corrections and/or economic recessions, one would be hard-pressed to find a better present under their tree than physical Gold and Silver.

Merry Christmas and Happy New Year to one and all!

Alps, LPMG and St. Joseph Partners

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. 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.

James P. Hunter
Managing Partner
Alps Precious Metals Group

*The commentary by Credit Suisse's Zoltan Pozsar is well worth the time to read. It identifies and illuminates the material risk in the Global Capital Markets most basic and essential plumbing; as well as what may happen if that plumbing ceases to operate properly: https://research-doc.credit-suisse.com/docView?language=ENG&format=PDF&sourceid=em&document_id=1081995001&serialid=3Wu3wFUMyBePtRtdFV1OMYgKjlWVo06EvleE1YFXV0o%3D&cspId=1767182447312478208&toolbar=1