

Alps Precious Metals Group

Monthly Commentary and Update

January 2018

- A) Indian Silver Demand
- B) Burning Brightest?
- C) Jamie hates Bitcoin, but loves Silver

Indian Silver Demand

The country of India will soon be the most populous country on the earth. As Hindus generally subscribe to the idea that large families are a virtue, India's birthrate is far higher than China's (exacerbated by the Middle Kingdom's population control policies). As a result, a virtue for investors is paying attention to any trend that takes hold on the Asian Sub-Continent.

India has long been known for its appetite for Gold. However, as Gold's price has risen tremendously over the last 18 years, Indians have been compelled to embrace "poor man's Gold", aka, Silver. This was especially true once Gold reached its peak in 2011. Additionally, a number of other catalysts have arisen for the ardent metal's new found demand in India. In its January 9, 2018 publication, Metals Focus, a London-based independent consulting firm focused on precious metals, detailed how demand for Silver in India has become quite robust:

"...Last year, Indian silver bullion imports jumped by 90% to an estimated 5,750t. Although this performance was flattered by an exceptionally weak 2016, last year's total was still the third highest this decade....To help understand how the Indian silver market may develop in 2018 it is worth revisiting some recent key developments. One of the most striking trends in the Indian market this decade was the dramatic rise in imports, from just 1,942t in 2012 to a record high of 7,570t in 2015. This was driven by a huge rise in physical investment, which rose by 1,750t over these three years...much of the above-mentioned increase was driven by bar demand (as opposed to coins). This reflected two themes, the trend in rupee silver prices and silver's role as a vehicle for unaccounted money (especially following the clampdown on gold)...."



When added to demand from India's jewelry/silverware manufacturers and growing solar energy industry, what is essentially brand new demand from what will soon be the largest country in the world should have a materially positive effect on Silver prices for years to come.

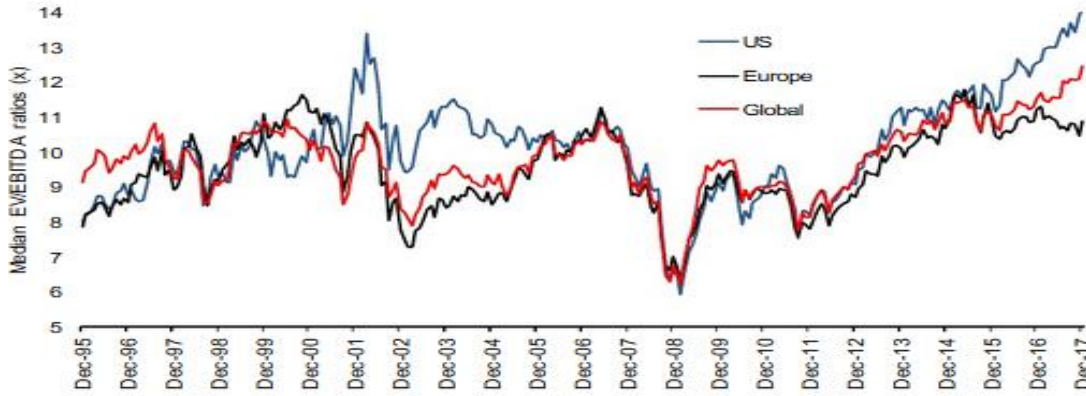
Burning Brightest

When a light-bulb is very near the end of its "life", it typically glows with its brightest emissions of waves/particles. We would submit that the following charts would lead one to believe that the U.S. and global markets are burning about as brightly as they ever have - on what may be the weakest foundation in history. In keeping with the "Postcards from the Edge" theme we've developed, gaze with awe at the following snapshots of how the "market" is currently priced and other measurements which we find astonishing in their "leave caution to the wind" nature. As always, the pictures paint a thousand words; we contend that the story the words are telling is to anticipate that it is well within the realm of possibility that not one single point of the rise in market indices since March 2009 will be sustained in the selloff that awaits us. We believe the beneficiary of that selloff will be Precious Metals. [Graphs below are courtesy of Hussman Funds, Societe Generale and Advisor Perspectives.]

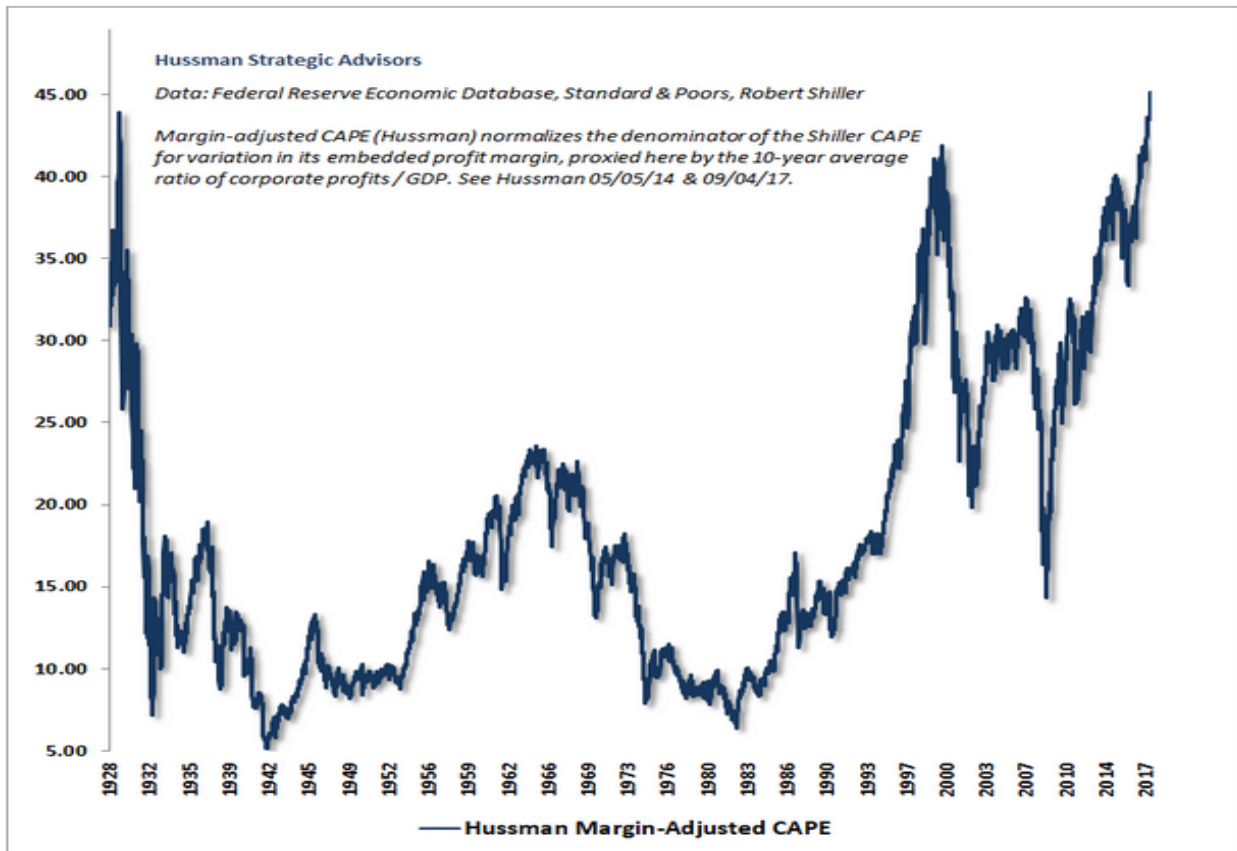
1) Valuations: On or near all-time highs across the globe; the U.S. is at its all-time high when Shiller-CAPE ratio is adjusted for profit margins:

PEAK EQUITY VALUATIONS

Median EV/EBITDA ratios Globally, US and Europe



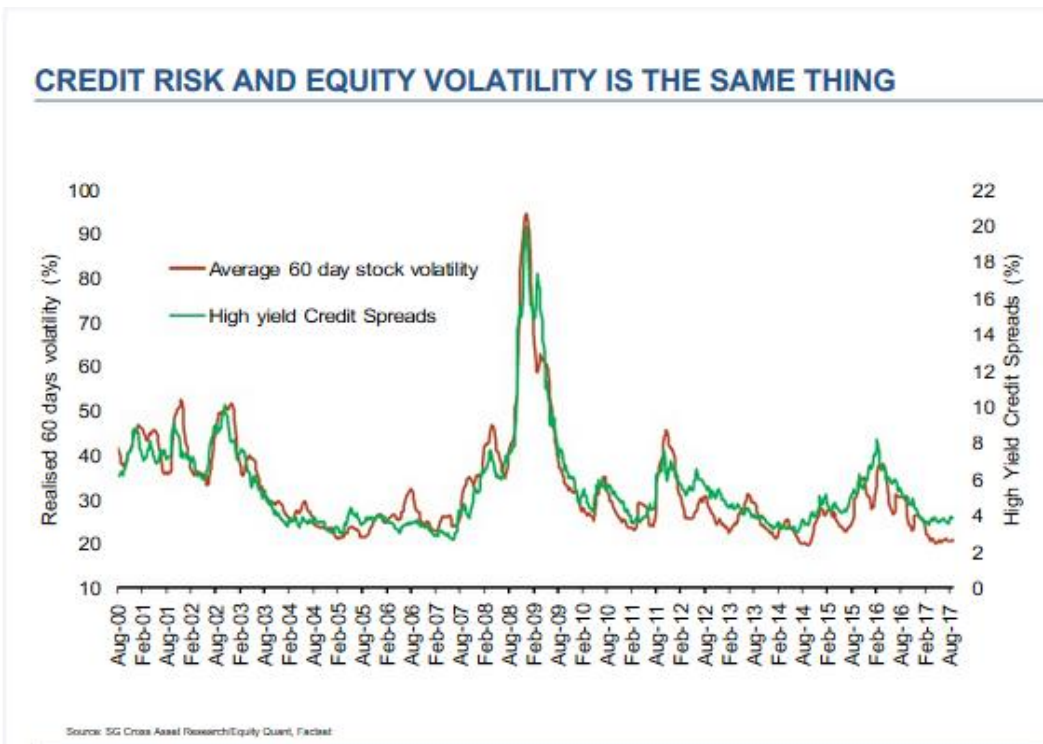
Source: SG Cross Asset Research/Equity Quant, Factset, MSCI



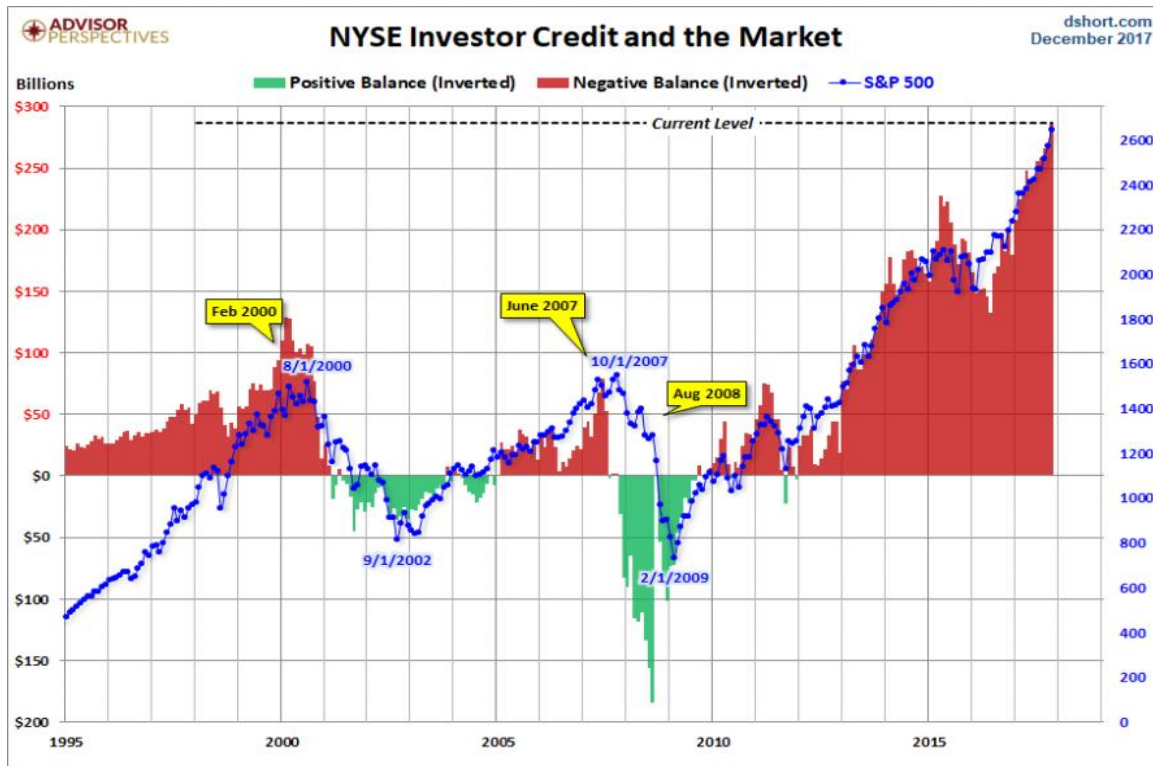
2) Cash Flows - "The Lifeblood of Financial Securities" is relatively weak and not demonstrating a positive, in-synch trend. Without cash flow, debt can be difficult to service.....



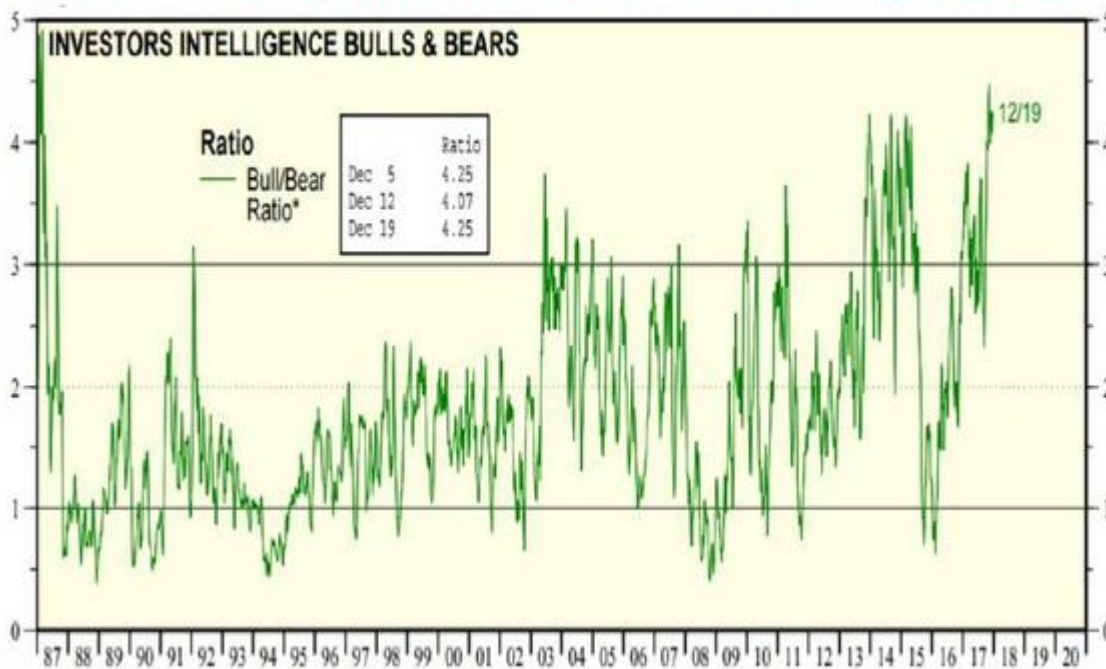
3) Volatility and Credit Spreads:and if Debt is difficult to service, then Credit Risk will increase. Note how the fall in cash flows in the above graph, coincide with the peak in the graph below. If credit is in trouble, volatility WILL rise and markets will fall.



4) Finally, everybody's "in the pool" and levered to the hilt:



PROFESSIONAL ADVISORS ARE AS ALSO EXTREMELY BULLISH

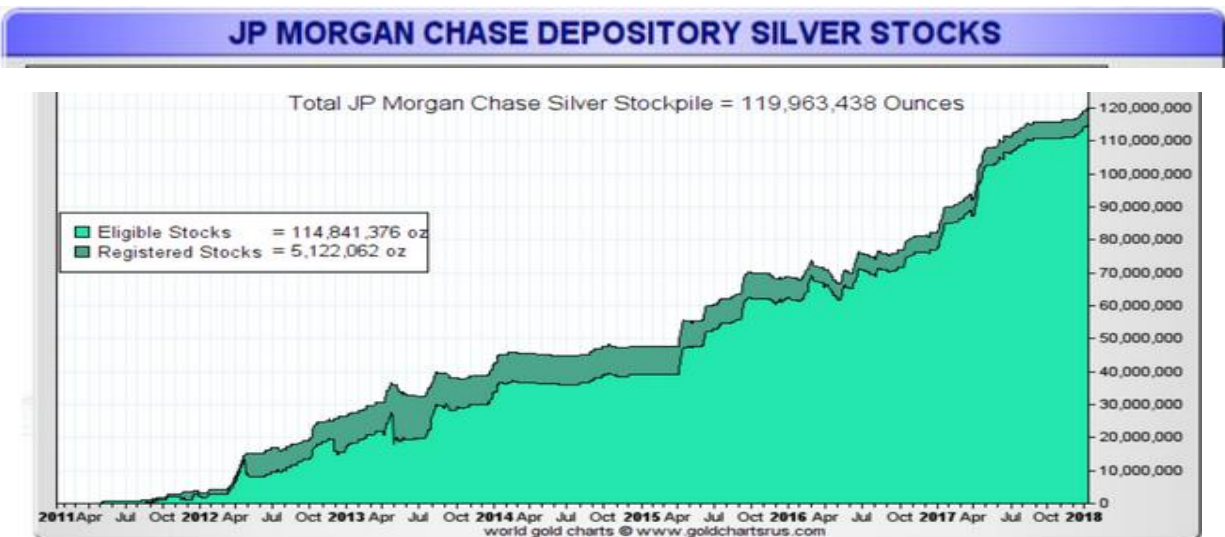


Jamie hates Bitcoin, but loves Silver

Before Bitcoin and other Cryptocurrencies had their epic run in the second half of 2017, JPMorgan's Chairman and CEO Jamie Dimon publicly stated that Bitcoin was a fraud and that he would fire any employee that had anything to do with it. While Mr. Dimon had to swallow a heapin' helpin' of crow last week when he said that he regretted making the comments he had made about Bitcoin, et.al., the reality behind his original dismissal of cryptos is his (and many others in the financial industry) fear of what Bitcoin and its kindred might mean for his business.

Of all the ink that has been spilled on the meaning, impact and implications of Cryptocurrencies, our second-to-none favorite was the comparison of Wall Street Bankers with Sauron, the villain of Tolkien's "Lord of the Rings". The author of the comparison described how the cryptocurrency proponents may not fully realize who's turf they've invaded and that this is not a game for the faint-of-heart. Why? Because "...there is only ONE Lord of the Rings; and he does NOT share power...". The status quo financial industry is the "Lord Sauron" and it will not "go gently into that good night" if the power of their industry is in fact in jeopardy via the new technology Bitcoin and its brethren represent.

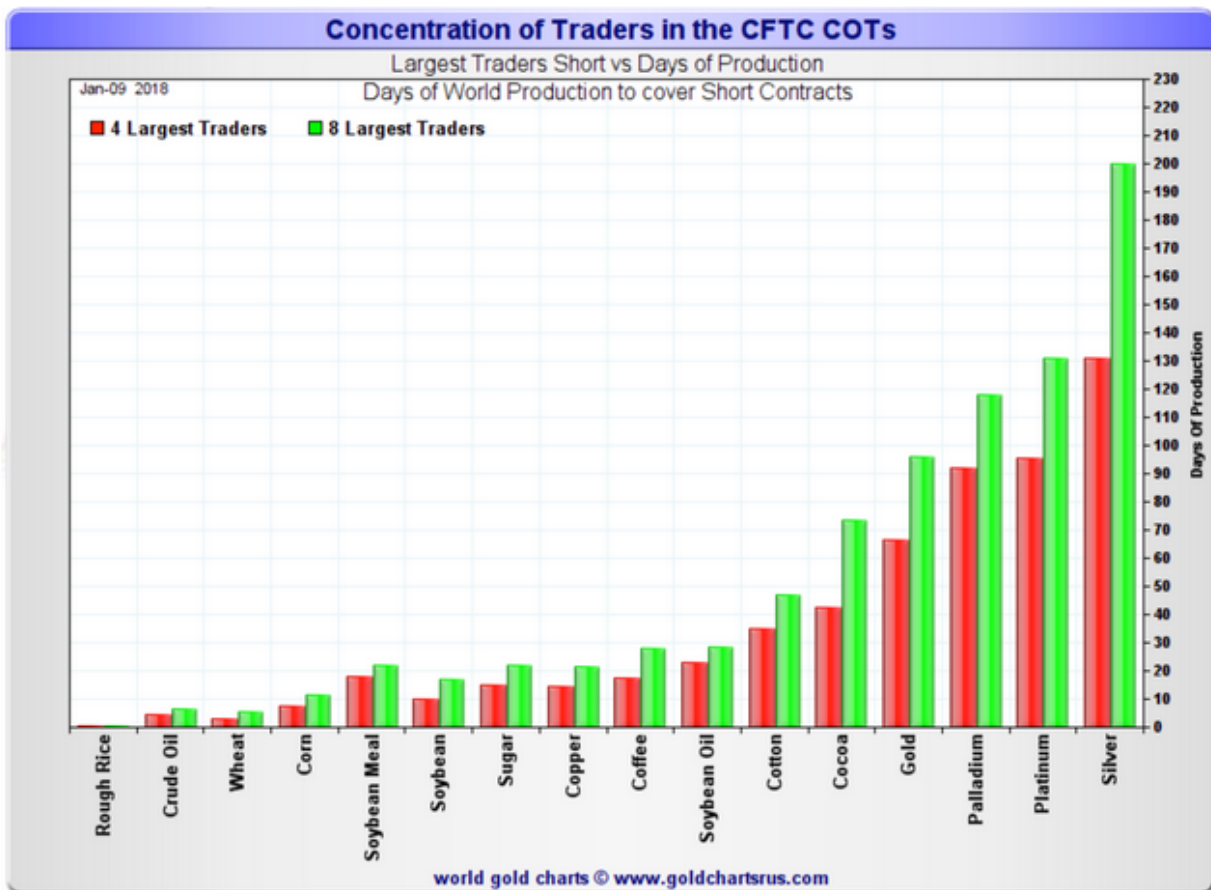
As we write this, a glance at the screen of Cryptocurrency markets reveals valuations that capture the latter half of the old saying "Easy Come, Easy Go"; assuredly Mr. Dimon is all smiles today. What could be the beneficiary of a move away from cryptos as the answer to the question of "How do I get some of my capital 'off the grid'"? Perhaps the solution will be the tried and true staple of Precious Metals. And lo and behold, what do we find that JP Morgan has been acquiring in droves for the last several years?!? Silver!



Source: Sharelynx

From absolute zero in 2011 to 120mm+ ounces today (and buying all of these ounces as the price fell), JP Morgan has become one of the largest owners of physical Silver on the planet. The history of the firm is not one of putting on a long-term trade like this just to watch it go up in smoke. No, the odds are that Jamie and the boys and girls are looking to make some profits on this venture. Perhaps with Bitcoin and its ilk out of the picture for the time being (until, of course, Jamie can figure out how to make it work for JP Morgan), the upside of these Silver purchases can be realized.

A massive short position might also help:



Irrespective of the reason for Silver's price to head sky-ward - and there are many more besides just the demise of cryptos and a big short position - Jamie Dimon and JPMorgan have stated in a very physical way what they believe to be one asset class that will benefit from whatever good or wicked might this way be coming.

[Source for Graphs in this section: Goldcore.com]

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