

# Alps Precious Metals Group

## Monthly Commentary and Update

January 2020

### Changing on a Dime



Source: nbc sports.com

**12/10/2019:** “...Cora said he and his coaches set goals for the 2020 season...Cora plans to visit Fort Myers in January to see pitchers Chris Sale and Matt Barnes... 'I think communication-wise, as far as goals and what we want to do in the offseason, we've been good...'”  
(masslive.com)



Source: nesn.com

**1/14/2020:** “...In a statement released Tuesday, the Red Sox said that given the investigation's findings, 'we collectively decided that it would not be possible for Alex to effectively lead the club going forward.' ... 'We agreed today that parting ways was the best thing for the organization; I do not want to be a distraction to the Red Sox as they move forward', Cora said in Tuesday's statement....”(espn.com)

In a matter of a mere 33 days, Alex Cora went from being in the Captain's Chair of one of the most visible sports franchises in the United States, to being summarily fired and facing a very real risk of being banned from the sport of baseball for the rest of his life. This deplorably sad reversal-of-fortune came to pass for one reason – Alex Cora (and the team[s] he led) was achieving accolades and wins because he was cheating. Through the illegal use of video cameras around the playing field, Cora had his finger on the scale of how his teams were enjoying “victories”. Once the magnitude of the operation Cora masterminded was understood, the confidence in him evaporated in virtual nano-seconds. What is left behind are stunned organizations, players, and fans. Given the amount of vengeance being taken by all the guilty parties, we expect this sorry episode to get even uglier. Baseball is likely about to enter a dark period on par with the lost days of the players' strike of 1994-1995; a time from which the sport had great difficulty overcoming.

This amazing and lightning-fast sea-change seems to us to represent an analogy of how fast the on-going euphoria in global equity and bond markets could suddenly and shockingly come to an abrupt halt. No one – literally no one – in the press was suggesting Alex Cora was in trouble when the story broke in November 2019 tying him to the sign-stealing scandal. In fact, the commentaries which immediately ensued scoffed at the suggestion that Cora was going to be affected in any way, shape or form by something that had occurred with his former team. As one can see with our opening quote, everything was “steady as she goes” on December 10<sup>th</sup>!

As stock market indices continue skyward with each passing day, nearly all participants in global markets know why this “rally” continues – because the Fed is cheating. We say nearly all, because the occasional Fed Governor is out there demonstrating how befuddled those in positions of power can often be:

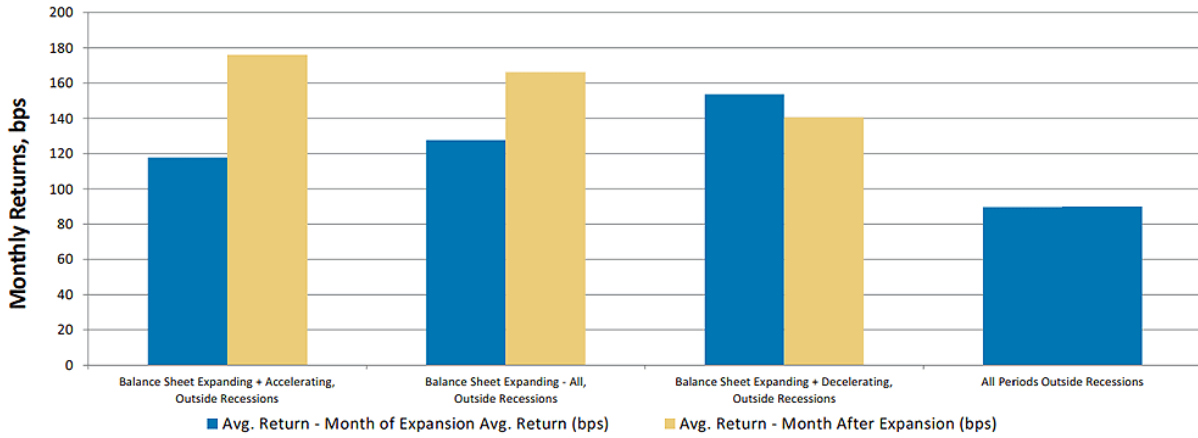


Source: Neel Kashkari, Twitter - 1/17/2020

Explain? Sure, Neel. Where shall we begin?

There's this:

**Exhibit 12:** Some Evidence S&P Returns Are Higher When The Fed Balance Sheet Is Expanding



Source: Bloomberg, Morgan Stanley Research.

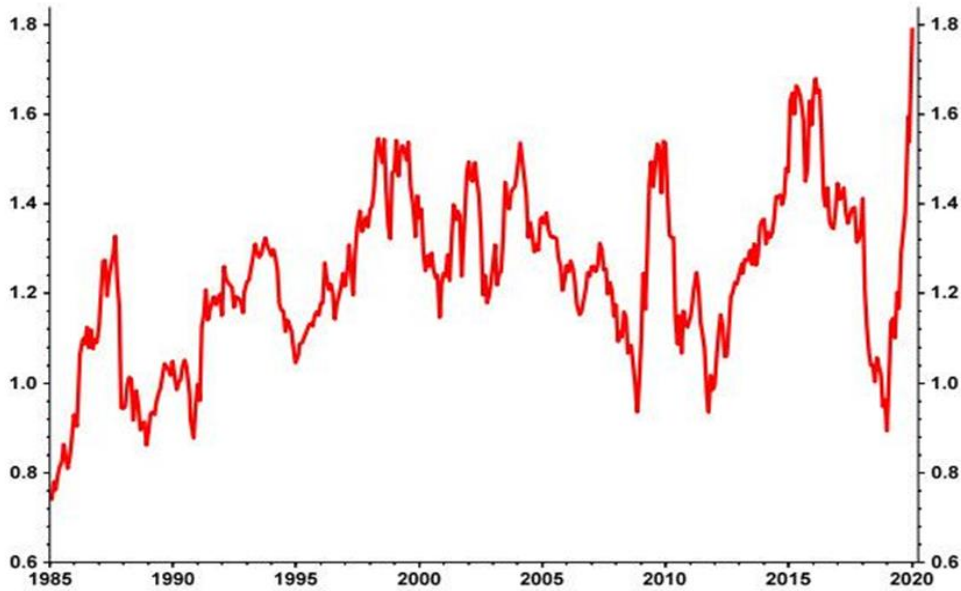
And the obvious tight correlation between Fed Balance Sheet expansion and the S&P 500:



Source: Bloomberg, Zero Hedge - 1/17/2020

Giving us the most historically-inflamed P/E ratio relative to Long-Term Earnings growth:

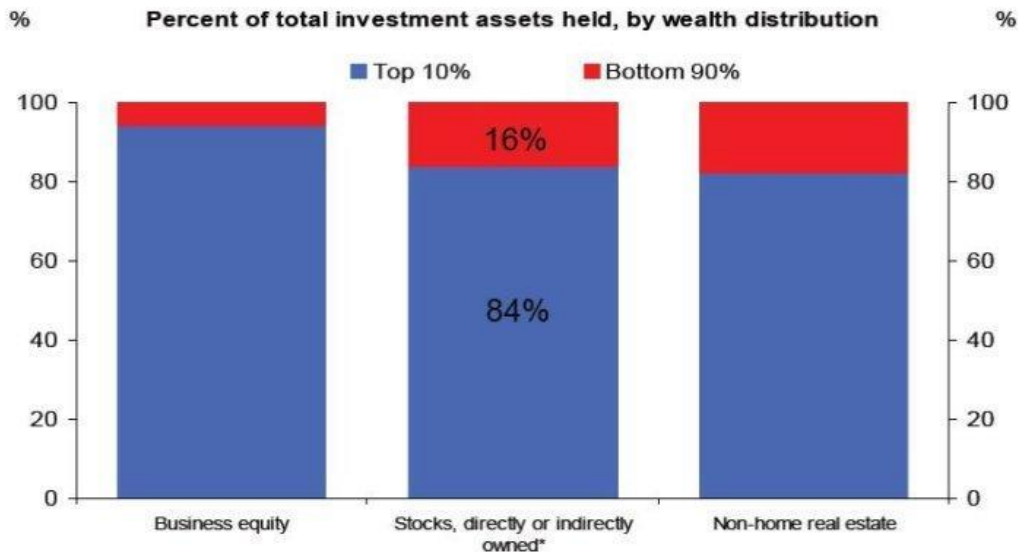
**PEG ratio (PE/LT eps growth - ie the ratio of the LH chart's 2 lines)**



Source: Albert Edwards, Zero Hedge - 1/15/2020

As well as a societal time-bomb of wildly disparate wealth distribution:

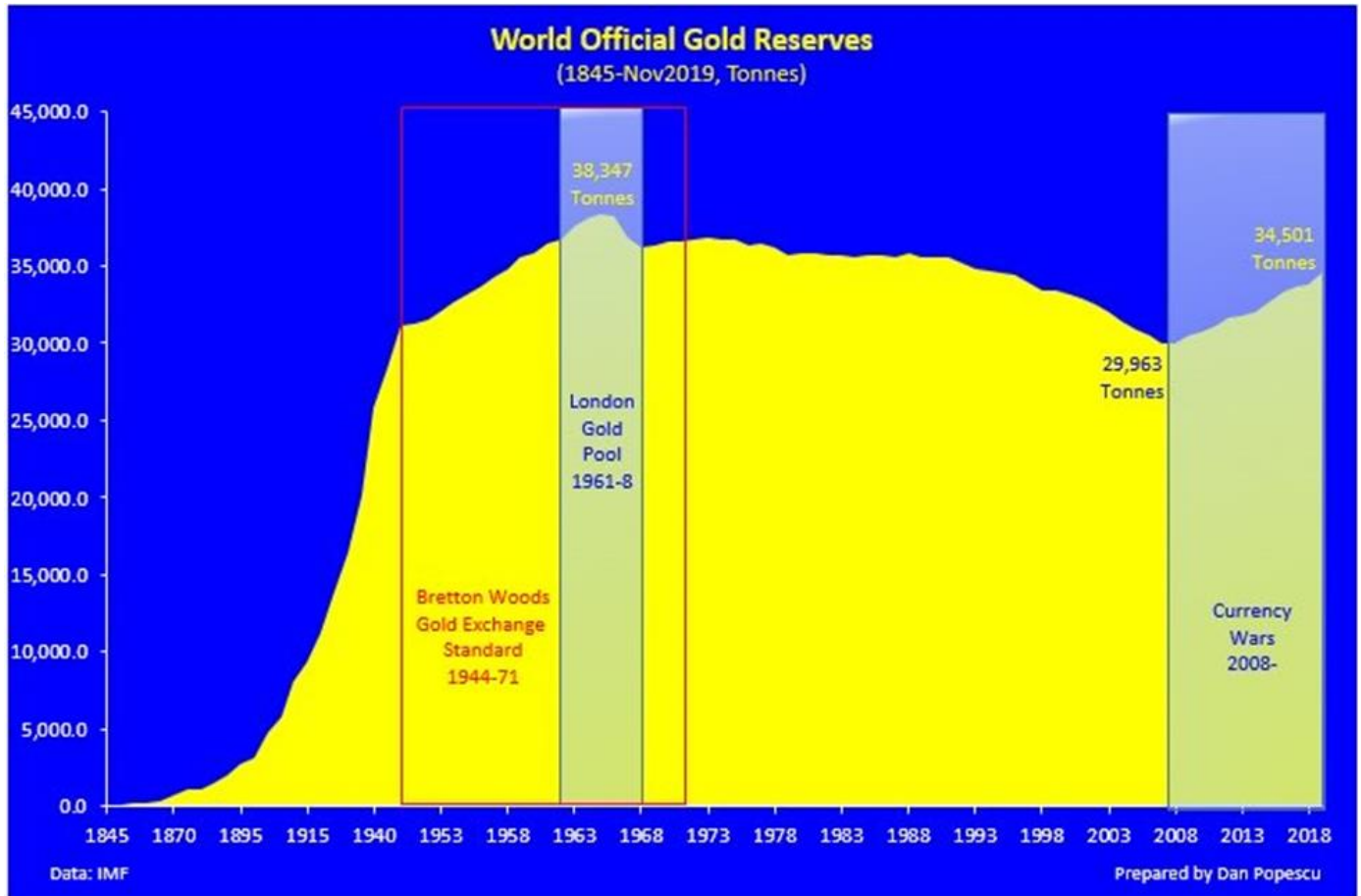
10% of the US population own 84% of all stocks held by households



\* Includes direct ownership of stocks and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts

Source: Edward N. Wolff, (2018), Survey of Consumer Finances, DB Global Research

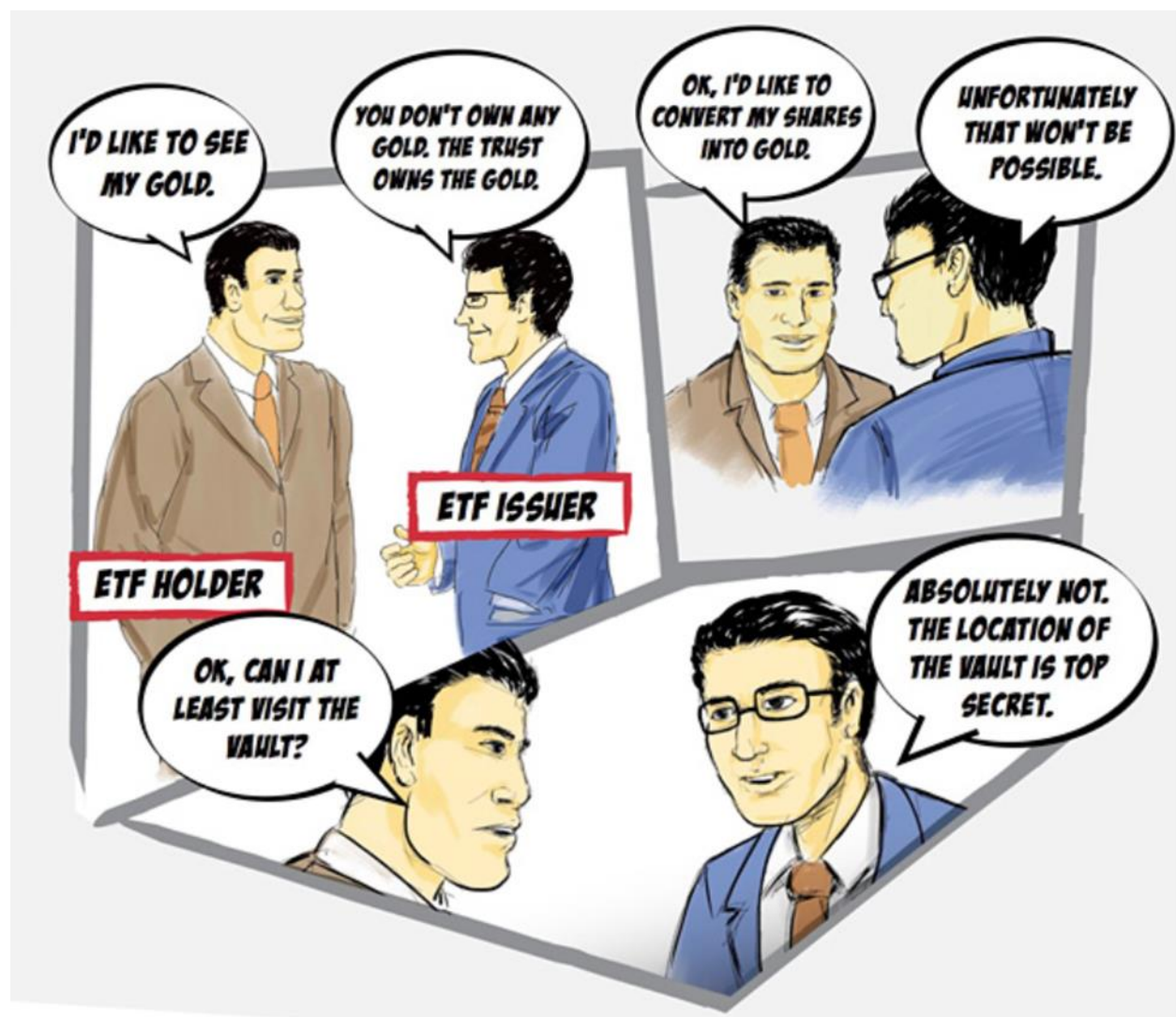
As, at the very least, the elements of mean-reversion can be seen all around us, we continue to suggest that wisdom may be found in following the lead of the governments which are very much in the business of “self-preservation”. For the last 12 years since the Great Financial Crisis, those governments have been/are busily re-purchasing the 10,000 tons of Gold from which they disemboweled themselves over 40 years, from 1968 to 2008:



Source: Jeroen Blockland; Ned Naylor-Leyland; Twitter, 12/29/2019

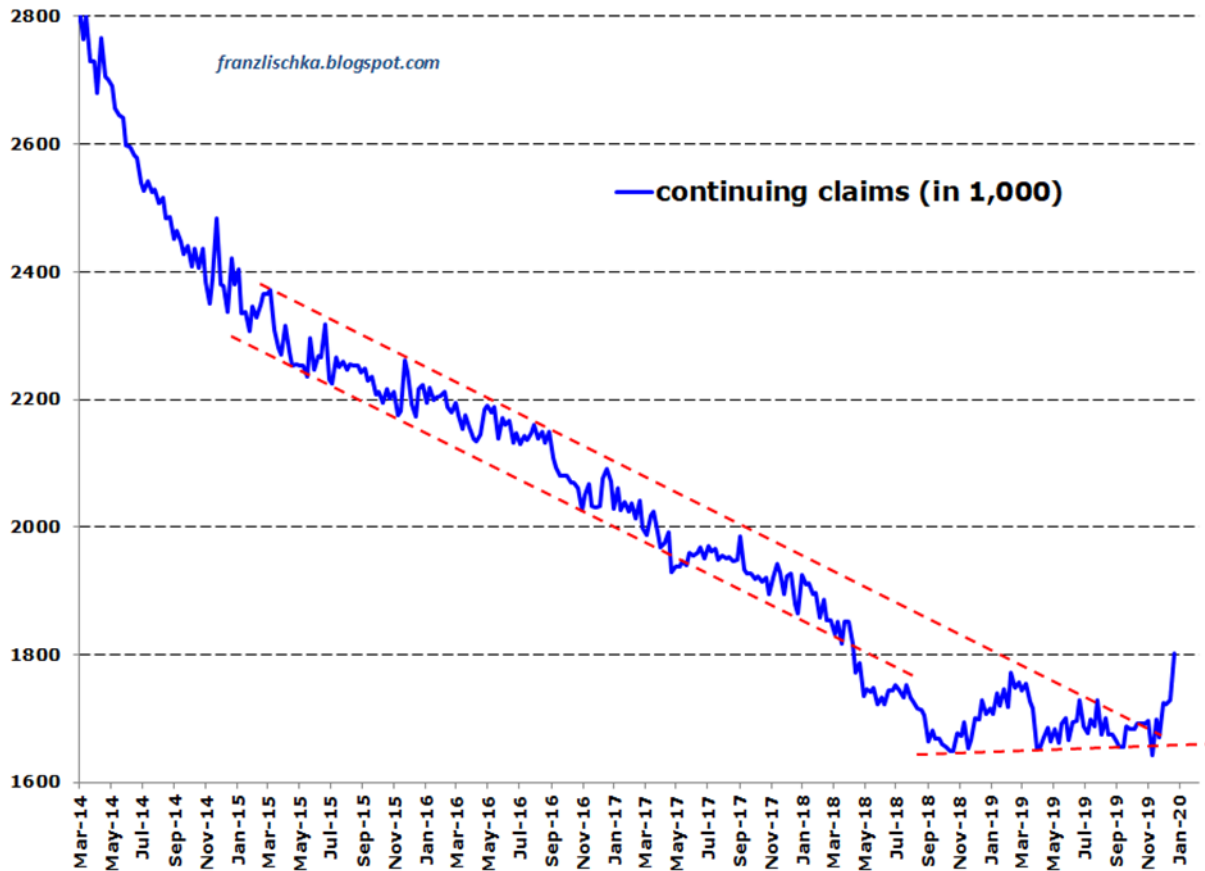
We have continually emphasized that the manner in which one owns Precious Metals must be heavily weighted to the actual PHYSICAL specie. We argue this to be the case so that our clients will be on the same side of the trade as the largest participants. Still, many of our conversations lead to the impasse of “Why not just buy the ETF?”. Because when it matters, having possession of the “Real McCoy” becomes materially valuable. To highlight the rationale for why we have stuck by our guns, we found the following cartoon to tell the story succinctly:





Source: Bullion Star, Ned Naylor-Leyland; Twitter, 11/19/2019

For the last 12 years, the reasons have been overflowing to argue that the “wins” global stock, bond and real estate markets have enjoyed are not genuine. They are in fact a result of the biggest players in the game not playing by the rules of free markets. The cheating has been rampant, but the perpetrators have yet to be scrutinized for their behavior. It took 33 days in Alex Cora’s case; how many days will it take for Global Central Banks? And what will be the trigger? Could the following trend the next chart displays be the spark that sets off the blaze?:



Source: franzlichka.blogspot.com, Ronnie Stoeferle; Twitter, 1/13/2020

When people across the wealth spectrum have gainful employment and the hope of better days ahead, they will endure a fair amount of “cognitive dissonance” when contemplating the world and their place in it. However, when meaningful work and hope vanish, the general zeitgeist in society becomes far different. Time is readily available and readily taken to determine just how did these new conditions come to pass. If the conclusion is that someone – or someones – wasn’t on the up and up, tempers rise and markets have a tendency to fall. Honesty in all aspects of life becomes far more paramount and things change.

Even things like baseball, Central Banking and the demand for Gold and Silver.

## **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](http://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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