Alps Precious Metals Group

Monthly Commentary and Update

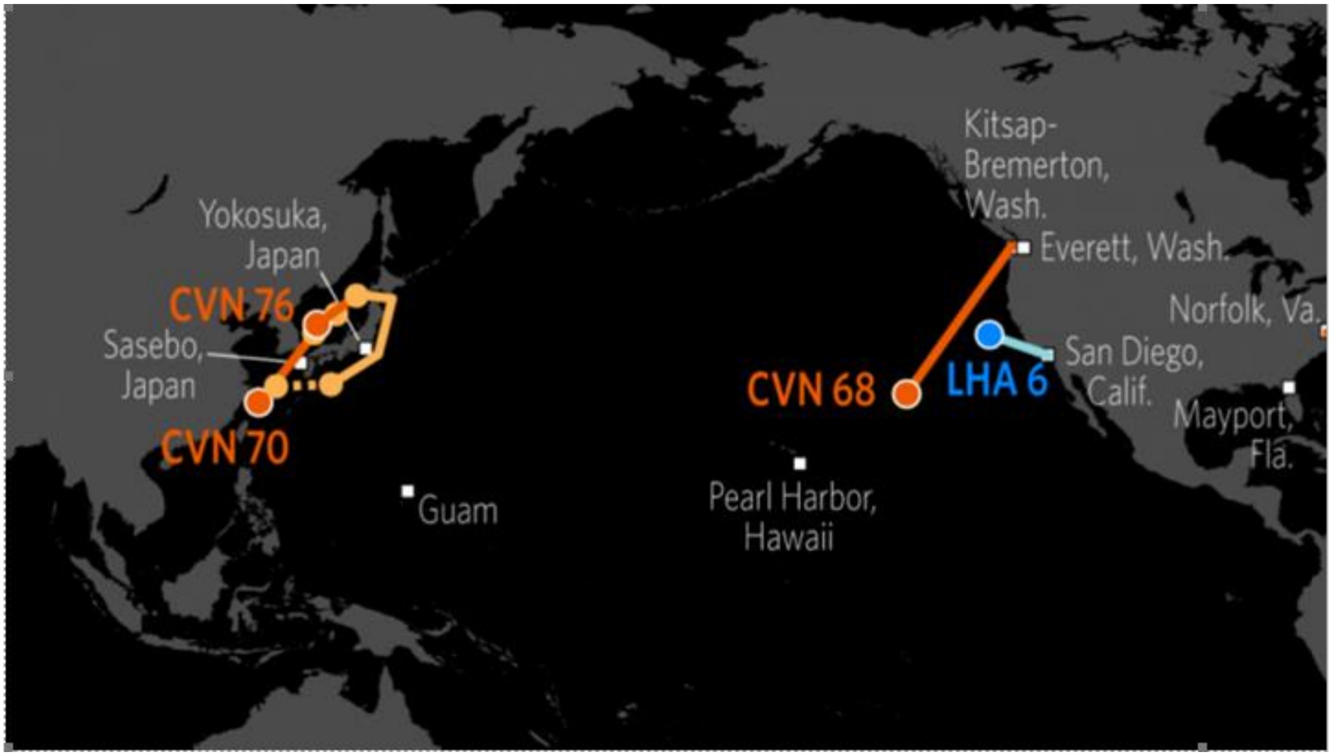
June 2017

A) **Korean War 2.0**
B) **More Snapshots of Madness**
C) **Bitcoin vs. Gold**

Korean War 2.0

I had the privilege of attending Mauldin Economics' Strategic Investment Conference in Orlando from May 22-25. A number of unvarnished opinions and truths were proffered. George Friedman (Founder and Chairman of Geopolitical Futures and formerly of Stratfor) led off the Conference with the most unnerving of all the forecasts – that the U.S. is to imminently launch a massive attack against North Korea. He based his claim on the fact that the U.S. has two battle-ready Aircraft Carrier Strike groups – CVN 70 (USS Carl Vinson) and CVN 76 (USS Ronald Reagan) in extremely close proximity to one another…and the Korean peninsula. The latest report available indicates that the Vinson is just southeast of Shanghai in the East China Sea, while the Ronald Reagan is just off the East coast of South Korea, nearly on the 38th Parallel which divides the two countries (see map below). Mr. Friedman indicated that the only time the U.S. puts Carrier Strike groups into such close proximity is when military action is forthcoming in the immediate future. When one then considers that CVN 68 – the USS Nimitz group – recently departed its home port of Everett, Washington and is nearly in Pearl Harbor "on its way west", the possibility of the incredibly rare **THREE** carrier groups in close proximity is in play. As the old saying goes, "You realize, of course, that this means War!...".

When "Ares/Mars" is given center stage, chaos and uncertainty abound. In spite of the false nature of today's centrally planned and managed "markets", it is highly likely that the self-appointed and "enlightened" planners and managers will be runover by newly uncomplacent investors looking to do what they always do in the early days of a new crisis – Sell. This may mean a repeat of 2008 when anything that had a bid (absent U.S. Treasuries and the Dollar) got hit; therefore, Precious Metals may see a repeat of their downdraft of the 3rd/4th quarter of that fateful year. Having said that, perhaps this time will be somewhat different given that Gold/Silver have just begun an upswing from a 4-year collapse, as opposed to ’08 when they had achieved a 25 year high in price.

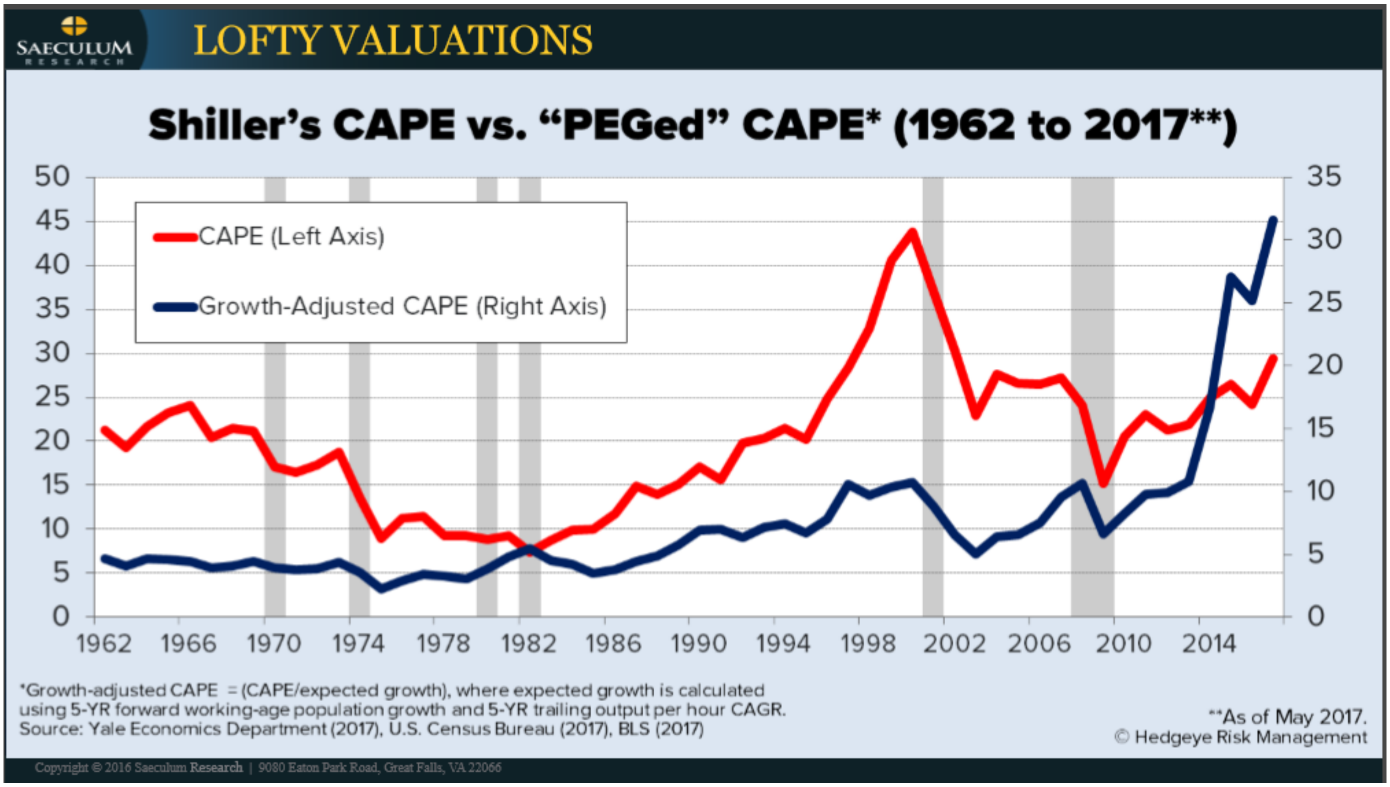


Source: https://worldview.stratfor.com/article/us-naval-update-map-june-8-2017

No matter, the ultimate outcome of this 8-year deranged episode of Centrally planned/managed/highjacked markets will be the re-establishment of reality – which will likely mean a materially higher price for historical and tangible mediums of exchange.

More Snapshots of Madness

Another highlight among many at the Mauldin Conference was the presentation by Mr. Neil Howe, author of “The Fourth Turning”. Mr. Howe’s work is focused on demographics and the powerful influence the phenomenon has on markets, culture - basically everything. Mr. Howe was one of many speakers to focus on demographics, but in my mind his work was the most dedicated to the ramifications of population changes. Additionally, his work is historical in scope, and the “4th Turning” is the final “turning” in a regular pattern of social, cultural and economic cycles which have certain characteristics. Unsurprisingly, 4th Turnings are typically characterized by the presence of War. During the portion of his talk concerning economics, Mr. Howe presented the following graph:

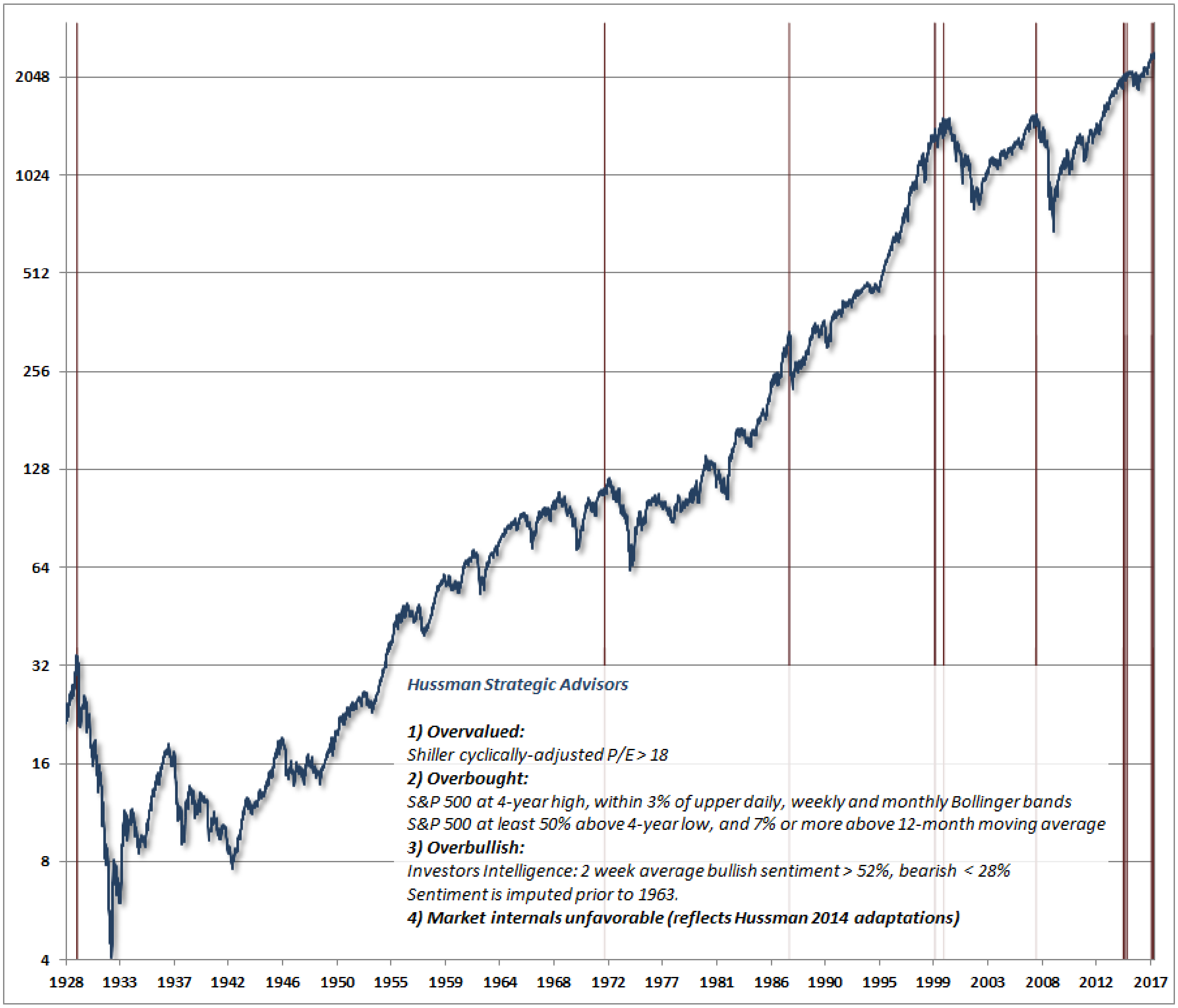


Of all the graphs that I've seen in my career, especially that portion of my career that has reviewed countless graphs of the madness of the last 8 years, I can safely say that the blue line in this graph is the most definitive description of how utterly unhinged the current market has become. We are living in a market that is 3 TIMES more expensive than that of '99-'00, given the probable forward growth we are going to experience. Yes, we are indeed in the midst of the most overvalued risk market in history thanks to insane Central Bankers/Planners and complacent/ignorant governments who do absolutely nothing to stop the Fed – an entity Government could dissolve but won't.

Remember the graph above when you are confronted with any argument about the healthiness of the markets and the economy. Couple that graph with the following two and the argument for the acquisition of Physical Precious Metals becomes self-evident:

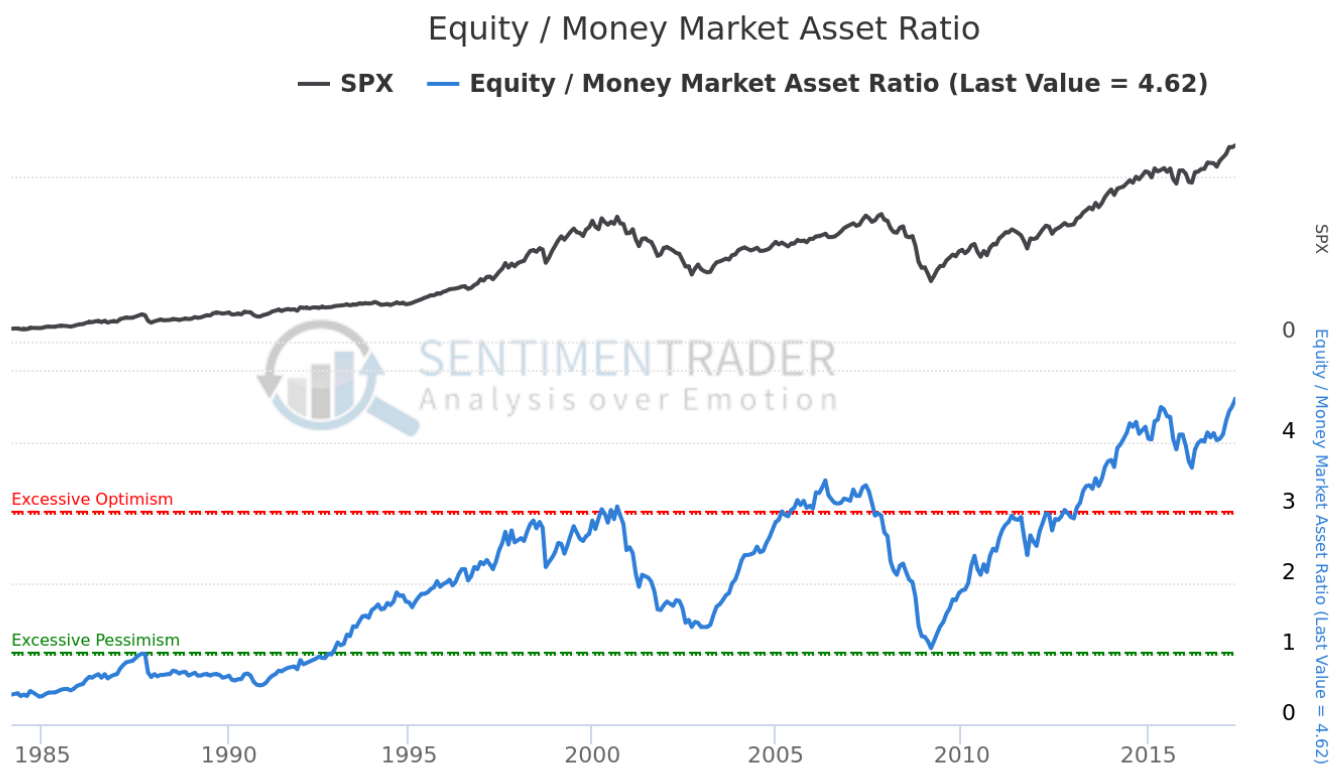
First, from John Hussman (www.hussmanfunds.com – May 29, 2017 Commentary):

"…In the chart below, I've coupled one of our "Bollinger band" variants, *limited to periods featuring explicit deterioration in our measures of market internals*. Without that limitation, there would be a thick red block of false signals covering much of the recent half-cycle. That additional limitation also filters out a few *useful* warnings that preceded corrections in excess of -10% in 1998 and 1999, but it retains most of the signals in prior market cycles because “overvalued, overbought, overbullish” syndromes typically overlapped a shift toward risk-aversion by investors and a deterioration in our measures of market internals. To the extent that the Federal Reserve’s policies of quantitative easing and zero interest rates disrupted that overlap in the recent half-cycle, “this time” was legitimately “different.” But don’t fall prey to the delusion that this difference can't be accounted for in a systematic way…”.



Second, from Lance Roberts (https://realinvestmentadvice.com/qt-liquidity-drain):

“*…Furthermore…a look at the stock-to-cash ratios also suggest there is very little available buying power for investors currently…”.*



No one knows when this crazy game is up. But when it ends, I believe that one of the only assets which will have the word "up" associated with it will be Precious Metals.

Bitcoin vs. Gold

With the recent meteoric rise of Bitcoin since its inception and especially over the last several weeks, much ink has been spilled in order to analyze the mania, as well as what it means for Gold. Our analysis has left us with a number of thoughts which we offer here:

1) The most important lesson the bid for Bitcoin and other cryptocurrencies teaches is that there is MATERIAL demand for stores of labor/wealth and mediums of exchange away from those created and managed by Central Banks/the status quo.

2) One of the reasons Bitcoin has had such a powerful bid is the (CURRENT!) absence of government/status quo ability to manipulate the alternative currencies.

3) Cryptocurrencies' main problem is that the theoretical supply is infinite; it is simply a matter of technological progress to create them efficiently and at will. Physical Precious Metals are rare and difficult to "create" and therefore make sense as store of labor/value.

4) Even if "3)" wasn't a problem, "Bitcoin" is just the first successful brand name out of the gate and there are no theoretical barriers preventing another company to

overtake Bitcoin's leadership. Remember the "Netscape, then Yahoo, then Google, then ???" replacement cycle!

5) Cryptocurrencies other major issue is that they are completely dependent on the Internet for their business. Simultaneously, the Internet is completely dependent upon the government for its existence. The capacity of the status quo to manage/shut down cryptocurrencies seems self-evident.

6) For Ransomware crooks and other foul breeds, cryptocurrencies are the currency of choice for meeting their extortion, blackmail, etc. demands. As Karl Denninger has noted, the entire business of Bitcoin and other cryptocurrencies is thereby subject to racketeering laws ("RICO") given that their business is part of what is enabling these criminals to thrive. In spite of the argument that a criminal demanding Bitcoin is no different from the same criminal demanding US Dollars, don't be surprised if governments used this argument to come after Bitcoin, et.al.

A future economic landscape will likely see some form of a union between Physical Precious Metals and cryptocurrencies. However, the ever-growing demand for alternatives to the status quo financial system – the true force underlying the Bitcoin sensation - is what makes the rise of cryptocurrencies to ultimately be yet another argument in favor of owning physical Gold and Silver.

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.

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