

Alps Precious Metals Group

Monthly Commentary and Update

May 2018

Postcards from the Edge, 2.0

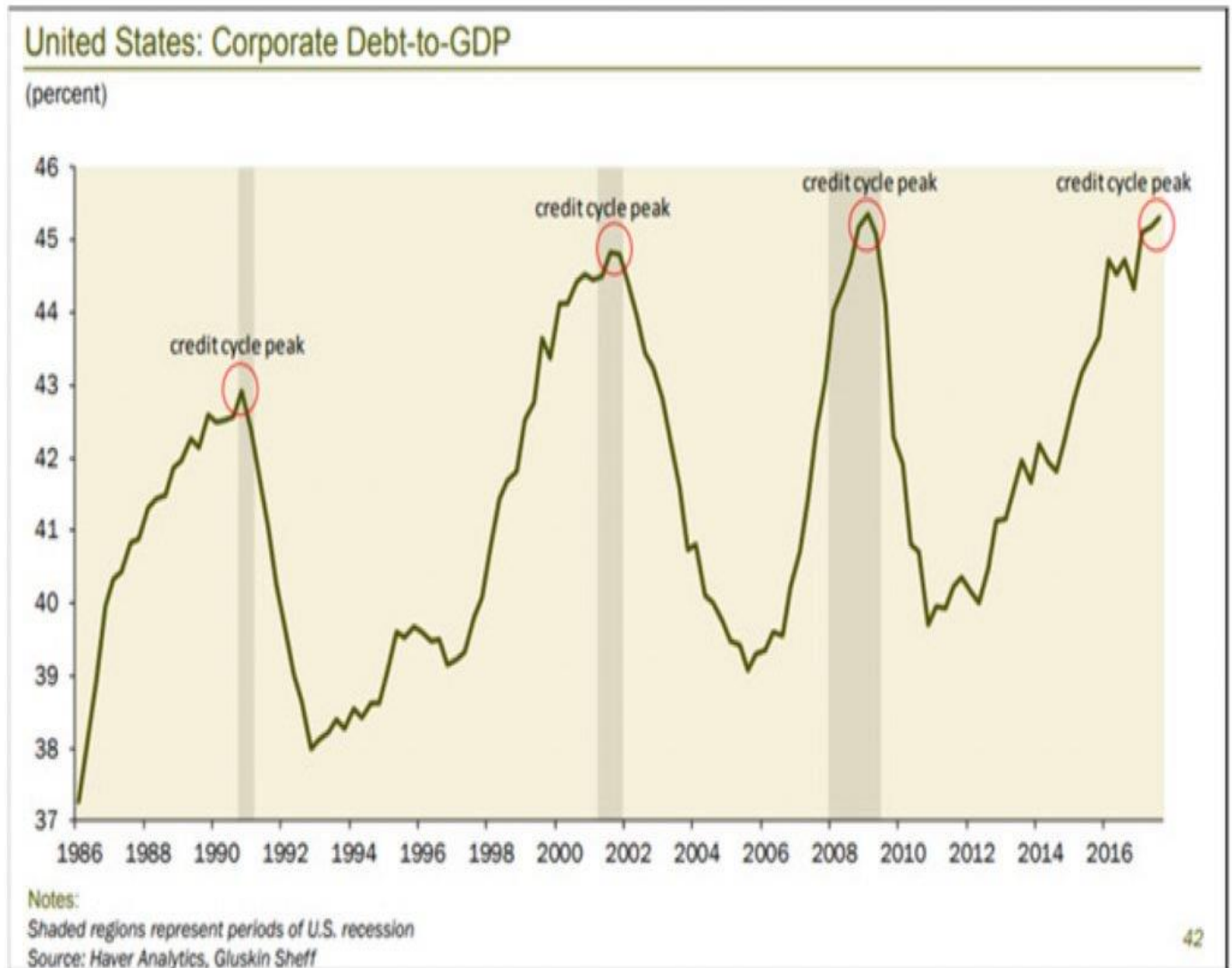
May is known for many things, one of which is an old truism which states that May is the month in which those of the financial persuasion should look to sell, and refrain from buying until around Thanksgiving time. May of 2017 was our first edition of “Postcards from the Edge”. While our view was then and still remains that global financial markets are indeed on the “Edge” of a major repricing event, that edge has yet to appear. Or has it? Was the January 2018 high of 2872 on the S&P 500 a level which won’t be revisited until the sins of Global Central Planners are exposed, confessed and finally discarded? From a charting standpoint, one could argue that case. Unquestionably, the charts that follow will certainly make the reader acknowledge that the possibility of recession is significant – and equity markets in recessions fall approximately 35% on average.

As for our avocation/vocation of Precious Metals, our premise remains that when “the center doesn’t hold” is THE best time to be long Gold and Silver. For this particular iteration of uncertainty hitting center stage, we would argue it might be wise to be “particularly” long. We stand by our comments of last year, as nothing in the 12 months since then has swayed our thoughts one iota:

We believe it is a question of “When” not “If” this experiment comes to an extremely unpleasant conclusion – so unpleasant that it will set brand new standards for market and societal upheaval. We believe it will be so disruptive because of old truisms such as “what goes around, comes around” and Newton’s 3rd Law of Motion – “For every action there is an equal and opposite reaction”. The behavior of the Central Banks has appeared utterly benign to the vast majority of men, both wise and simple. We argue that what has been thought benign is in fact sinister. If investment arises from capital, but that “capital” is a fraud created from whole cloth by Central Bankers, one shudders to imagine what an “equal and opposite reaction” to that fraud would resemble. Look to the early 30’s and the early 80’s for possible examples and note how Precious Metals performed when all was in disarray.

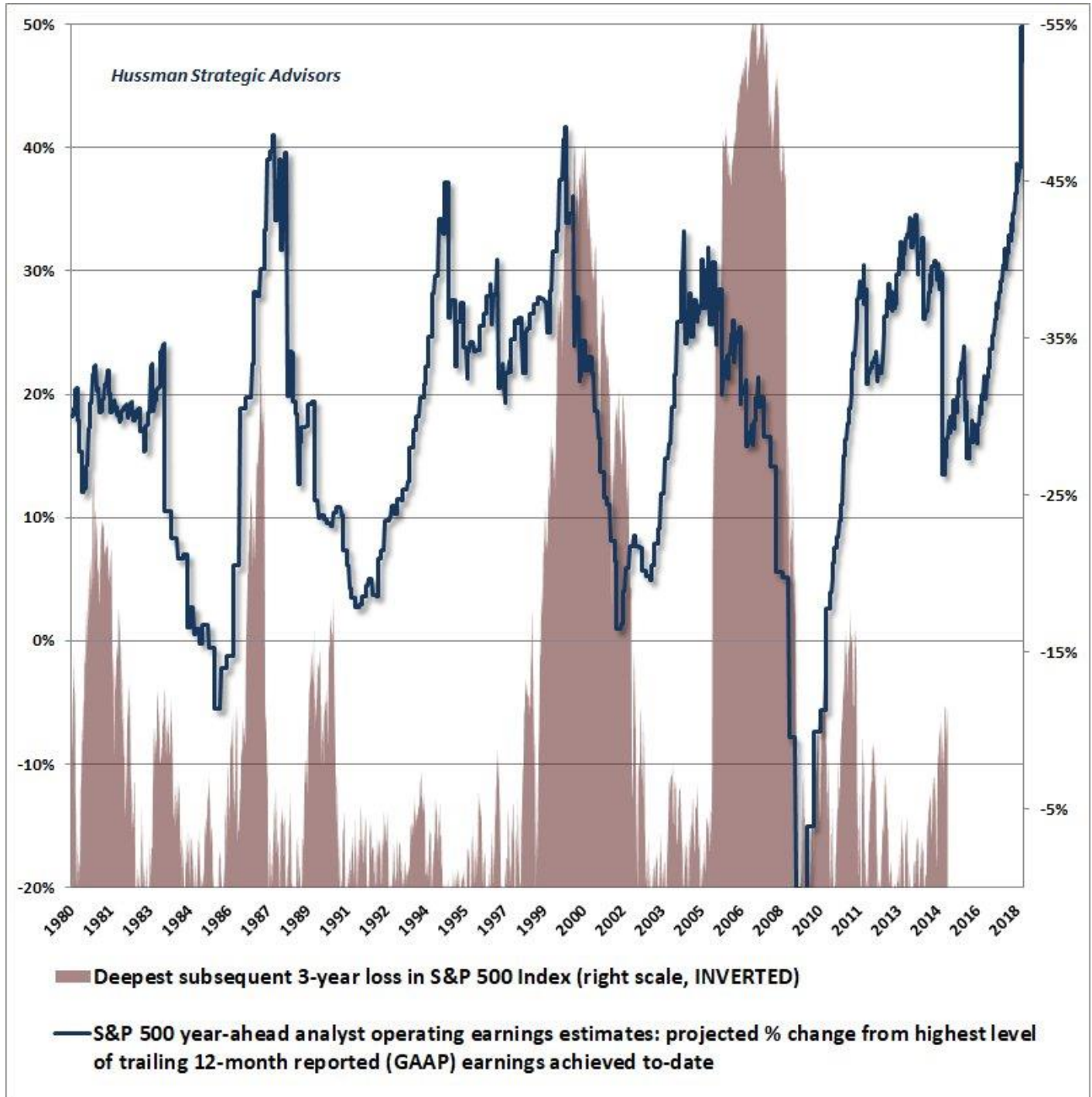
So without further ado, gaze upon this assortment of “Postcards” which tell a story that perhaps, just perhaps, in a blink of an eye, our world may change. If it does, we suggest that those long a healthy amount of gold and silver will be happy they are.

U.S. Corporate Debt to GDP – Batting 1.000 for recessions when this ratio is reached:



Source: David Rosenberg, Gluskin Sheff

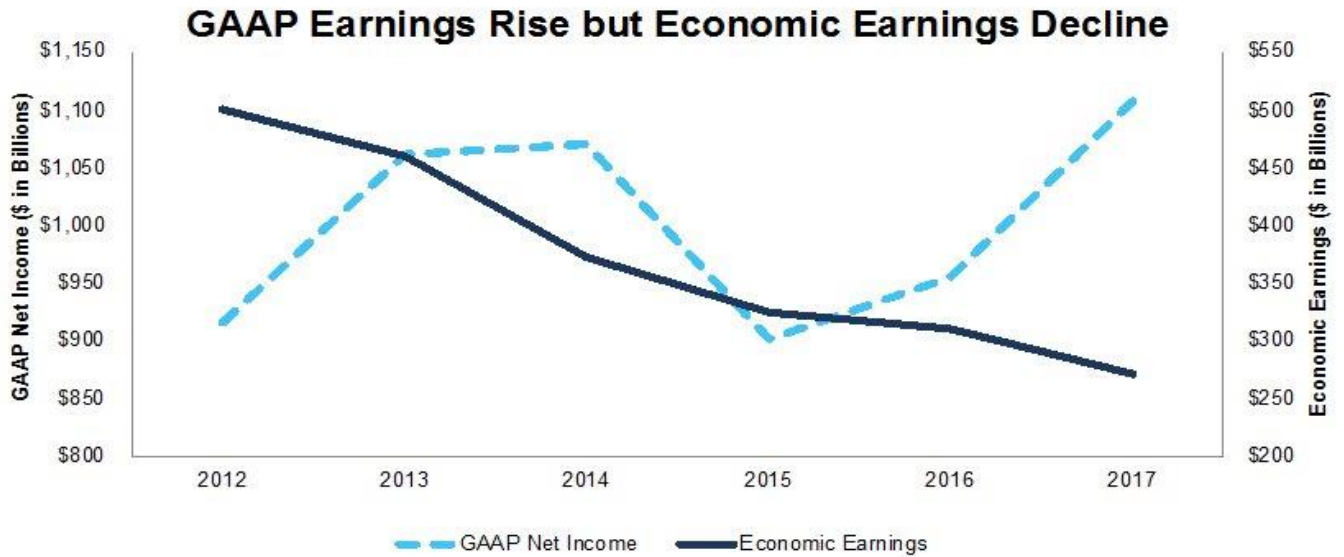
Will Corporations enjoy the earnings needed to pay their debt? Given what has historically occurred when Analysts estimates get this euphoric, maybe not.....



Source: John Hussman, Hussman Funds

By the way, about those trumpeted “Earnings beats”.....

Figure 1: Economic Earnings Declining for 1000 Largest U.S. Companies



Sources: New Constructs, LLC and company filings.

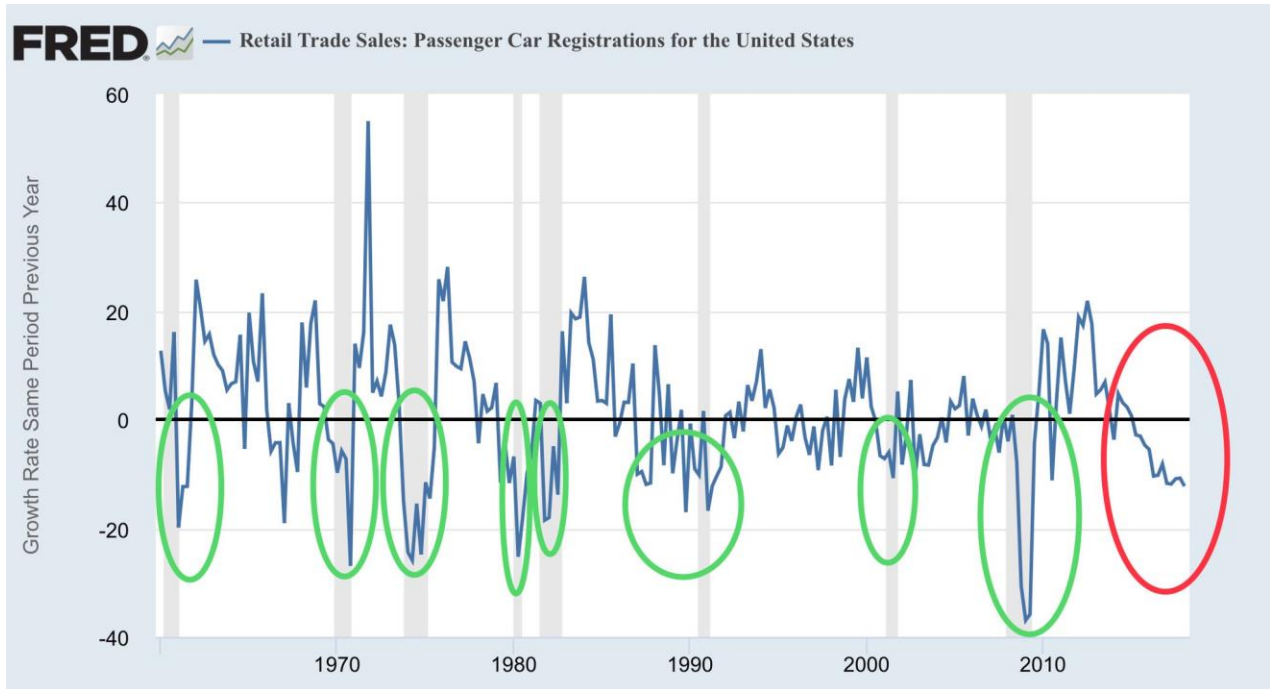
...And Dr. Won has a second opinion on the “Global Synchronized Recovery”:

Chart 1: South Korean export growth, a great lead indicator of global EPS, just turned negative



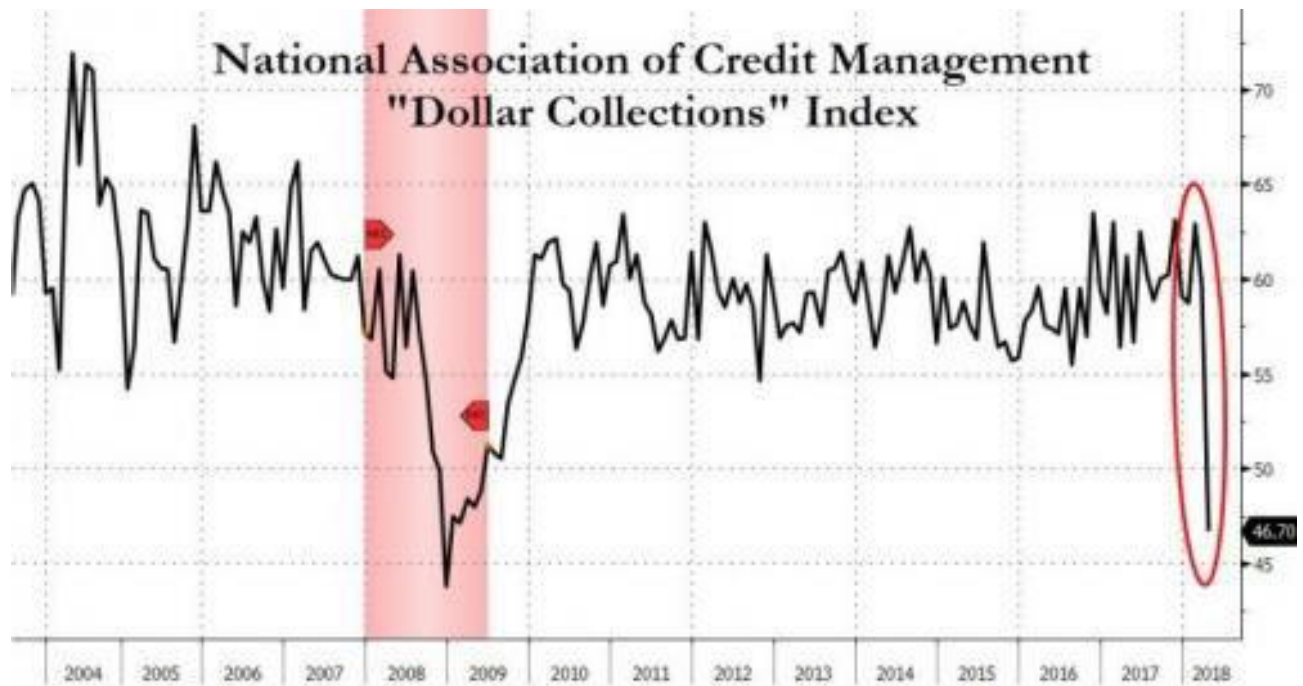
Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

Here's yet another Index that has nearly a 1.0 correlation with Recession:



Source: Federal Reserve Economic Data

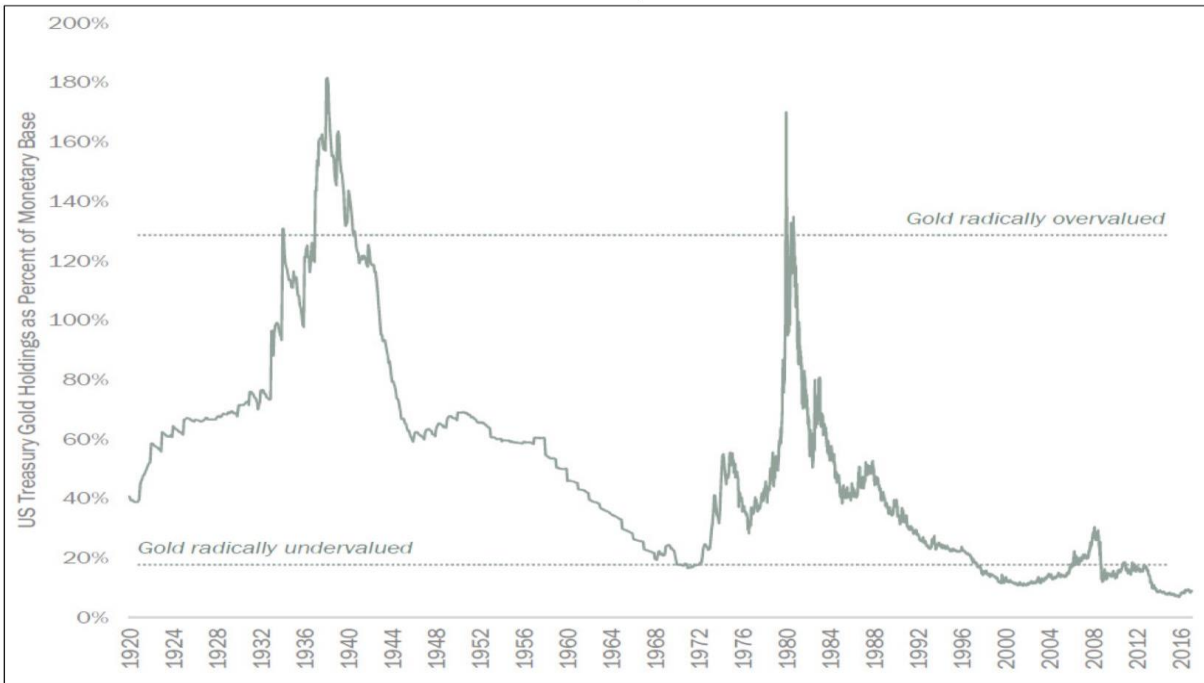
Coupled with Repo men having a tough year:



Source: NACM

A 100-year chart on Gold suggests it is a Buy:

Gold as a Percent of US Monetary Base

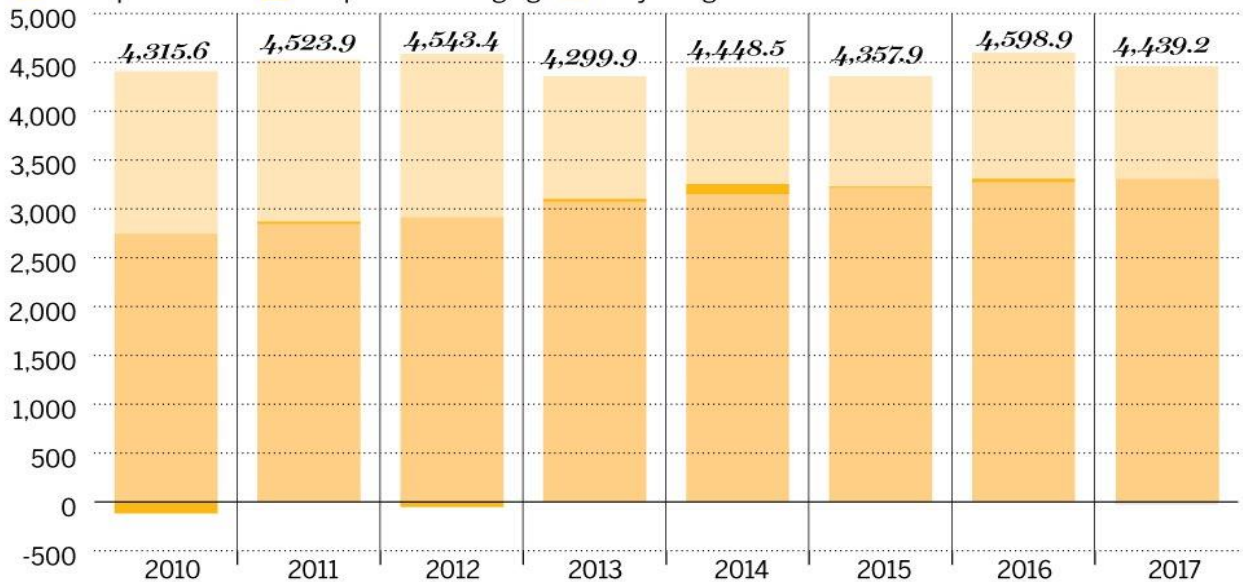


As does Supply, or better said, lack thereof:

IS PEAK PRODUCTION NEAR?

GLOBAL GOLD SUPPLY IN TONNES

Mine production Net producer hedging Recycled gold



SOURCE: WORLD GOLD COUNCIL

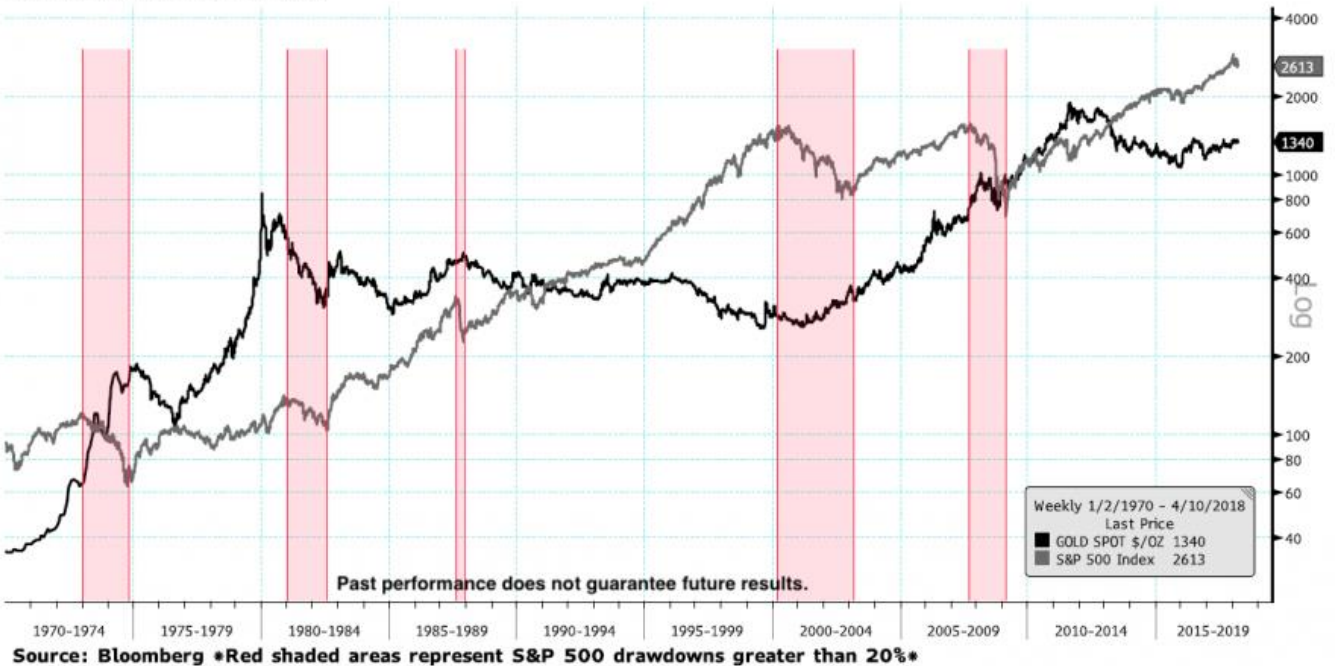
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Meanwhile, this technical level is holding:



Finally, how does Gold perform in Bear Markets? With one exception, Gold Rallies!:

Gold vs S&P 500 Bear Markets



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