

# Alps Precious Metals Group

## Monthly Commentary and Update

September/October 2020

### Crisis = “Danger” + “Change Point”



Source: <https://i.pinimg.com/236x/8e/ca/65/8eca65f70f8d663e8e17629b14da954c--learn-chinese-online-chinese-language.jpg?nii=t>

As often proves to be the case when composing this commentary, the research preceding its creation has disabused this writer from a long-held understanding. The Chinese character above is that which defines the condition known in English as “Crisis”. My understanding has always been that in order to form the character meaning “crisis”, the Chinese combined two separate characters – one meaning “chaos” and the other meaning “opportunity”. However, irrespective of how widely held my prior understanding of the symbol is, the fact is that the two stand-alone symbols mean something different – “Danger” and “Change Point”. While a crisis may indeed have plenty of chaos from which opportunity might arise, it is instructive that the Chinese language actually does not have “opportunity” within the character of “Crisis”.

No, the Chinese see crisis as the combination of “Danger” and something best described in English as the phrase/concept of “Change Point”. Proper understanding of words/characters is enlightening. In this case, the ancient experience of the Chinese can be seen in the true meaning of the character above. Given the world into which this commentary is issued, “Danger” and

“Change Point” are pointedly apropos. Note the Chinese were wise enough to \*NOT\* assume that Crisis by definition meant “opportunity”; there are many times in the story of men and cultures where the Danger and Change Point overwhelmed the materiality of any form of “opportunity” that may have arisen due to the crisis. The mind-boggling, “Suicide of the West” horror of the Danger and Change Point of World War I comes to mind. Many other times of crisis could also be listed.

A poignant verse from the “weeping Prophet”, Jeremiah 6:14b, laments those who claim “Peace, Peace’ when there is no Peace”. Many places in our world seem to be “at Peace” from a surface observation. The fires of violent riots are currently extinguished in the United States (though they may ignite back to life quite soon). The collapse of the stock market in March is a distant memory. Military skirmishes are here and there around the globe, but for the most part the ubiquitous presence of the response to Covid-19 seems to be a pacifying reality. Yet the reality of a mammoth underlying crisis to *all* things is undeniably among us.

Tonight will feature the merciful end to the contentious Presidential debate series. Trump is his own worst enemy to the crucial undecided voter in the only 8 to 10 states that matter (he will be massively helped by microphones being turned off!), while Biden as “front man for Kamala Harris” simply elicits in the viewer a combination of “being embarrassed for the poor guy” and “laughing ‘cause otherwise I’d cry”. The United States has been stricken with a choice between two lousy evils for years, but if one wants “Exhibit A” as to why the West is in a crisis, look no further than the quality of the “Presidential” candidates before us.



<https://statespoll.com/post/632245787665088512/presidential-election-2020-electoral-college-map>

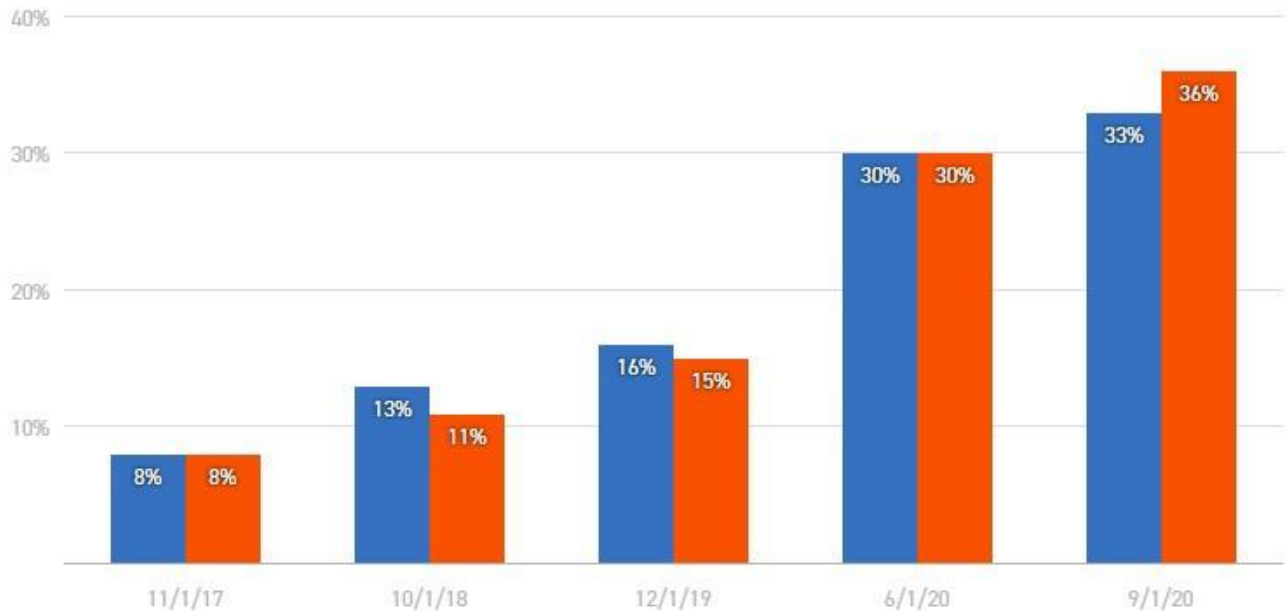
The kabuki theater of the election promises to drag on after November the 3<sup>rd</sup> unless the margin of victory is so immense in, again, the only 8 to 10 states that matter – Pennsylvania, Ohio, Michigan, Wisconsin, North Carolina, Georgia, Florida, Texas, Arizona and Iowa – that either candidate on the short end of the vote would have no choice but to concede. However, the election will likely be close and we'll have a charming run to Christmas filled with lawyers, screaming/unruly crowds, a return of violence and who knows what else. Crisis = Danger + Change Point.

## A growing openness to political violence

How much do you feel it is justified for [your party] to use violence in advancing political goals? (Options: "Never" justified, "a little", "a moderate amount", "a lot" and "a great deal.")

PERCENT ANSWERING YES – either "a little" or more.

■ Democrats ■ Republicans



The surveys from 2017-2019 were conducted by YouGov and the Voter Study Group and had a sample size of 5,900 respondents and a margin of error ranging from 1.5 to 3 percentage points. The surveys in June and September 2020 were conducted by Nationscape and had sample sizes over 6,000 respondents and margins of error of 2.1 and 2.0 percentage points respectively.

Chart: Patterson Clark, POLITICO · Source: YouGov, Voter Study Group, Nationscape

<https://uxdesign.cc/pop-quiz-whats-wrong-with-america-s-growing-openness-to-political-violence-5cfa19cea881>



Do you feel it is justified for [your party] to use violence in advancing political goals?  
 Percent answering YES - either "a little" or more justified

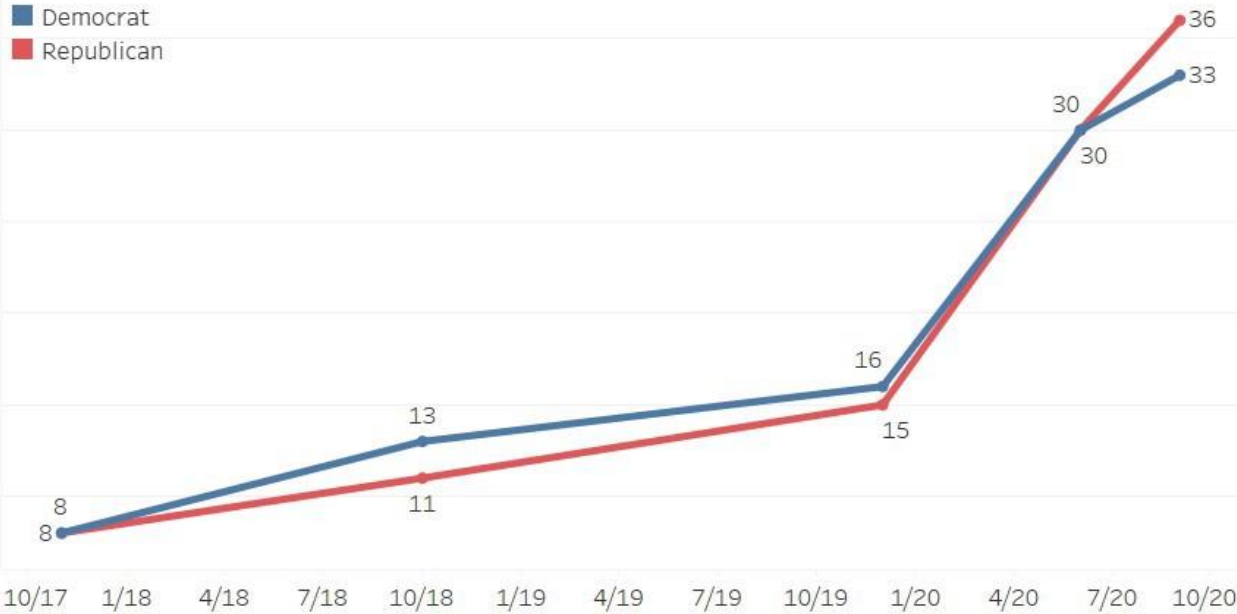
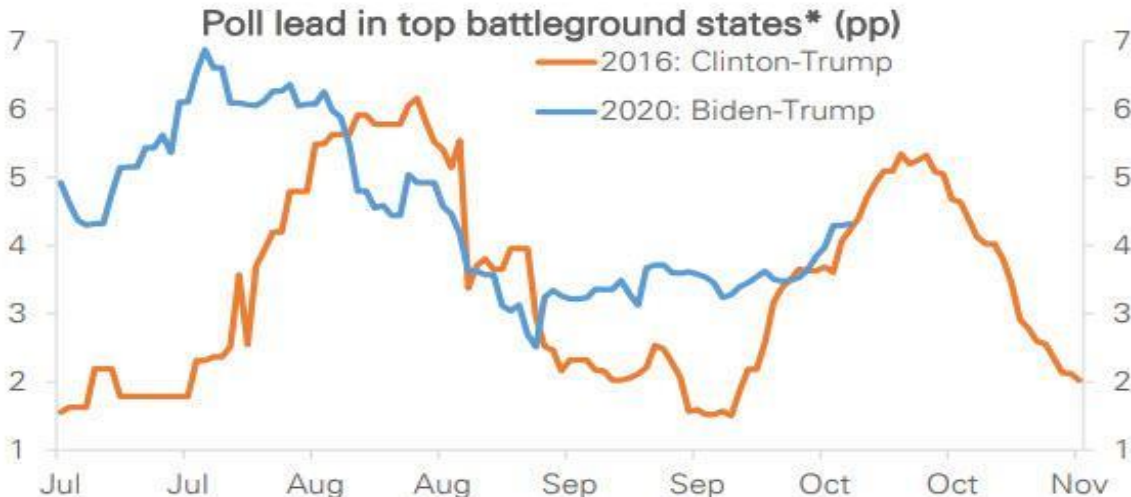


Chart: Eric Shamblen. Source: YouGov, Voter Study Group, Nationscape

Figure 15: The gap in key battleground states remains lower than that in the national polls and similar to that in favor of Hillary Clinton at this point in 2016



\*Real Clear Politics poll averages (weighted by electoral college votes) over 3 week windows for Florida, Michigan, Pennsylvania, Wisconsin, North Carolina and Arizona

Source: RealClearPolitics, Deutsche Bank Asset Allocation

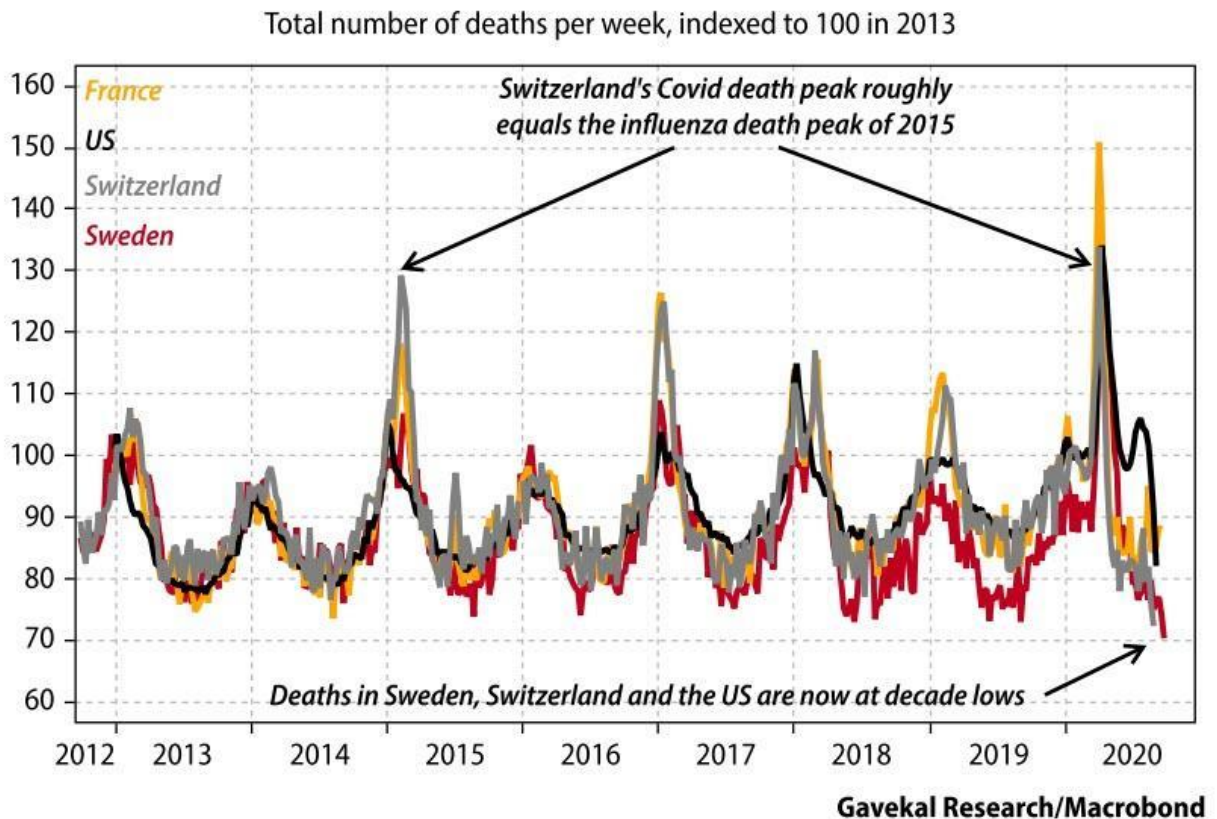
Simultaneously, the Covid-19 saga seems to literally have no end in sight, despite the endless stream of evidence that NONE of the mask-wearing, etc. is doing a bit of good against a virus that is spread via orofecal means (<https://www.cebm.net/covid-19/sars-cov-2-orofecal-transmission/>), and that mask-wearing is likely making disease transmission **worse**: here, <https://bmjopen.bmj.com/content/5/4/e006577>; here, <https://www.medrxiv.org/content/10.1101/2020.05.01.20088260v1.full.pdf>; here, <https://www.thieme-connect.com/products/ejournals/html/10.1055/a-1174-6591>; and here, [https://wwwnc.cdc.gov/eid/article/26/5/19-0994\\_article](https://wwwnc.cdc.gov/eid/article/26/5/19-0994_article).

What's the best meme we've seen this year?:



“Sweden” remains the one-word argument against everything that is being done to “combat” Covid-19 in the U.S. Note the following graph - \*TOTAL\* death rates in 3 of 4 countries are at decade LOWS!:

## After peaking in the spring, total weekly death rates have slumped

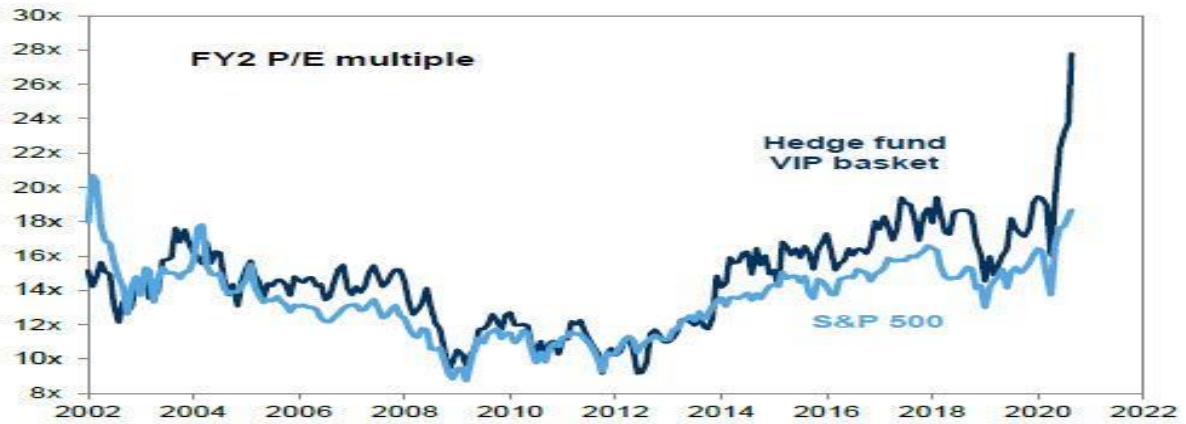


And what of markets? Well, whoever wins the election on November the 3<sup>rd</sup> will be inheriting the most overvalued stock market in history. The charts continue to blow the mind as to how out of whack they are. This is the inevitable short-term outcome of a Federal Reserve which has learned absolutely nothing from history and by their print-happy policies are driving us to a "Crisis = Danger + Change Point" that will be unprecedented in size and scope due to the fact the historically high interconnectedness of the global economy. Keep in mind that the U.S. market is larger in valuation than the next 9 \*combined\* - what happens with the U.S. markets affects the entire world in an exponential manner; hence the worldwide focus on the November 3<sup>rd</sup> outcome. A couple of weeks (or months) from now, whichever political faction wins the political power may quickly develop a very bad case of "buyer's remorse". Here is Zero Hedge referring to a Goldman research report::

*"...But it was Goldman's punchline that stole the show: while it is no secret that the Hedge Fund VIP basket has outperformed the market, one can ask if this is due to fundamentals or simply because buying beget more buying, pushing stocks to record levels. Arguing for the latter, and confirming that it certainly wasn't the VIP basket's valuation that made it attractive, Goldman concludes that **"the extreme valuations of the members of our Hedge Fund VIP basket underscore the***

**current degree of crowding across hedge fund positions."** And here it the chart which simply shows that the valuation (on a two year forward PE multiple) of the 50 or so "market leaders" is now almost literally off the chart.

**Exhibit 15: Hedge fund VIPs trade at elevated valuations**



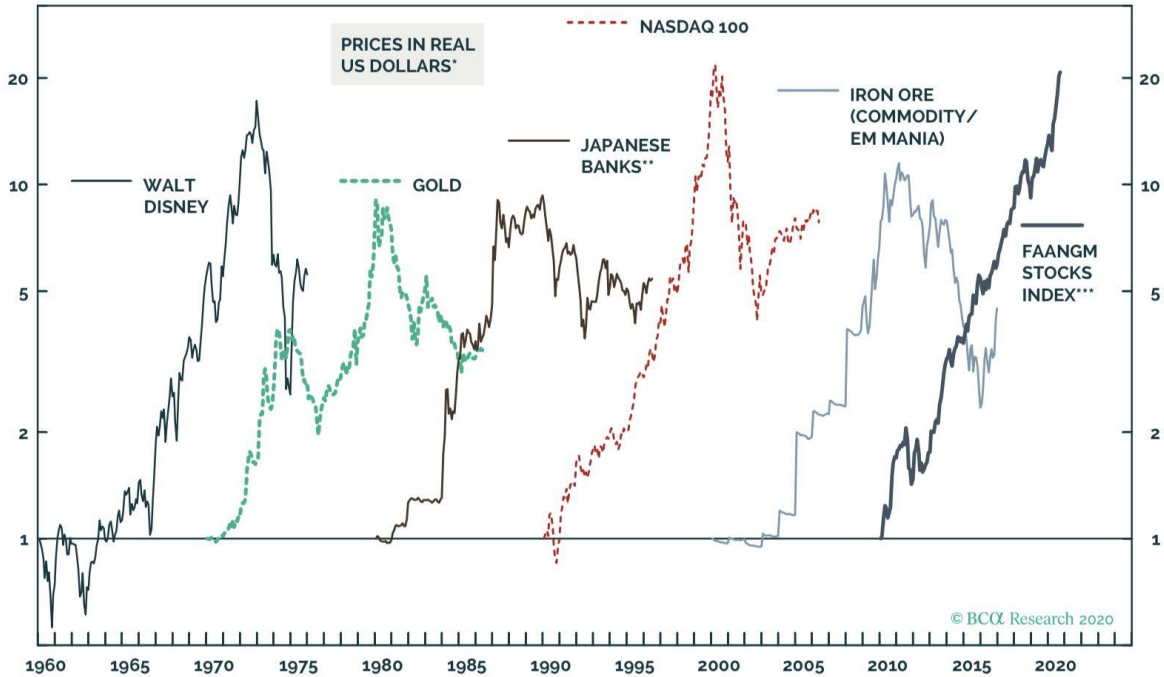
Source: FactSet, Goldman Sachs Global Investment Research

<https://www.zerohedge.com/markets/scariest-chart-todays-market-valuation-hedge-fund-darling-stocks-charts>

Several more charts confirm the fact that when these "markets" return to earth, their demise will be identified as a crisis (as opposed to a simple repricing from insanity to sanity).



CHART 6  
History Of Manias Of Past Decades

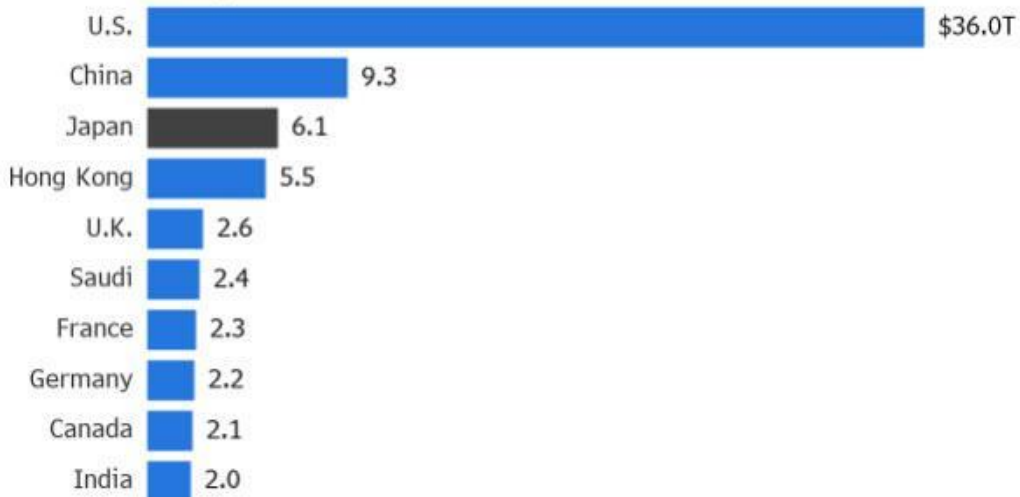


\*ALL SERIES REBASED TO 1 AT BEGINNING OF DECADE AND DEFLATED BY US HEADLINE CPI  
 \*\*SHOWN IN LOCAL CURRENCY TERMS AND DEFLATED BY JAPANESE CONSUMER PRICE INDEX  
 \*\*\*EQUALLY-WEIGHTED INDEX OF FACEBOOK, AMAZON, APPLE, NETFLIX, GOOGLE AND MICROSOFT; FACEBOOK EXCLUDED FROM CALCULATIONS PRIOR TO MAY 18TH 2012

## Stock Market Giants

Japan is world's third largest equity market

■ Total market capitalization

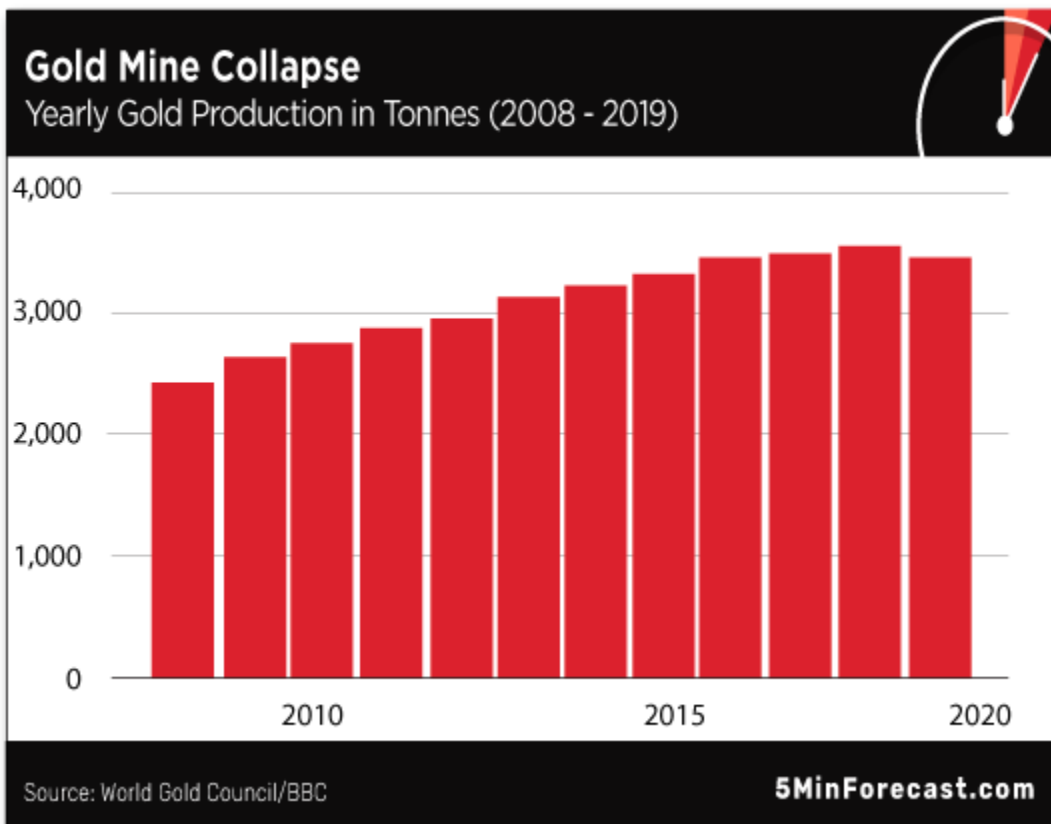


Source: Bloomberg

**Bloomberg**



As these thoughts are being composed, Gold's spot price has again fallen below \$1900/oz. Could the price of Precious Metals drop even further if a global crisis develops which could be megaton in its impact given the possibility of collapsing financial markets, a contested U.S. election result, riots in the streets and on-going Covid hysteria all impacting simultaneously, causing a tsunami of demand for the "safety" of the U.S. dollar? Certainly. However, the equal certainty is what the reaction to such a crisis be – unlimited credit creation from nothing, all while the amount of Gold being mined is shrinking:



Any selloffs in Gold and Silver will be short-lived and should be bought. Sadly, the "Danger and Change Point" is likely to be with us for quite a LONG-lived amount of time.

## **Alps, LPMG, St. Joseph Partners and Monetary Metals**

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.

We have an additional partnership with Monetary Metals (“MM”). MM has a unique niche in the Precious Metals markets, which is summarized in their motto: “A Yield on Gold, Paid in Gold”. For investors who would like exposure to the Precious Metals sector but require an income flow from the investment, our partnership with MM can provide the same.

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.

James P. Hunter  
Managing Partner  
Alps Precious Metals Group