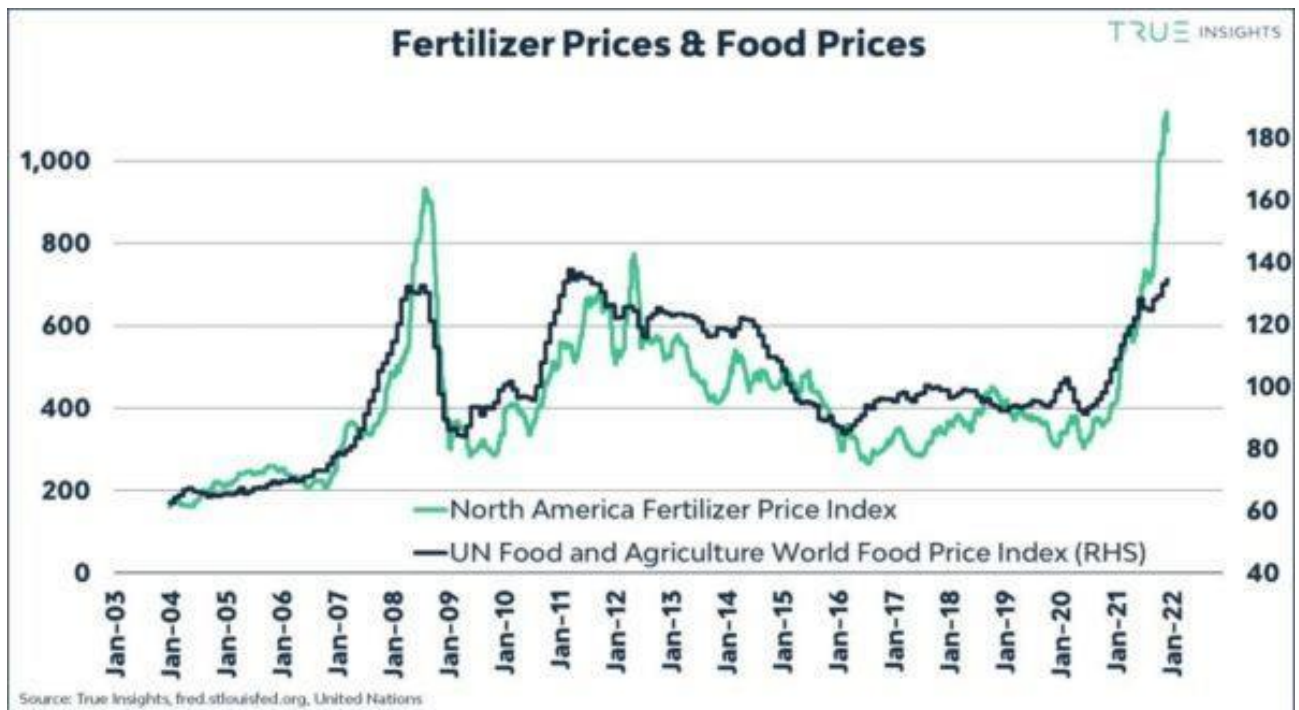


Alps Precious Metals Group

Commentary – January 17, 2022

Calm before the Bomb Cyclone



“...‘Not only will we not be able to grow cattle and we will not be able to grow food and we will not be able to grow grain or anything like that, but even if we could, we can’t move it, because we can’t turn a wheel in a truck because we have no Adblue,’ [AdBlue is needed for diesel vehicles — half of all trucks on Australian roads run on diesel]....As of February we might not have a truck on the road in Australia, we might not have a train on the tracks. ‘So quite literally the whole country comes to a standstill as of February.’ The farmer then, goes on to say: ‘Go and have a look in your cupboard and go and have a look in your fridge and I guarantee just about every single item there, at some point, urea has been used to produce that item, whether it’s a steak or a salad or a can of baked beans....’”

<https://internationalman.com/articles/heres-how-the-energy-crisis-turns-into-hunger-and-then-war/>; <https://www.msn.com/en-au/news/australia/farmer-reveals-the-terrifying-reality-of-australia-s-urea-shortage/ar-AARGHto>; Zero Hedge, 12/29/2021

In days not so long ago, a bad winter storm was called a “blizzard”. Today, terms such as “Winter Nor’easter” or “Bomb Cyclone” are employed. For this month’s analogy to the state of the global financial markets, we’ll go with the new nomenclature to remain up-to-speed with the sensational times in which we live.

“Bomb Cyclone” rolls off the tongue with an ominous air of peril and foreboding. This air is what is apropos for both the title page of this Commentary and what follows. As we have stated throughout the 5 ½ years of our company’s existence, the longer these monetary and financial distortions and imbalances continue, the worse the ultimate resolution will be. Now, after years of asset inflation, the ugly head of *consumer and commodity* inflation has been reared, and the resolution is starkly before us. What will Jay Powell and his U.S. and global colleagues do? Nothing and allow general, and far more importantly FOOD, price inflation to return to the dreadful days of the 1970’s (or worse as this month’s opening chart would imply)? Or tighten until prices are tamed, at the risk of a massive (read -50%+ repricing of global equity indices) stock market crash?

March 2022 will mark the 13th year of unprecedented manipulation of markets by Governments and Central Banks. These policies were enacted for the stated goal of “stabilizing the financial system and the global economy”. What these policies have actually accomplished is to send equity valuations to the most absurd and obscene on record, created one of the widest wealth gaps in the history of mankind, and rendered prudent capital management as a profession of the foolish (see our December 2021 Commentary).

The advent of cryptocurrencies was simultaneous with “Central Bank ‘toolboxes’”, aka, historically unprecedented market manipulation. Cryptos have become a companion to Gold and Silver as a means of exiting a corrupt and doomed experiment of economic and market control. Starting at a Zero valuation in 2009, Cryptos have grown to a current market cap of nearly \$1.7 Trillion. That is a significant megaphone blaring that investors/consumers want out of the status quo. However, the crypto market in aggregate needs to grow 7 times larger to reach the current market value of Gold and Silver (see <https://8marketcap.com/>).

The other reason demand has risen exponentially for Cryptos has been the madness of the response to “The ‘Vid’”. Bitcoin is up nearly 1000% since the genesis of the impact of the Fauci/Chinese Communist Party gain-of-function experiments gone terribly wrong. Covid-19 policies adopted by nearly every government on earth (with the notable exception of Sweden) have proven to be the utter waste of time that they were known to be in March/April of 2020; the reality of the facts of the case of the “Diamond Princess” cruise ship told virologists and epidemiologists all they needed to know.

Consistent with all other coronaviruses, this constantly mutating virus is impervious to masks, social distancing, lockdowns, experimental biological agents (aka, “vaccines”), etc., etc. Here is the graph of the case rate of the world’s most jabbed country, Israel:



And since these “vaccinations” don’t work, the prescient seers of the “Health Departments/Ministries” took to following George Orwell’s “1984” playbook in changing the meaning of words. Behold the “progressive” nature of the definition of the word “Vaccination” by those honest folks from the ruling classes:

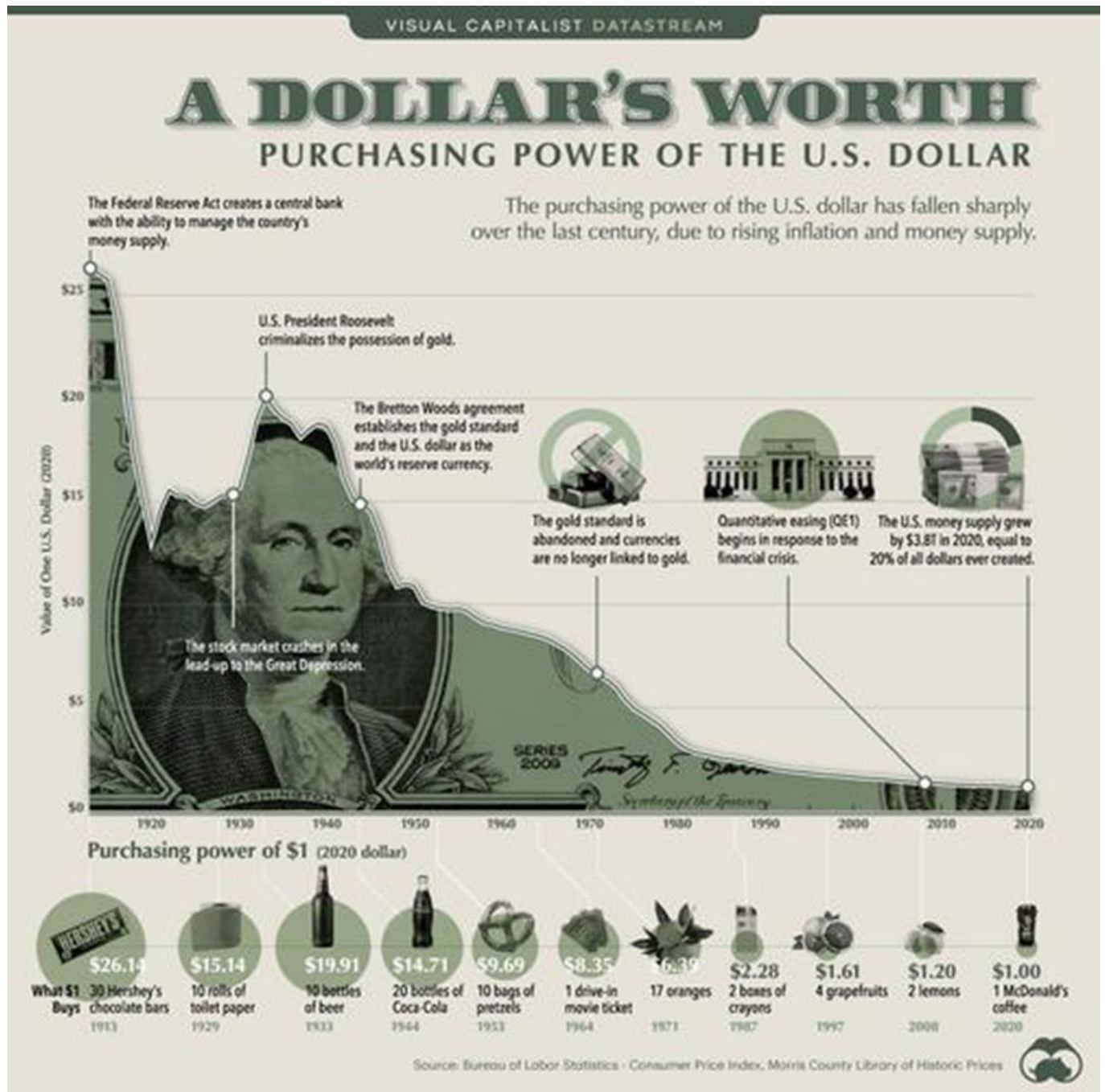
Vaccination (pre-2015): Injection of a killed or weakened infectious organism in order to prevent the disease.

Vaccination (2015-2021): The act of introducing a vaccine into the body to produce immunity to a specific disease.

Vaccination (Sept 2021): The act of introducing a vaccine into the body to produce protection from a specific disease.

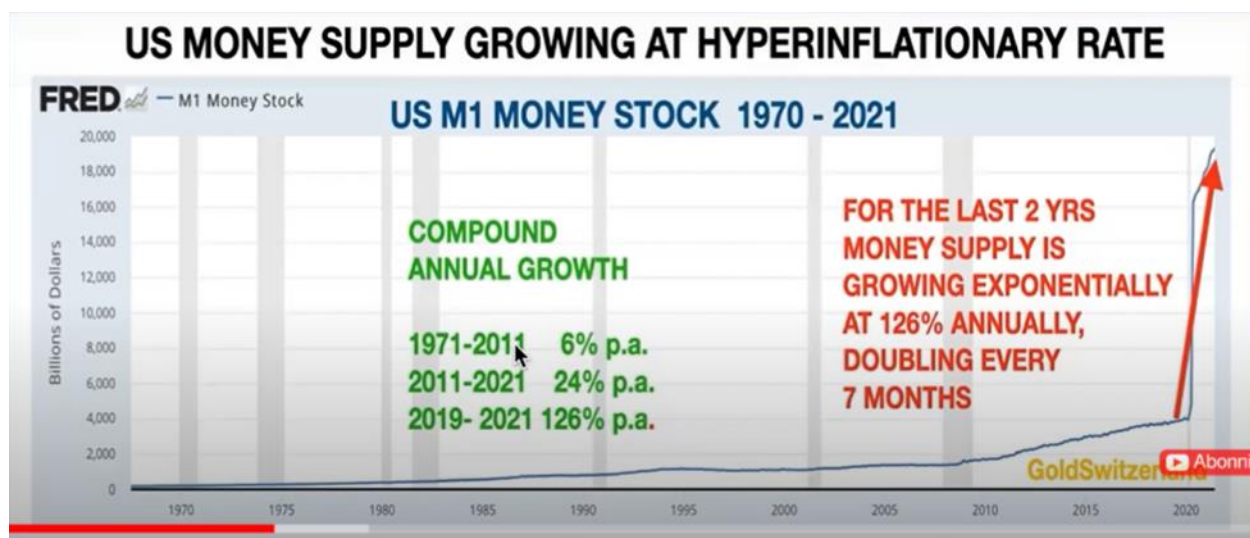
Source: Chart and Definition on this page from <https://www.theburningplatform.com/2022/01/10/fourth-turning-2022-bad-moon-rising/>

Worse, in addition to being time wasters, the inane, unscientific response to Corona has created all kinds of residual, unintended problems such as supply chain bottlenecks, empty grocery store shelves and other “loverlies”, the loveliest of which is Inflation. Here is a picture of the complete deterioration of the purchasing power of the U.S. Dollar over the last 100 years. Note especially what \$1.00 was able to purchase in years gone by compared to what one must shell out to by the same today:

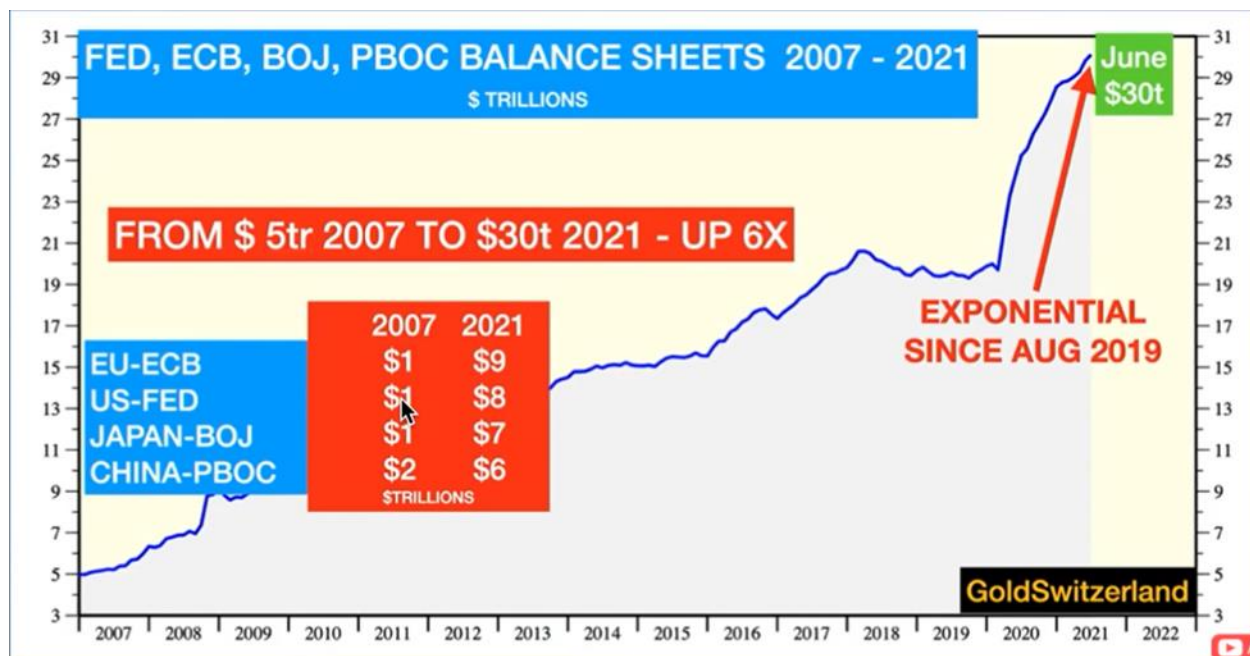


Not content to dismantle only the U.S Dollar, Central Planners the world over have worked in synch to transfer wealth to a self-appointed and utterly undeserving “elite” and their co-dependent Socialist banks and governments, sucking the life out of the once great Republics of Western Civilization, in order to bring us to the dystopia desired by the likes of George Soros, Klaus Schwab and Bill Gates.

“Toolkit tools” such as these:



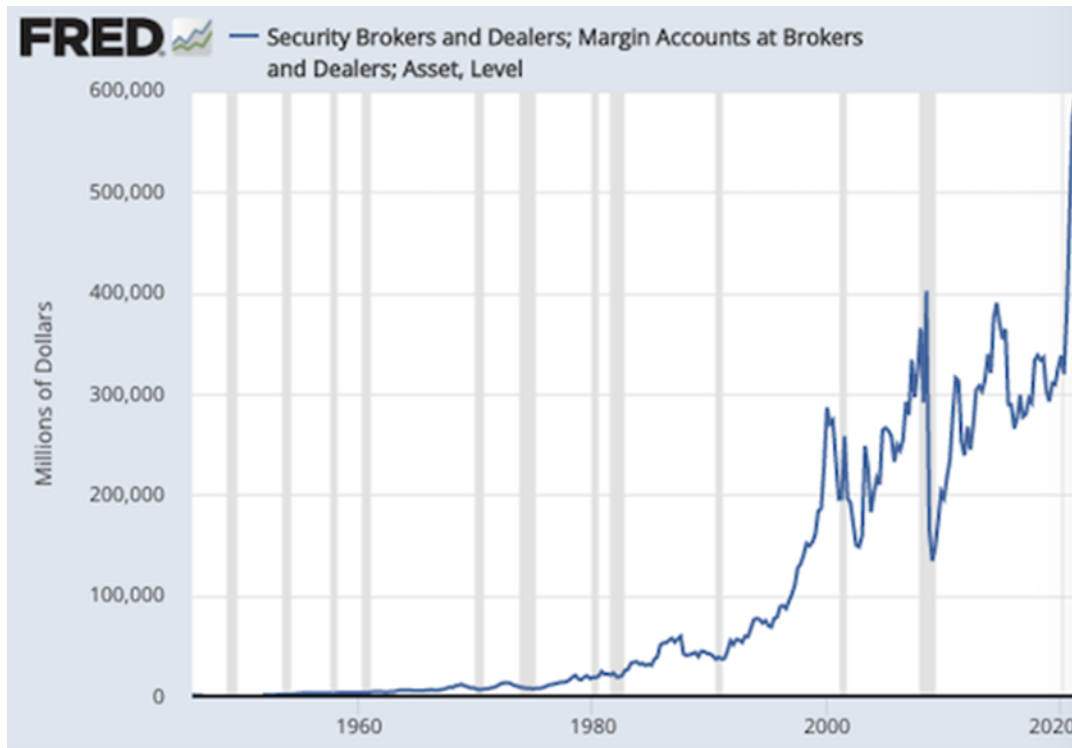
Source: Egon von Greyerz, Presentation to 2021 International Precious Metals & Commodities Conference (*Edelmetallmesse*) in Munich, Germany – November 2021



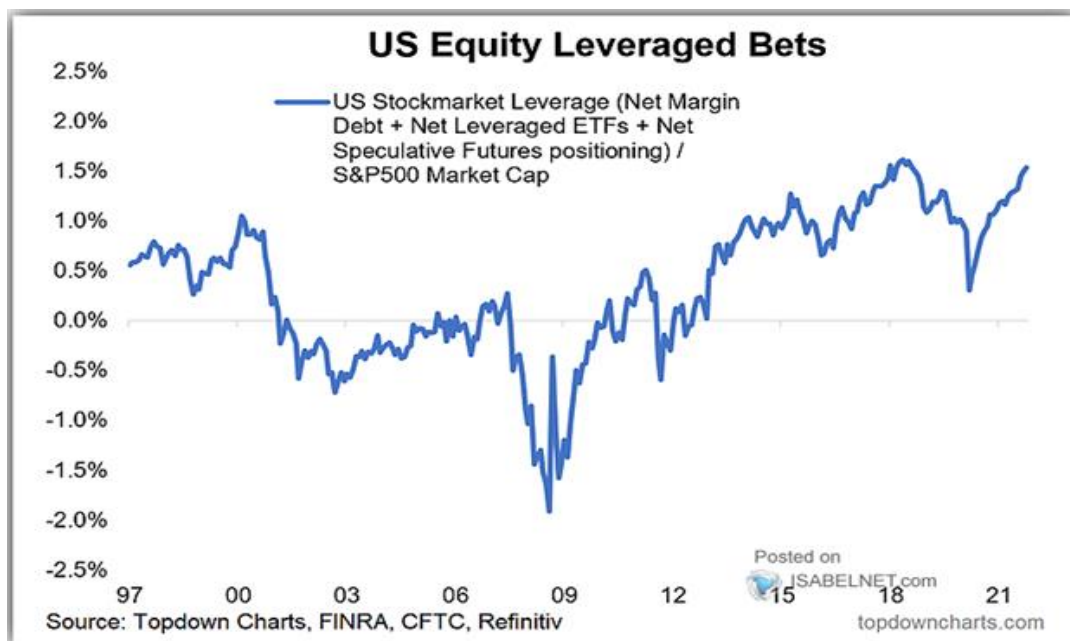
Source: Egon von Greyerz, Presentation to 2021 International Precious Metals & Commodities Conference (*Edelmetallmesse*) in Munich, Germany – November 2021

As we have chronicled in these Commentaries for some time, all of this Central Planner misbehavior has yielded scores of distortions. The updated scorecard of charts shows reading after reading in “off-the-charts” territory, well above the “out of control” days of 1929 and 2000 as follows:

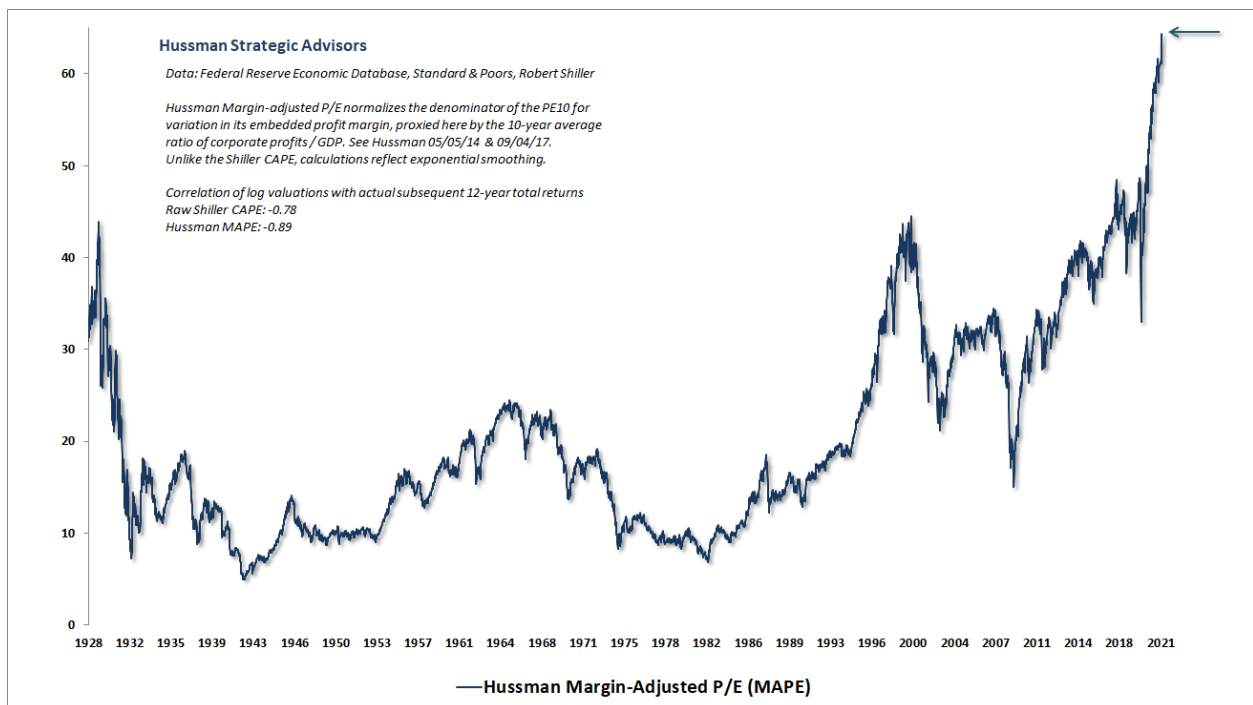
Leverage/Margin Risk? Compare and contrast to Y2K. Ahem.....



Source: 5 Minute Forecast, 12/6/2021



What has this wild leverage/margin begotten? The following 3 charts define “distorted” valuations. Margin-adjusted Price-to-Earnings ratios which make 1929 and 2000 look like pikers:



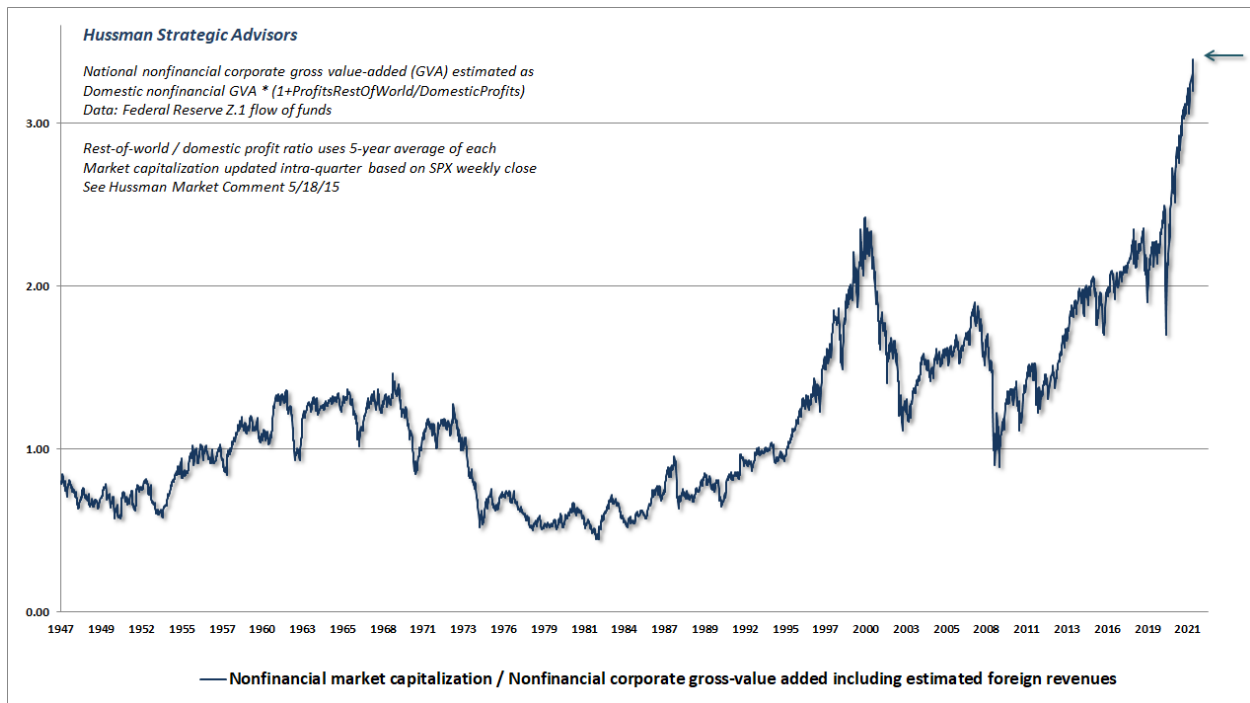
Source: John Hussman, “Return-Free Risk” – January 13, 2022, <https://www.hussmanfunds.com/comment/>

Stock prices relative to Gross Domestic Product? Again, Y2K is no match:



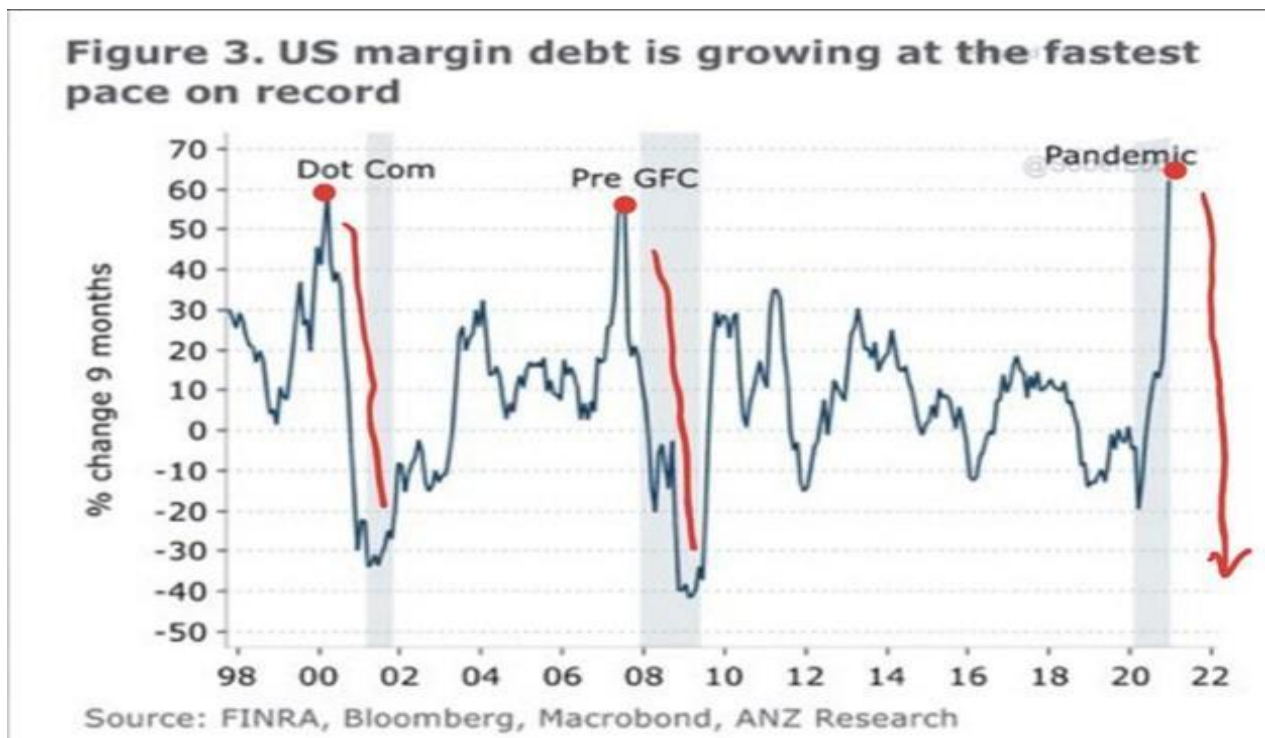
Source: Egon von Greyerz, Presentation to 2021 International Precious Metals & Commodities Conference (*Edelmetallmesse*) in Munich, Germany – November 2021

Finally, this chart which is the best measurement of market valuation available. The higher the peak, the more wildly extended is the valuation. Easy to see that this is the worst ever experienced:



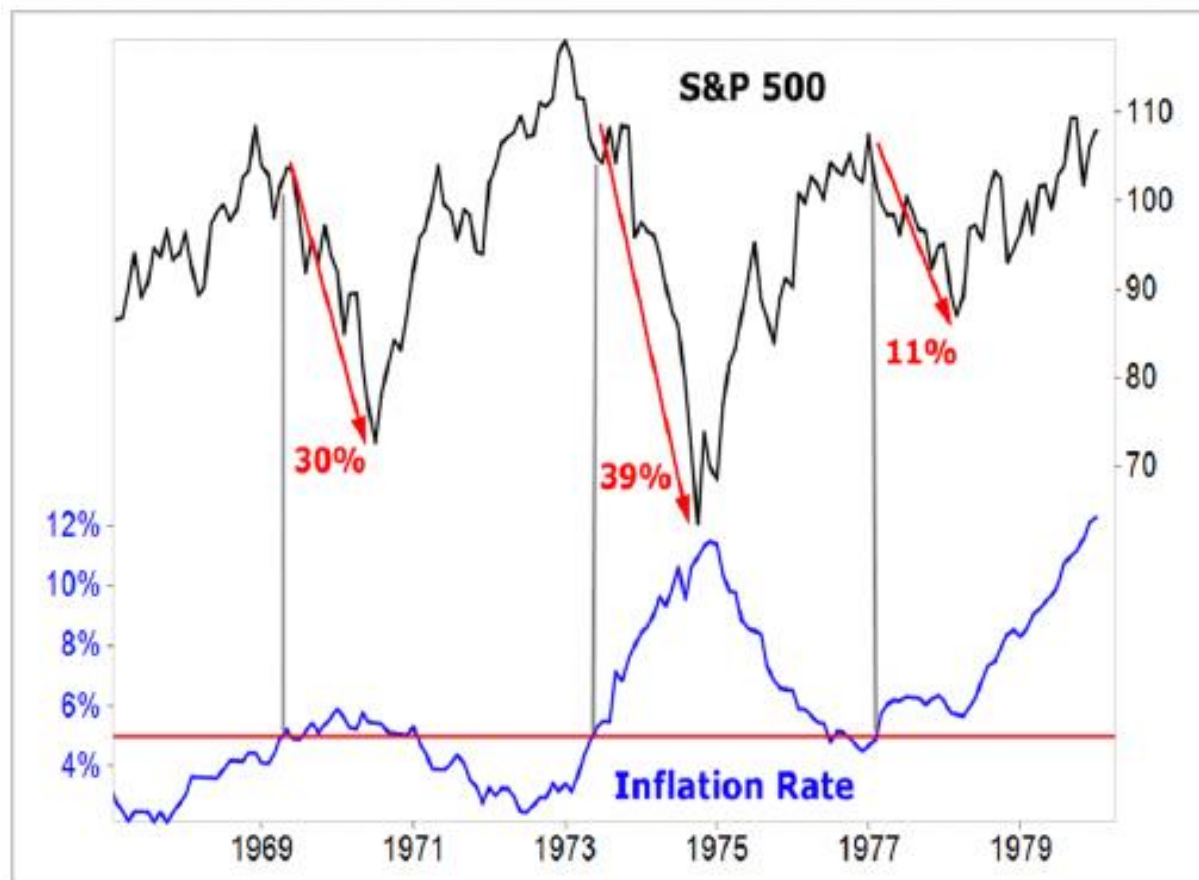
Source: John Hussman, "Return-Free Risk" – January 13, 2022, <https://www.hussmanfunds.com/comment/>

What does mean? Here's what the past tells us. Post-margin highs = 9 months later, down 35%:



The last two margin collapses – both of which occurred within the last 20 years – resulted in the Nasdaq down 80% in 2000-2002 and the S&P down 57% from Q4 2007-Q1 2009.

How do stock markets perform when Inflation rises above 5%? The 70's give us a taste of where we may be headed given the latest inflation prints:

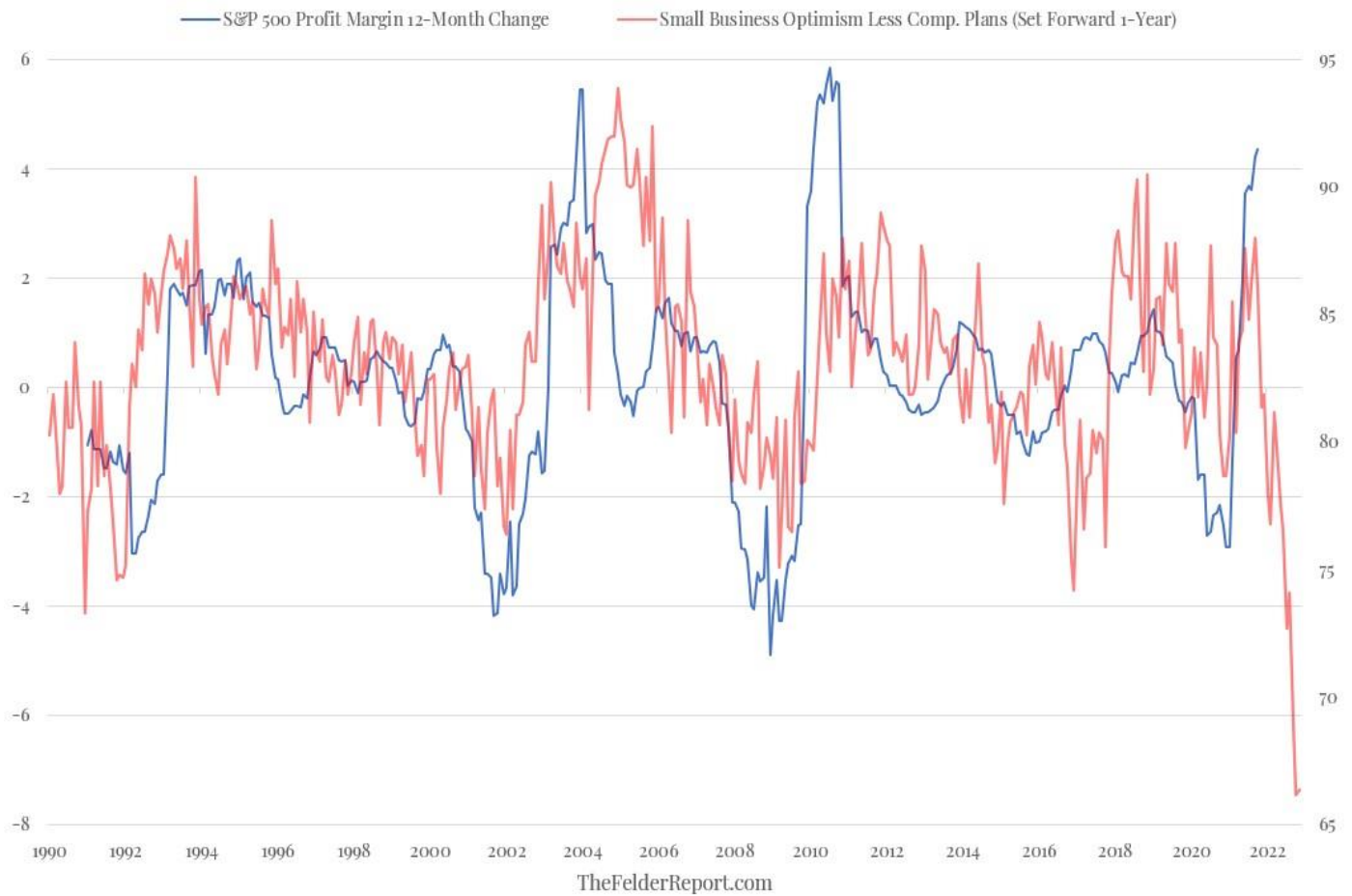


www.stansberryresearch.com

Source: Dr. Steve Sjuggerud, "Daily Wealth", December 14, 2021

Finally, the most accurate historical chart we have found (which has a "naked eye" correlation of 1.0) is the following which details what the past 30 years of measurements of Small Business Sentiment have meant for the future flight path of S&P 500 profit margins, which are highly correlated to S&P 500 prices:

Small Business Sentiment & Profit Margins



Source: The Felder Report, December 15, 2021 <https://thefelderreport.com/2021/12/15/small-businesses-big-message-for-the-markets/>

Given this reality check, where should capital go to wait out the sure and certain repricing of these monstrously overvalued assets? The choices appear to be:

- 1) Cash
- 2) Cryptos
- 3) Gold and Silver

First, how has cash performed during periods of “Stagflation”, when the Central Bankers/Planners are behind the curve and Inflation keeps chugging along, while the economy grinds to a halt due to a handcuffed Fed lifting interest rates? The answer is “pretty darn well”:

Table 1: Stagflation era saw cash 7 out of 16 years

Years cash outperformed both stocks & bonds

	Cash	US Equities	US Corporate Bonds
Dec-29	4.7%	-8.4%	3.3%
Dec-31	1.1%	-43.3%	-1.9%
Dec-66	4.8%	-10.1%	0.2%
Dec-69	6.6%	-8.5%	-8.1%
Dec-73	6.9%	-14.7%	1.1%
Dec-74	8.0%	-26.5%	-3.1%
Dec-77	5.1%	-7.2%	1.7%
Dec-78	7.2%	6.6%	-0.1%
Dec-81	14.7%	-4.9%	-1.0%
Dec-87	5.5%	5.3%	-0.3%
Dec-90	7.8%	-3.1%	6.8%
Dec-94	3.9%	1.3%	-5.8%
Dec-18	1.9%	-4.4%	-4.7%

Source: BofA Global Investment Strategy, Ibbotson, Bloomberg, GFD

BofA GLOBAL RESEARCH

As to Bitcoin/Cryptos, we suggest caution, due to the high correlation of cryptos and stocks:



Source: Zero Hedge/Bloomberg – January 2022

Which leads us to Gold and Silver and it will come as no surprise that this is the asset class that we suggest becomes either a new addition to one's portfolio, or a far more major addition. If past is prologue, then Gold's performance thus far in the 21st Century – up 6.7x nominally and 4.5x inflation-adjusted – is one that suggests a seat at the table of any asset allocation meeting; and certainly, at least, an equal share of an allocation involving Cash and Crypto.

In the closing chart, note Gold's performance in both short-term recessions (gray-shaded bars) and longer-term periods of geo-political/economic/market distress (1929-1941, 1970-1980 and 2001-2012). In nearly every single one, Gold rallied. This is exactly the asset a portfolio manager wants to own when his competition has none to be found.



Source: <https://www.macrotrends.net/1333/historical-gold-prices-100-year-chart>

Alps, LPMG, St. Joseph Partners and Monetary Metals

Alps Precious Metals Group via our partnerships with Liechtenstein Precious Metals Group (our Global and Offshore clients) and St. Joseph Partners (our 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") appropriate for both foreign and domestic clientele. 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) 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

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