# Alps Precious Metals Group

**Commentary – July 1, 2022**

# Prepare for Bail-Ins


A Shuttered Bank of Cyprus - 2013


Same for Laiki Bank in Cyprus - 2013

*Source for two photos above: https://search.brave.com/images?q=cyprus+financial+crisis+2013*

*"…One of the key examples of the use of bail-ins was in Cyprus, a country saddled with high debt and the potential for bank failures. The country's banking industry grew at an alarming rate after Cyprus joined the [European Union] (EU) and the Eurozone. This growth, coupled with risky investments in the Greek market and risky loans from two large domestic lenders, led to the need for government intervention in 2013.*[2]

*A bailout wasn't possible, as the federal government didn't have access to global [financial markets] or loans. Instead, it instituted the bail-in policy, forcing depositors with more than 100,000 euros to write off a portion of their holdings—a levy of 47.5%.*[3] *….*

*…bail-ins are the new norm. Dodd-Frank aimed to protect taxpayers from costly bailouts by allowing banks to use bail-in provisions, putting the onus on and shifting the risk to unsecured creditors, debtholders, as well as common and preferred shareholders. This also includes depositors whose account balances are in excess of the FDIC-insured limit…."*

*Excerpt from "Why Bank Bail-Ins will be the New Bail-Outs" - https://www.investopedia.com/articles/markets-economy/090716/why-bank-bailins-will-be-new-bailouts.asp*

Please carefully note the highlighted sections just above. The levy for those deposit accounts at Cypriot banks which had balances above the insured amount was ***** 47.5% ***.**

Let that sink in. Understand that *any* type of deposit held with/at a bank, whether it be in cash or Gold or Silver, will be on the table for Bail-In.

We believe that if "Financial Crisis 2008, 2.0" gets bad enough, that <u>everything</u> within the banking/brokerage system will end up being fair game. Inclusive of stocks, bonds, IRA's, et. al.

For those that dismiss these notions as being too far-fetched, or who would argue that bank and brokerage deposits will be protected by the steadfast, "black&white" law safeguarding them, we ask: What in the recent history of the last 15-20 years would lead one to believe that "The Rule of Law" relative to private property is something that is held sacrosanct in today's culture and culture's downstream derivative, government?

We believe that Bail-In Law created by Financial "Authorities" will be enacted in our future. Cyprus in 2013 was to the ECB, Fed, Bank of Japan and Bank of China (and the Governments and Oligarchies behind them) what Ethiopia was to Italy and the Spanish Civil War was to Germany in the 1930's – A Trial Run. So, the base case for our clientele/prospects of Institutions and High Net Worth Individuals/Family Offices needs to be an expectation of the loss of a full ***<u>*HALF*</u>*** of their assets held on deposit in whatever form, *<u>if</u>* those deposits remain within the current status quo financial system.

We have been quite struck by the fact that in most of the various and sundry conversations we have been privileged to have since the founding of our company 6 years ago, the knowledge and/or understanding of the reality of Bail-In risk is relatively nil. We have been further struck that, given this lack of awareness of the all-too-real presence of Bail-In statutes, the level of preparedness to neutralize this risk is also near nil. And that is both a problem and an opportunity.

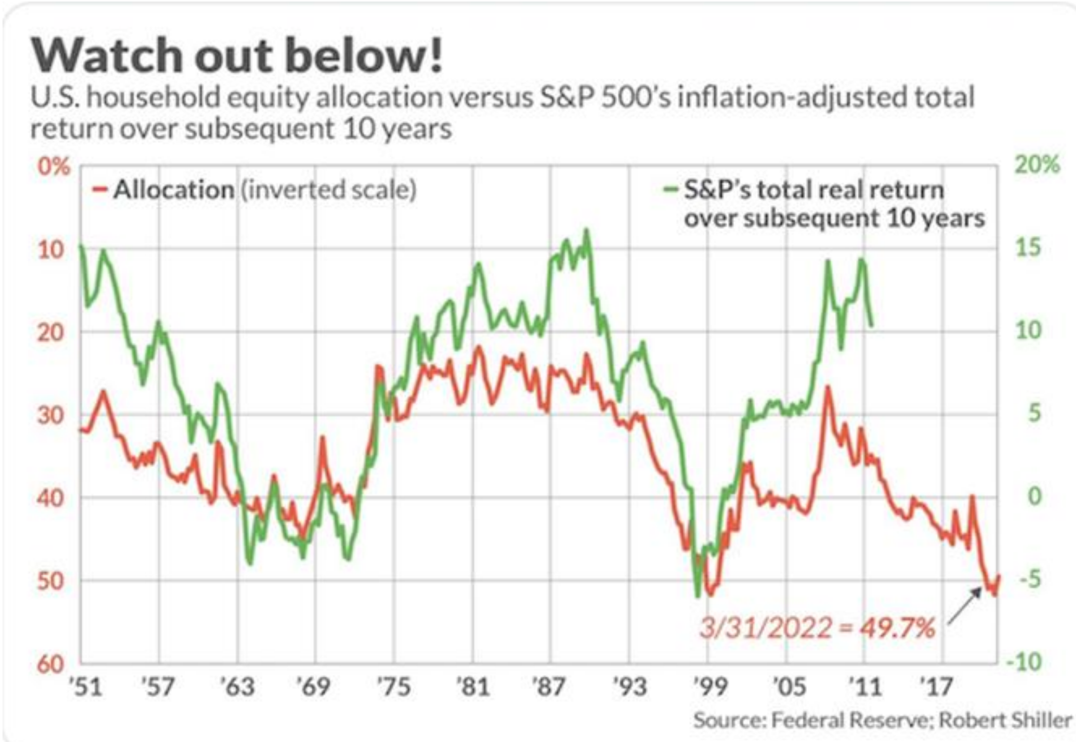
Our investment thesis remains the same - transparent, simple and straightforward. We ask our clients and prospects to assess the likelihood of market/economic/geopolitical events coming to pass such that "2008, 2.0" is upon us. Whatever the percentage assigned for such a "tail"-risk is, 1%, 5%, 10%, etc., the same corresponding percentage of a family or firm's net worth should be allocated to Gold and/or Silver held ***outside*** of the status quo financial system. Such a strategic decision will enable the firm or family to become its own Central Bank for that percentage of their Net Worth, as well as avoiding the certain drawdowns which will befall those unprepared for Bail-In – which currently is most every firm and family.

The first half of 2022 ended yesterday, giving us the opportunity to consult a number of charts to assess how the markets fared, and, most importantly, how Gold fared:

1) Gold vs. Stocks vs. Bonds vs. the Dollar – The dollar is the winner, but in terms of relative performance, Gold blew away equity and fixed income investments:

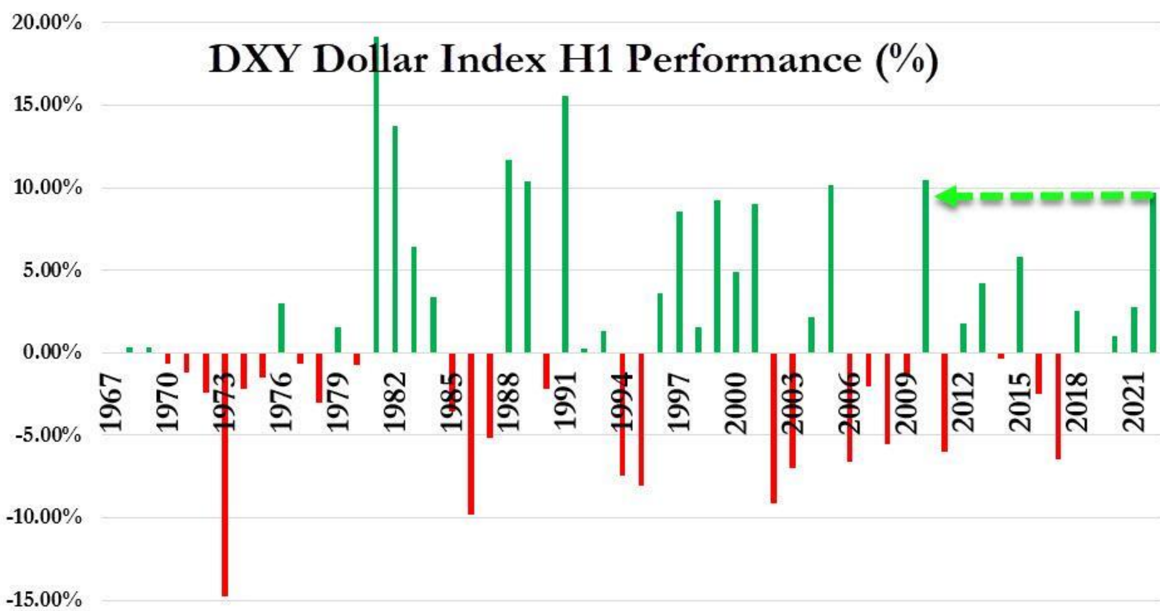

*Source: Bloomberg +* *[https://cms.zerohedge.com/s3/files/inline-images/2022-06-30_08-01-16.jpg?itok=Dm-S3i1G](https://cms.zerohedge.com/s3/files/inline-images/2022-06-30_08-01-16.jpg?itok=Dm-S3i1G)*

2) Where we're headed, according to this graph, is for a lost decade:




*Source: Jessie Felder + [The stock market's return will be minus 3.3% a year over the next decade, says this 'single greatest predictor' - MarketWatch]*

3) In 1H 2022, the Dollar had one of its best ever performances, and the best since 2010:




*Source: Zero Hedge,* https://cms.zerohedge.com/s3/files/inline-images/2022-06-30_08-26-48.jpg?itok=OZIKLMo-

4) Here is a picture of “Fast” Bear Markets and Corrections in the last 100 years:

| S&P 500 Bear Markets and Corrections Since 1928 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cycle | Peak Dat | Trough Dat | Peak Pric | Trough Pric | Percent Los | Trading Day | Crash Typ | Crash Spee |
| 1 | 9/16/29 | 11/13/29 | $31.86 | $17.66 | -0.45 | 40 | Bear | Fast |
| 3 | 9/7/32 | 2/27/33 | $9.31 | $5.53 | -0.41 | 116 | Bear | Fast |
| 4 | 7/18/33 | 10/19/33 | $12.20 | $8.61 | -0.29 | 65 | Bear | Fast |
| 8 | 11/9/38 | 4/11/39 | $13.79 | $10.42 | -0.24 | 102 | Bear | Fast |
| 13 | 5/29/46 | 10/9/46 | $19.25 | $14.12 | -0.27 | 92 | Bear | Fast |
| 21 | 7/15/57 | 10/22/57 | $49.13 | $38.98 | -0.21 | 70 | Bear | Fast |
| 38 | 8/25/87 | 12/4/87 | $336.77 | $223.92 | -0.34 | 71 | Bear | Fast |
| 53 | 2/19/20 | 3/23/20 | $3,386.15 | $2,237.40 | -0.34 | 23 | Bear | Fast |
| Total | | | | | -0.32 | 72.375 | | |

5) And the same for “Slow” Bear Markets and Corrections in the last 100 years:

| S&P 500 Bear Markets and Corrections Since 1928 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cycle | Peak Dat | Trough Dat | Peak Pric | Trough Pric | Percent Los | Trading Day | Crash Typ | Crash Spee |
| 2 | 4/10/30 | 6/1/32 | $25.92 | $4.40 | -0.83 | 537 | Bear | Slow |
| 5 | 2/6/34 | 3/14/35 | $11.82 | $8.06 | -0.32 | 273 | Bear | Slow |
| 7 | 3/10/37 | 3/31/38 | $18.67 | $8.50 | -0.54 | 267 | Bear | Slow |
| 9 | 10/25/39 | 6/10/40 | $13.21 | $8.99 | -0.32 | 155 | Bear | Slow |
| 10 | 11/7/40 | 4/28/42 | $11.39 | $7.47 | -0.34 | 365 | Bear | Slow |
| 16 | 6/15/48 | 6/13/49 | $17.06 | $13.55 | -0.21 | 250 | Bear | Slow |
| 23 | 12/12/61 | 6/26/62 | $72.64 | $52.32 | -0.28 | 135 | Bear | Slow |
| 25 | 2/9/66 | 10/7/66 | $94.06 | $73.20 | -0.22 | 167 | Bear | Slow |
| 27 | 11/29/68 | 5/26/70 | $108.37 | $69.29 | -0.36 | 369 | Bear | Slow |
| 29 | 1/11/73 | 10/3/74 | $120.24 | $62.28 | -0.48 | 436 | Bear | Slow |
| 36 | 11/28/80 | 8/12/82 | $140.52 | $102.42 | -0.27 | 430 | Bear | Slow |
| 44 | 3/24/00 | 10/9/02 | $1,527.46 | $776.76 | -0.49 | 637 | Bear | Slow |
| 46 | 10/9/07 | 3/9/09 | $1,565.15 | $676.53 | -0.57 | 355 | Bear | Slow |
| Total | | | | | -0.40 | 336.6153846 | | |

*Source for the two tables above: Dave Gonigam, 5 Minute Forecast - https://5minforecast.com/2022/06/30/this-bear-market-isnt-even-half-over/*

Please note that at down 19% and change from the close on 12/31/2021, the downdraft in the S&P 500 thus far in 2022 did not make either table. We likely have a lot more wood to chop before this repricing is over.

Please also note in the following graph how little it took in terms of reduction of the Global Central Bank Balance Sheet (a mere <5%) to bring about a 20% drawdown in the most important U.S. Equity Index. Given how small a percentage “tap of the brakes” this was, imagine where stock indices may be headed should the Fed and friends have to tighten far more than they would prefer, as they must deal with the reality of unyielding inflation numbers, a global conflagration/power struggle, or both:

*Source: Bloomberg and Zero Hedge - [https://www.zerohedge.com/markets/first-half-fubar-stocks-worst-60-years-bonds-bitcoin-worst-ever](https://www.zerohedge.com/markets/first-half-fubar-stocks-worst-60-years-bonds-bitcoin-worst-ever)*

If a general equity repricing is indeed in our future, hedging would be in order. As we have said in an e-mail to a number of you, what would be your response if we were able to deliver to you a “Hedge Fund” that (paraphrasing our friend Simon Mikhailovich of Tocqueville Bullion Reserve):

1) Has no counter-party risk.
2) Cannot go to a zero valuation.
3) Has no expiration/maturity date, no “gates”, etc.
4) Cost less than 75 basis points per annum, all-in.
5) Has a nearly 100 year track record of outperformance.

Our assumption would be that the response would be “As much as I can get”! Well, we can deliver what we’ve advertised: Physical Gold and Silver outside of the “Destined for Bail-In’s” Banking/Brokerage System.

Keep the following table in the forefront of your mind as you form your strategy for what lies ahead. Fears of Bail-In disappear like chaff in the wind when one owns Physical Gold and Silver in a Vault that quietly abides as the cacophony of chaos rises in the world around:

## Gold Captivates as Equity Hedge

**S&P 500 Return vs. Gold Return during Times of Equity Crashes**

IGWT Report

| Date of Market High | Date of Market Low | S&P 500 Return | Gold Return | Gold Relative to S&P500 S&P 500 |
|---|---|---|---|---|
| 9/16/1929 | 6/1/1932 | -86.19% | 0.29% | 86.48% |
| 8/2/1956 | 10/22/1957 | -21.63% | -0.11% | 21.52% |
| 12/12/1961 | 6/26/1962 | -27.97% | -0.06% | 27.91% |
| 2/9/1966 | 10/7/1966 | -22.18% | 0.00% | 22.18% |
| 11/29/1968 | 5/26/1970 | -36.06% | -10.50% | 25.56% |
| 1/11/1973 | 10/3/1974 | -48.20% | 137.47% | 185.67% |
| 11/28/1980 | 8/9/1982 | -27.27% | -45.78% | -18.51% |
| 8/25/1987 | 10/20/1987 | -35.94% | 1.38% | 37.32% |
| 7/16/1990 | 10/11/1990 | -20.36% | 6.81% | 27.17% |
| 7/17/1998 | 10/8/1998 | -22.29% | 1.71% | 24.00% |
| 3/24/2000 | 10/10/2002 | -50.50% | 11.18% | 61.68% |
| 10/11/2007 | 3/6/2009 | -57.69% | 25.61% | 83.30% |
| 9/21/2018 | 12/26/2018 | -20.21% | 5.59% | 25.80% |
| 2/19/2020 | 3/23/2020 | -35.41% | -3.63% | 31.78% |
| 1/3/2022 | **3/8/2022*** | -13.05% | 12.25% | 25.30% |
| | **MEAN** | **-36.65%** | **10.28%** | **45.85%** |
| | **MEDIAN** | **-27.97%** | **1.38%** | **27.54%** |

Source: Cornerstone Macro, Bloomberg, Reuters Eikon (*Lowest Closing Price Since 1/3/2022), Incrementum AG

incrementum

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## 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 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
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Alps Precious Metals Group