

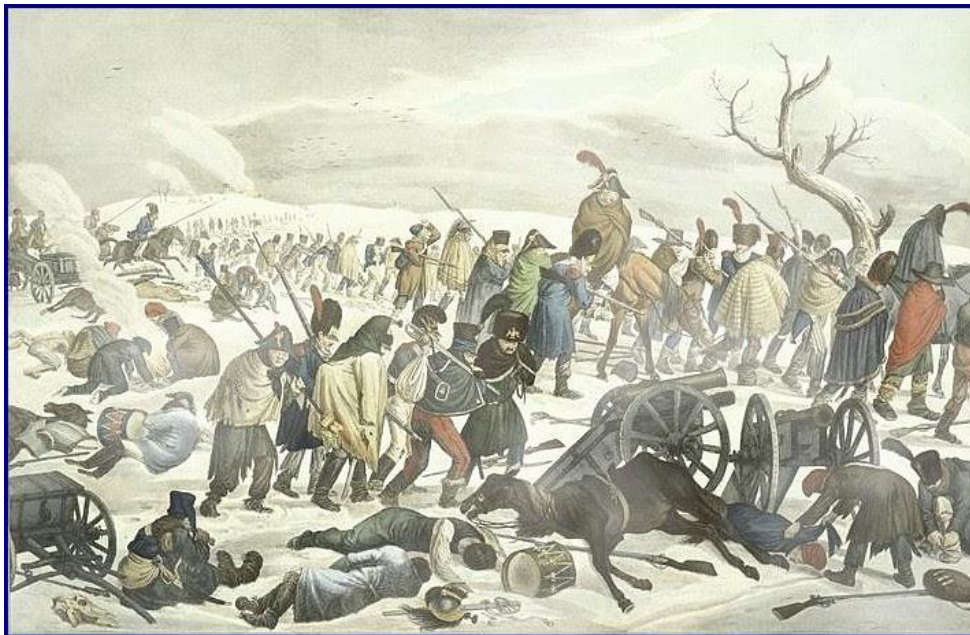
Alps Precious Metals Group

Commentary – May 3, 2022

Russia, War and History



The Grande Armée of the Republic retreats from burning Moscow, September/October 1812



The Road back to France - 95% of the Grande Armée of the Republic is lost

Source for two photos above: <https://cafephilodroite.blogspot.com/2012/09/la-retraite-de-russie.html>

“...While his Grand Armee enjoyed fantastic success elsewhere in Europe, it found the going tough when it encountered the treacherous conditions in Russia....The Russian Army had no interest in engaging directly with the French, so they continued to retreat and burned crops and resources along the way. As a result, Napoleon’s “living off the land” strategy was ruined, and his army’s supply lines were stretched to the limit....At Borodino on September 7, 1812, two of the greatest armies in Europe squared off as the Grand Armee had somewhere between 130,000 and 190,000 men against the Russian forces with 120,000-160,000 soldiers....A total of 60,000 men died at Borodino and Napoleon could ill-afford the losses (some 30,000-35,000 French soldiers died or were wounded or captured). Nonetheless, he was free to take Moscow. Unfortunately for him, the Russians did not do what he expected. They elected to abandon the city so when the French arrived, less than one-third of its population remained, and law & order had completely broken down. Also, the stores had been plundered so there were few supplies to feast upon. Napoleon had expected to receive the Tsar in Moscow and bask in the glow of victory, but there wasn’t even a Russian general there to surrender on bended knee. The French were in Moscow for a day when a huge fire engulfed the city, and eventually they fled on October 19. By then, the Russian army had regrouped and harassed the French until Napoleon decided to abandon his invasion in 1812. In just six months, Napoleon had lost almost half a million men....”

Source: <https://historycollection.com/total-devastation-6-famous-pyrrhic-victories-throughout-history/5/>



Commemorative Statues for the Battle for Stalingrad – August 1942 to February 1943

(For scale, note the size of the people to the left of “The Motherland Calls”)



German Army retreats from Russia

Despite catastrophic losses in the first six weeks of the war, the Soviet Union failed to collapse as anticipated by the Nazi leadership and the German military commanders. In mid-August 1941, Soviet resistance stiffened, knocking the Germans off of their unrealistic timetable....after months of campaigning, the German army was exhausted. Having expected a rapid Soviet collapse, German planners had failed to equip their troops for winter warfare. Expecting their military personnel to live off the land of a conquered Soviet Union at the expense of the indigenous population, which in German calculations, would starve to death in the millions, German planners had failed to provide sufficient food and medicines. Worse still, German troops, advancing rapidly, outran their supply lines, rendering thinly defended flanks vulnerable to Soviet counterattack along the 1,000 mile stretch from Berlin to MOSCOW. Source - <https://www.quora.com/How-big-of-a-role-did-season-and-the-climate-play-in-Hitler%E2%80%99s-failure-of-Operation-Barbarossa-in-World-War-II>

As did our last Commentary, so this edition begins with another truism – “Those who do not know history are doomed to repeat it”. As the tragic events continue to unfold in Ukraine, we felt it might be wise to review some historical facts about the conflict that has taken the world’s center stage.

The origins of modern-day Russia and Ukraine began in the 9th Century AD, with the city of Kiev playing a major role in much of the early history. The country and people were called “The Rus”, composed of peoples of a multitude of origins, mainly Scandinavian and Germanic. The first great ruler of the Rus was Vladimir Svyatoslavich, aka, Vladimir the Great. He was baptized as a Byzantine Rite Christian in Kiev in 987 AD. Thus began the Christian persona of the largest country by landmass in the world.

While admittedly skipping a great deal of history, for the sake of brevity in this Commentary, we jump to the broad-brush connection of today’s Ukraine and Russia:

“...Ukraine for its part had become a de facto Moscow protectorate way back in 1654 under the Treaty of Pereyaslav: much more than a strategic alliance, it was a natural fusion, in progress for ages by two Orthodox Slav nations.

Ukraine then falls under the Russian orbit. Russian domination expands until 1764, when the last Ukrainian hetman (commander-in-chief) is officially deposed by Catherine the Great: that’s when Ukraine becomes a province of the Russian empire.

As Putin made it quite clear this week: “Russia cannot allow the creation of anti-Russian territories around the country.” Operation Z will inevitably encompass Odessa, founded in 1794 by Catherine the Great....”

Source: <https://thecradle.co/Article/columns/9733> – Pepe Escobar; Zero Hedge, 6:00 am May 1, 2022

Arguably, what we are watching is a nasty family squabble, though to be sure there are innumerable additional factors at work as well. But why is this so crucial to Russia, that she would be willing to start a war with Ukraine and the West to re-establish the ancient, historical relationship between the land and people of Russia and Ukraine? 10 years ago, John J. Mearsheimer of Foreign Affairs magazine explained the reason succinctly:

“...A huge expanse of flat land that Napoleonic France, imperial Germany, and Nazi Germany all crossed to strike at Russia itself, Ukraine serves as a buffer state of enormous strategic importance to Russia. No Russian leader would tolerate a military alliance that was Moscow’s mortal enemy...moving into Ukraine. Nor would any Russian leader stand idly by while the West helped install a government there that was determined to integrate Ukraine into the West....”

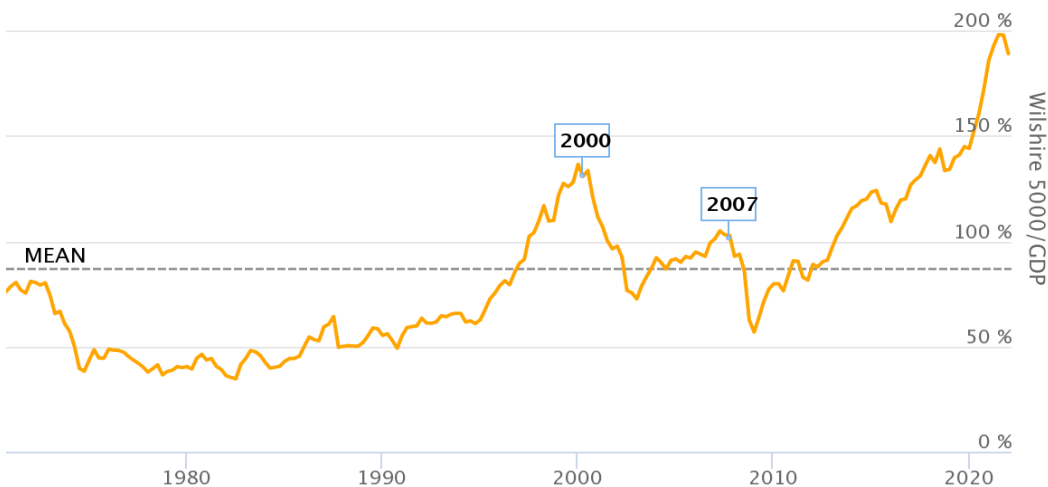
John J. Mearsheimer, Foreign Affairs Magazine, September-October 2012 & <https://www.chroniclesmagazine.org/a-ukrainian-tragedy/>

After promising in February of 1990 that NATO would not expand one inch to the East (see <https://nsarchive.gwu.edu/briefing-book/russia-programs/2017-12-12/nato-expansion-what-gorbachev-heard-western-leaders-early>), for 30 years that is exactly what NATO has done. In 2014, after a pro-Russia government was elected in Ukraine, the U.S. State Department and the CIA (likely in concert with George Soros: <https://www.zerohedge.com/news/2015-06-01/hacked-emails-expose-george-soros-ukraine-puppet-master>) engineered the “Maidan Revolution” coup, and installed a pro-Western/NATO government. In the ensuing eight years, as NATO has continually made serious noises about bringing Ukraine into the alliance, Russia finally said “No More” – irrespective of whether the West liked it or not, and also irrespective of what that meant in terms of war. By invading Ukraine, Vladimir Putin and his colleagues who run Russia may have made a material long-term strategic mistake on a number of levels, but if the West insists on burying its collective heads in the sand as to the deeper reasons that caused this hideous conflagration, we will be doomed to an even longer, costlier and, God forbid, broader war in geo-political, financial and, worst of all, human terms.

Last month, we reasserted the claim that Markets hate War. Given that we find ourselves right smack in the middle of one in the physical sense in Ukraine/Russia and in the political sense everywhere else, what is that likely to mean for markets, and, most importantly given our avocation, for Gold and Silver prices? Below are some charts to consider:

First, where are we in terms of valuations? Still near all-time highs with a long way to go in the “southern” direction in order to get back to some semblance of reality:

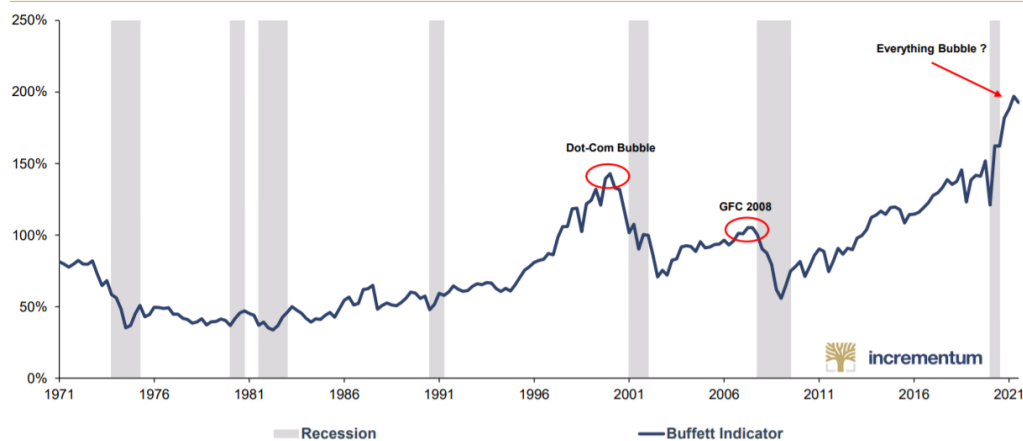
Wilshire 5000 to GDP Ratio



Source: Doug Casey's International Man, 4/12/2022

Buffett Indicator Hits New ATH with Stock Market Cap Reaching Approximately 200% of US GDP

Buffett Indicator (Wilshire 5000 in % of US GDP), Q1/1971-Q4/2021



Source: Reuters Eikon, Incrementum AG

Second, what's the historical scorecard for what one should expect for market performance when the excesses (so glaringly obvious in the charts above) correct?:

Crisis	S&P 500 Decline
The Great Depression of 1929-1932	-83%
The Great Recession of 2008-2009	-51%
Dot-com bubble burst	-45%
1973-1974 Bear	-43%
March 2020 Covid Crash	-34%
Black Monday of 1987	-30%

So, given the unpleasant statistics shown, to which broad asset class does one turn to enjoy *positive* returns in such times? Commodities: (the next 6 charts below are courtesy of our friends at Incrementum, AG)

Commodities Are Starting to Outperform Stocks. But only Barely!

S&P GSCI Total Return Index/S&P 500 Ratio, 01/1971-03/2022



Source: Reuters Eikon, Prof. Dr. Torsten Dorn, Incrementum AG

But what if it is “Stagflation” which awaits us? Gold and Oil are must-have longs:

Which Asset Classes Work in a Stagflationary Environment?

Historical Asset Class Performance During Periods of Stagflation

IGWT
Report

Start	End	S&P 500	US Dollar	S&P GSCI	Metals	Industrial Commodities	Agriculture/ Livestock	Gold	Silver	WTI Oil	US T10Y (bps)
Q4/1959	Q1/1971	13.2%		-3.5%	-8.8%	-6.4%	8.9%	10.5%	-10.1%	6.3%	-198
Q4/1973	Q3/1975	-5.7%	11.6%	18.3%	21.8%	-1.1%	10.0%	37.2%	64.7%	158.9%	158
Q2/1979	Q2/1981	32.7%	22.6%	33.0%	-7.8%	1.5%	22.8%	77.4%	4.3%	139.7%	472
Q1/1982	Q1/1983	42.9%	6.8%	1.4%	-11.8%	-5.8%	1.6%	29.7%	48.7%	7.5%	-356
Average Nominal Return		20.8%	13.7%	12.3%	-1.6%	-2.9%	10.8%	38.7%	26.9%	78.1%	19
Average Real Return		7.0%	-0.1%	-1.5%	-15.5%	-16.8%	-3.0%	24.9%	13.1%	64.3%	

Source: Bloomberg, Incrementum AG



incrementum

16

For hedging Stock Market downdrafts, Gold's performance speaks for itself:

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&P 500 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

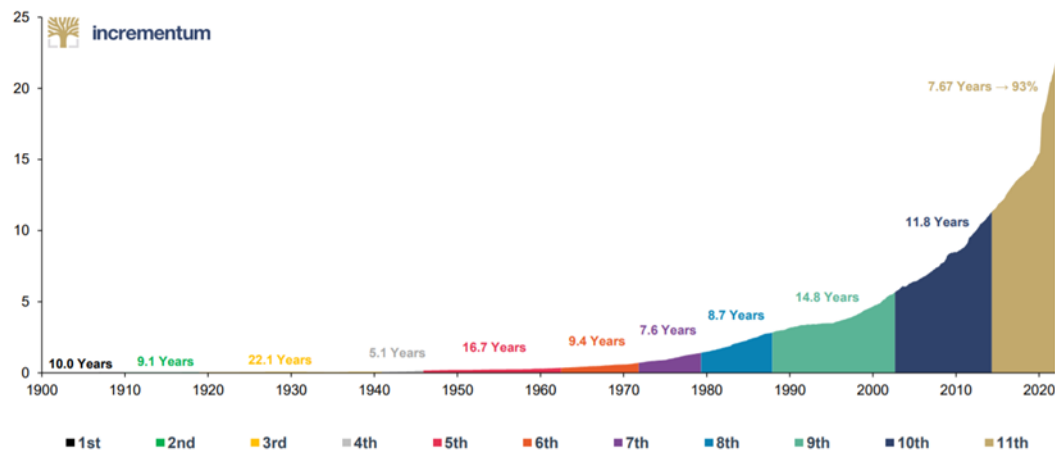
34

Backing one's currency with Gold seems to be all the rage these days. And given how much "M2" has been created ex nihilo.....

Historically, M2 Growth Was Only Faster in the 40s and 70s!

M2 Doubling Periods, in USD trn, 01/1900-01/2022

IGWT
Report



...that will require a big rally in Gold's price to get the relative levels back to equilibrium:

Gold Coverage Ratio Has Decreased to 8%

Value of US Gold Reserves, Gold Coverage Ratio, and Gold Price to Back US Monetary Base

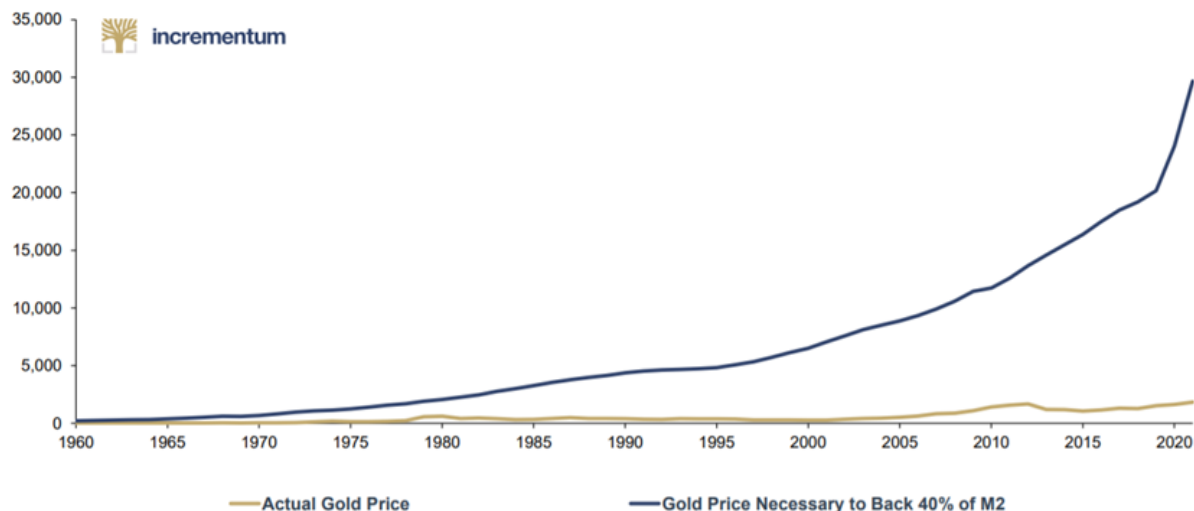
IGWT
Report

Year	US Money Stock (Base Money in USD bn.)	US Gold Reserves (Moz)	Gold Price (oz)	Value of Gold Reserves (in USD bn.)	Gold Coverage Ratio	Gold Price to Fully Back Monetary Base (in USD)
1971	84	290	41	11.9	14%	290
1980	156	263	835	220	141%	593
2008	1,136	260	830	216	19%	4,369
2011	2,638	260	1,623	442	16%	10,146
2022	6,104	260	1,921	499	8%	23,477

Source: Federal Reserve Bank of St. Louis, Kitco.com, Incrementum AG

Back to A Gold Standard? USD 30,000 Needed for 40% Gold Coverage

Gold Price Needed for a Return to the Gold Standard, 1960-2021



Source: Wells Fargo Investment Institute, Reuters Eikon, Incrementum AG



Coming full circle, what is **THE** catalyst for ramping Gold's price skyward? Chaos. And chaos is most often fomented by War. As the U.S. and NATO posture themselves towards Russia, and perhaps soon towards China, one wonders if anyone in positions of power in Washington or Europe remembers the words of General Montgomery of the U.K.:

"...The next war on land will be very different from the last one, in that we shall have to fight it in a different way. In reaching a decision on that matter, we must first be clear about certain rules of war. Rule 1, on page 1 of the book of war, is: "Do not march on Moscow". Various people have tried it, Napoleon and Hitler, and it is no good. That is the first rule. I do not know whether your Lordships will know Rule 2 of war. It is: "Do not go fighting with your land armies in China". It is a vast country, with no clearly defined objectives, and an army fighting there would be engulfed by what is known as the Ming Bing, the people's insurgents...." British Field Marshal Bernard Montgomery

Source: <http://hansard.millbanksystems.com/lords/1962/may/30/the-army-estimates#S5LV0241P0-00791>

Our core advice as a company to our clientele and prospects is to become one's own Central Bank. We believe that by owning PHYSICAL Gold and Silver and vaulting the same **outside** of the status quo financial system is the best strategy for preserving and growing one's store of labor in these "interesting times". As to why this is as important as ever, we give you our friend Srdja Trifkovic for the last word relative to one possible outcome of the Russia/Ukrainian conflict. The takeaway leads one swiftly to the "AU" and "AG" sections of the Periodic Table.

“...The globalists in Joe Biden’s administration now intend to separate Europe from the natural resources of Eurasia with an impenetrable cordon sanitaire along Russia’s western borders. They see a possibility of creating a new pan-region of their own, encompassing North America and Europe. This “Oceania,” to use George Orwell’s term from his novel [Nineteen Eighty-Four](#), would be not only an exclusive zone of U.S. economic and military control, but also a “woke” political monstrosity.

Having a traditionalist, conservative, overwhelmingly Christian Orthodox Russia as the designated enemy on the other side of a new iron curtain would bring enormous benefits to Oceania’s rulers. Anyone who dares question the wisdom of transgenderism, open immigration, extreme environmentalism, or upholding the values and legacy of his own nation or faith, would automatically be accused of being Putin’s stooge. Conservatives of all color and hue...would be cancelled even more radically than now, and probably subjected to harsh criminal prosecution....”

<https://www.chroniclesmagazine.org/a-ukrainian-tragedy/>

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

.....