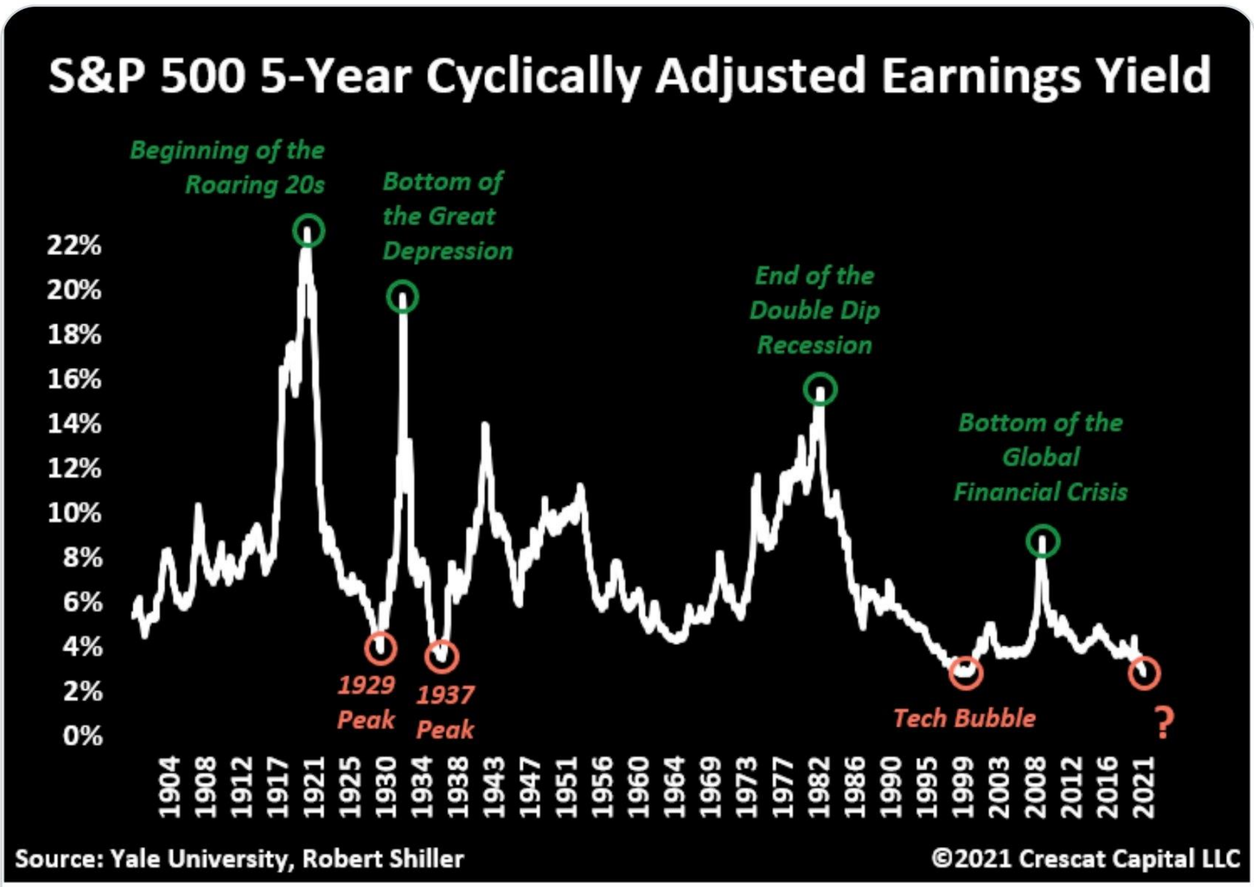
Alps Precious Metals Group

Commentary – September 1, 2021

Here It Comes

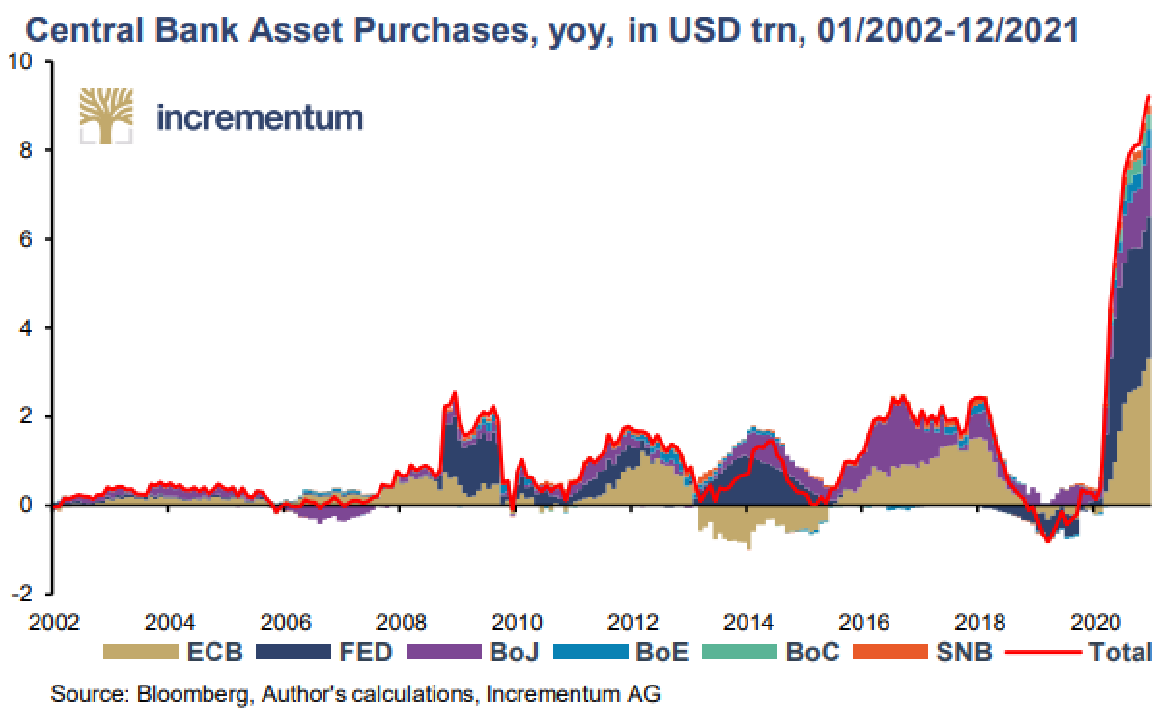


Market Periods	5-Year Cyclically Adjusted Earnings Yield	Subsequent S&P 500 Performance 1-Year	2-Year	3-Year	5-Year
1929 Peak	3.8%	-30%	-59%	-84%	-74%
1937 Peak	3.5%	-37%	-29%	-33%	-51%
Tech Bubble	2.8%	-17%	-26%	-43%	-21%
Average at Peak	3.4%	-28%	-38%	-53%	-49%
Today	2.8%	?	?	?	?

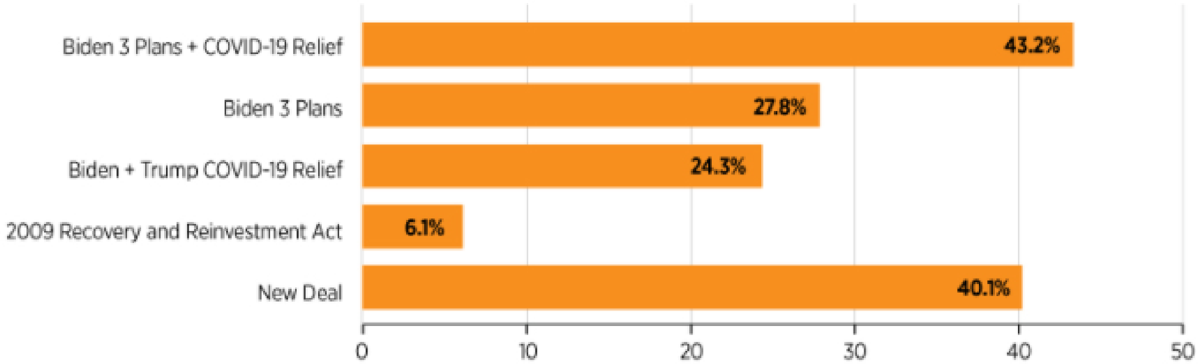
Source: Yale University/Robert Shiller & Crescat Capital

So on the “markets” go, setting “All-Time Highs” in a party that never stops on Wall Street. We are to believe that “the market” is simply seeing past the soaring inflation rates (which appear to have the potential to be “transitory” for years), an absolute geo-political changing debacle in Afghanistan, continuing subterfuge from the CDC and FDA (who exactly is “unvaccinated” – those that have had all shots except the last booster, as well?!?); and a national populace as divided as it has been since 1861. Absolutely! Trust the “markets”; smartest guys in the room are managing those trillions!

Kinda like they were managing a smaller amount of trillions in August 1987, March 2000 and October 2007 or February 2020 just before epic collapses. We reiterate – all you have seen since the low of March of 2009, and ESPECIALLY since March of 2020, is nothing more than accounting shenanigans and free credit created ex-nihilo by the Federal Reserve and its cronies around the world. While everything about the prices are “real”, they are not to be trusted given the foundation upon which they stand. Note the following charts:



Federal Fiscal Relief and Stimulus as a Percentage of Annual GDP during Respective Time Periods



■ FEDERAL RESERVE BANK OF ST. LOUIS

SOURCES: Bureau of Economic Analysis, Congressional Budget Office, "The Multiplier for Federal Spending in the States During the Great Depression" by Fishback and Kachanovskaya, the White House and author's calculations.
NOTES: The respective periods used in these calculations are 1929 for the New Deal, 2006 for the Recovery and Reinvestment Act and 2019 for the remaining calculations. Fiscal costs for proposals not yet passed (i.e., the American Jobs Plan and the American Families Plan), are as initially proposed by the Biden administration.

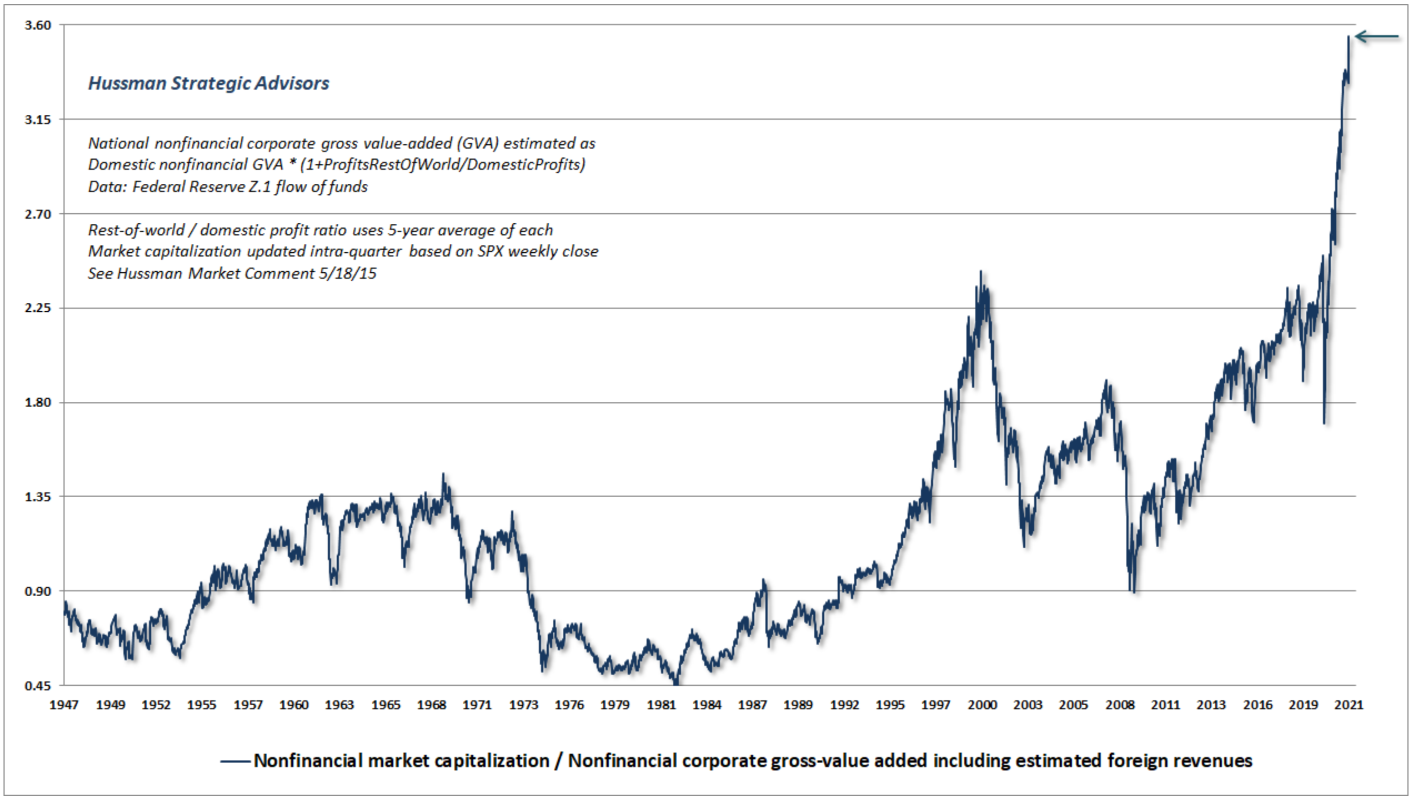
Source: Yale University/Robert Shiller & Crescat Capital

When calamities occur, they usually happen in what seems to be nano-seconds. For 20 years we have been slogging through the quagmire known as Afghanistan, and in 2 short weeks, all of what we had done over there had vanished – along with the reputation of the U.S. The recent victims of Hurricane Ida were happy as clams this time last week; sadly for many, much now is lost. Our guess is, a similar fate awaits U.S. equity markets. From John Hussman:

"…The chart below shows the ratio of nonfinancial market capitalization to corporate gross value-added (MarketCap/GVA), which is the single most reliable valuation measure we've introduced over time, based on its correlation with* actual subsequent *market returns across history. Notably, U.S. nonfinancial gross value-added is at a record high. The insanity you're looking at is all numerator…."

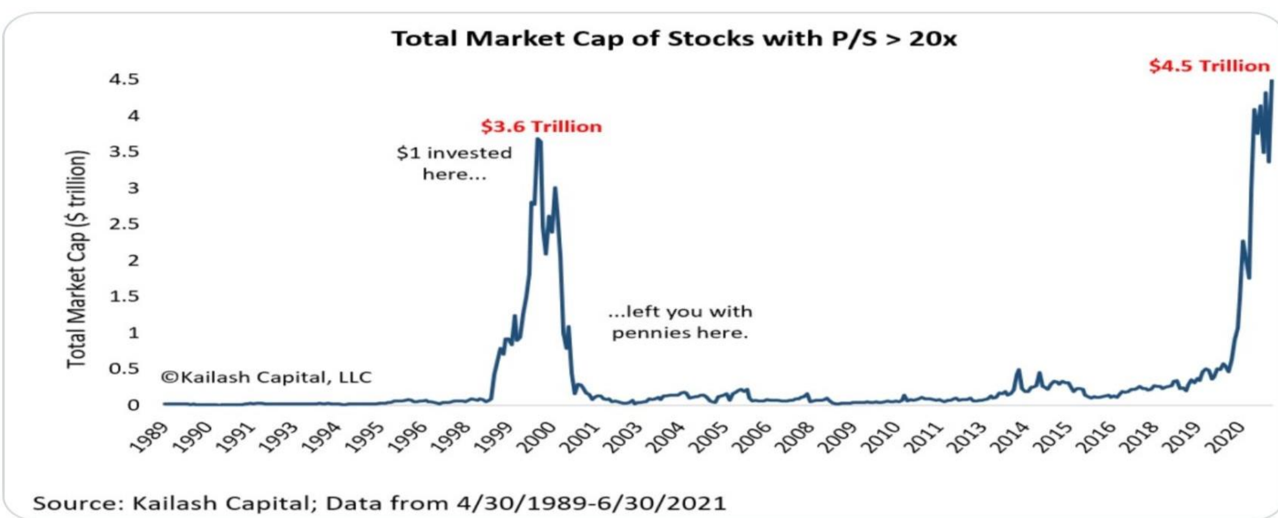
"…My impression is that the first leg down from recent market highs may be nearly vertical. Given that current extremes eclipse the dizziest heights of both 1929 and 2000, I suspect that a 30% down-leg in the S&P 500 from current extremes wouldn't even break a sweat…."

“...Presently, we are at the most optimistic point of the most overvalued market bubble in the history of the nation....”

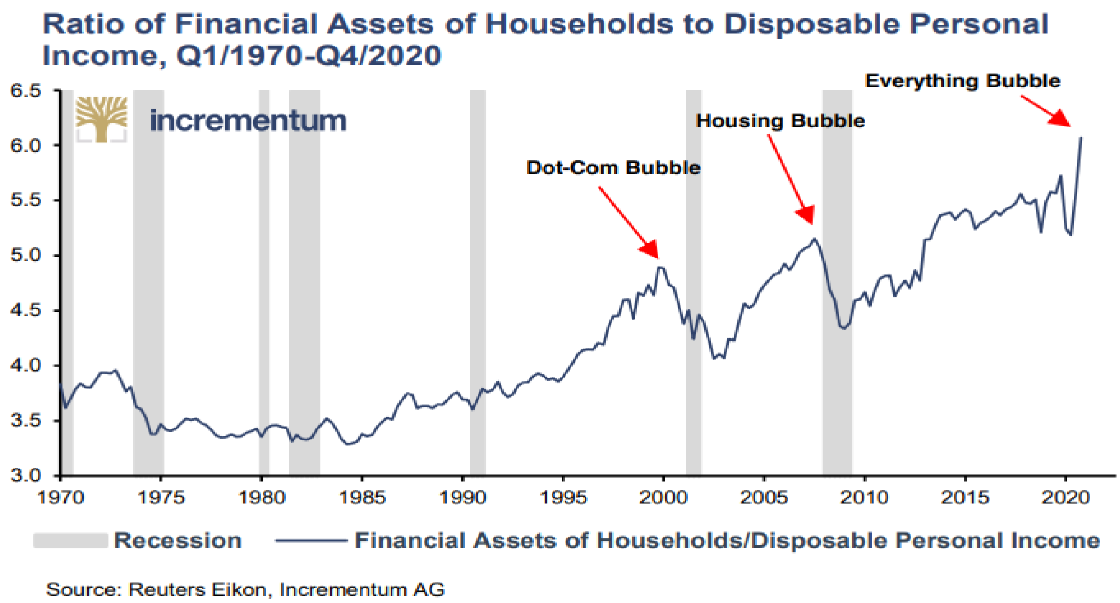


Source: https://www.hussmanfunds.com/comment/mc210808/

Not convinced that “this thing’s a-gonna blow!”? Let’s peruse some other interesting charts. We’ve discussed the Price-to-SALES ratio in the past; high levels of this ratio means equally high levels of likely collapse:

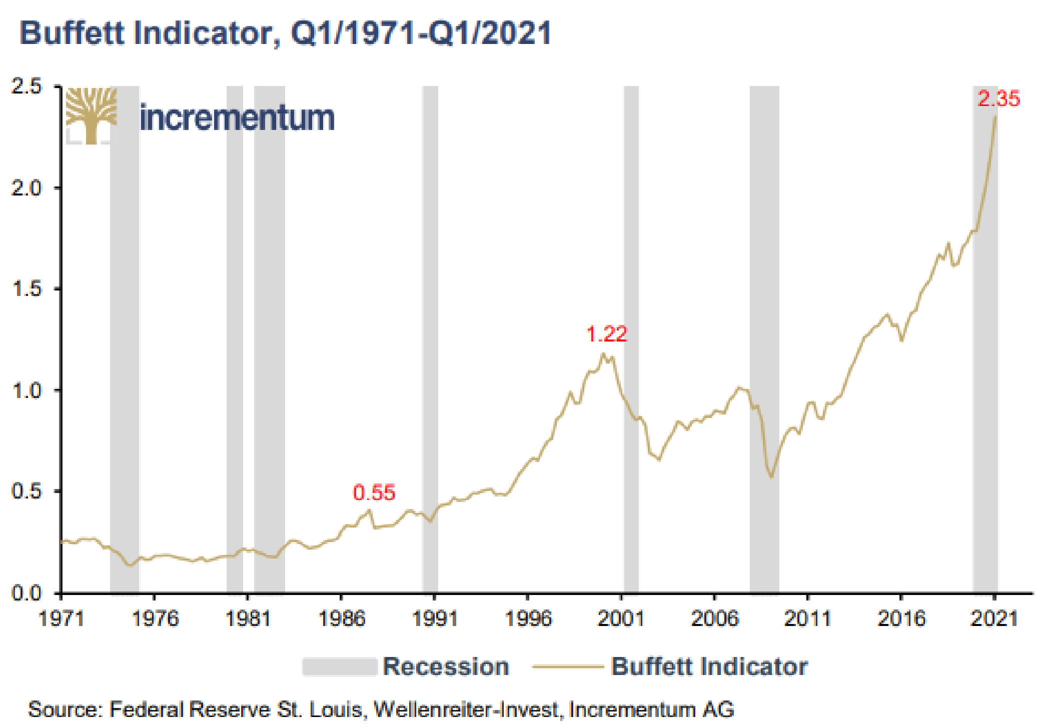


And the last couple of times these valuations got this high……………..

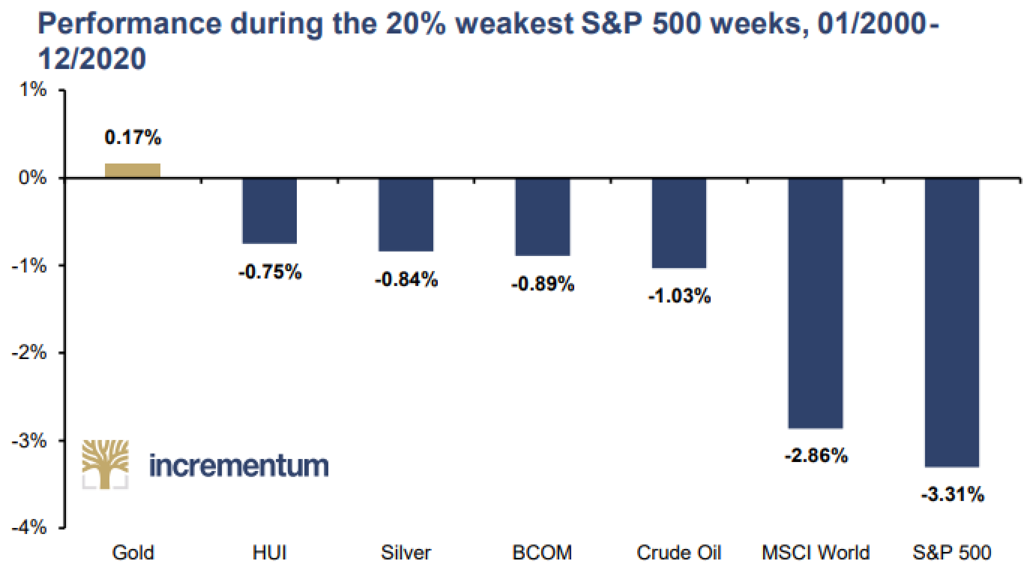


The "Buffett Indicator" is also "off the charts":

Buffett indicator[496], the valuation of the stock market compared to US GDP is currently at record levels. **It is astonishing that the Buffett indicator rose during a recession for the first time in history.**

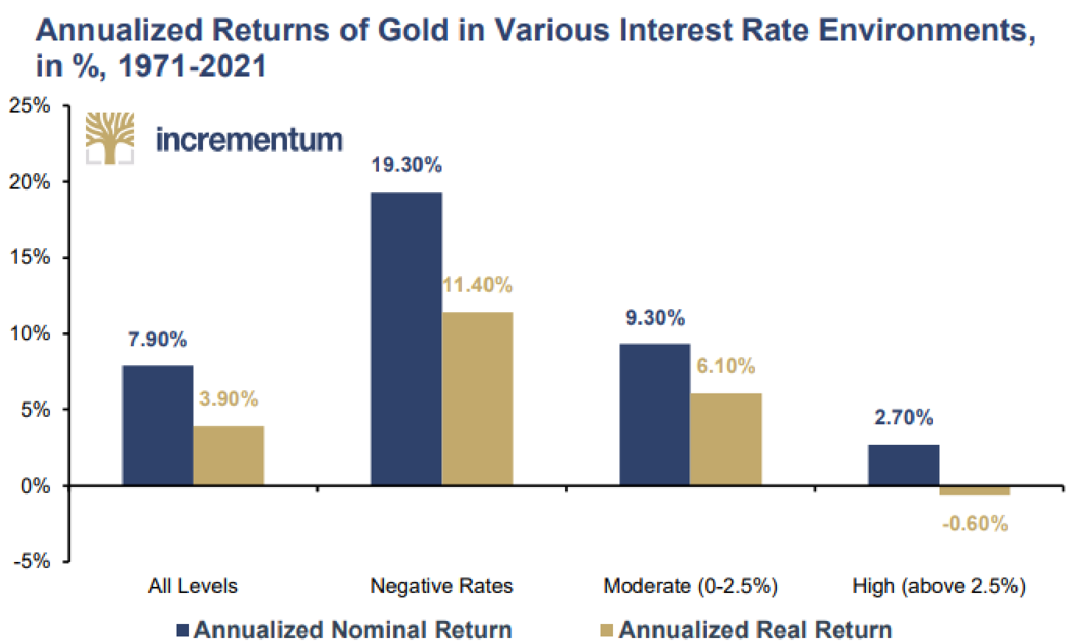


Assuming these indicators are indeed “ringing bells and flashing red”, what does that mean for Gold? Well, for the last 20 years when things get the bleakest, Gold shines the brightest:

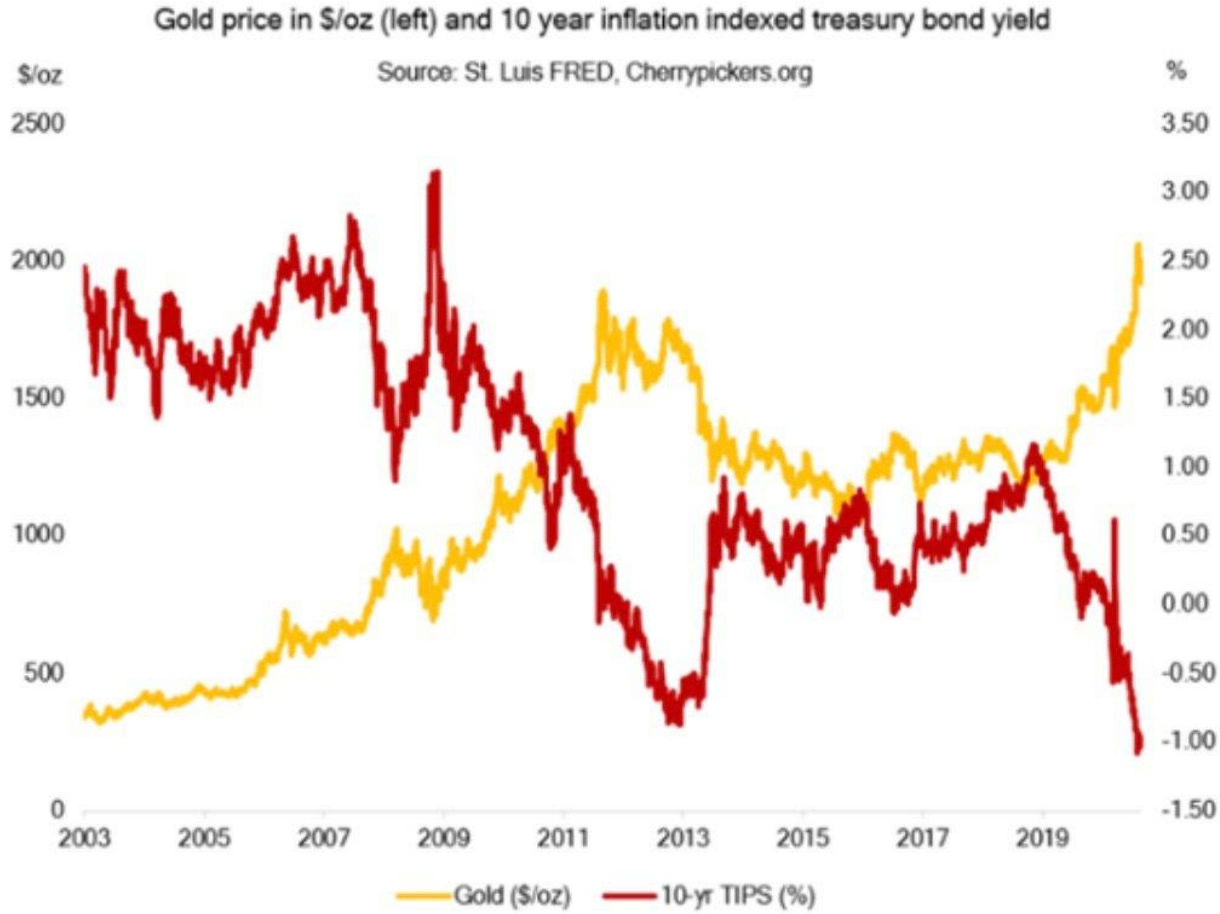


Source: Reuters Eikon, Incrementum AG

And negative interest rates, in which we abound as Global Central Bankers try desperately to keep this “market” from crashing, are to Gold what the Briar Patch was to Brer Rabbit:



Source: World Gold Council, Incrementum AG



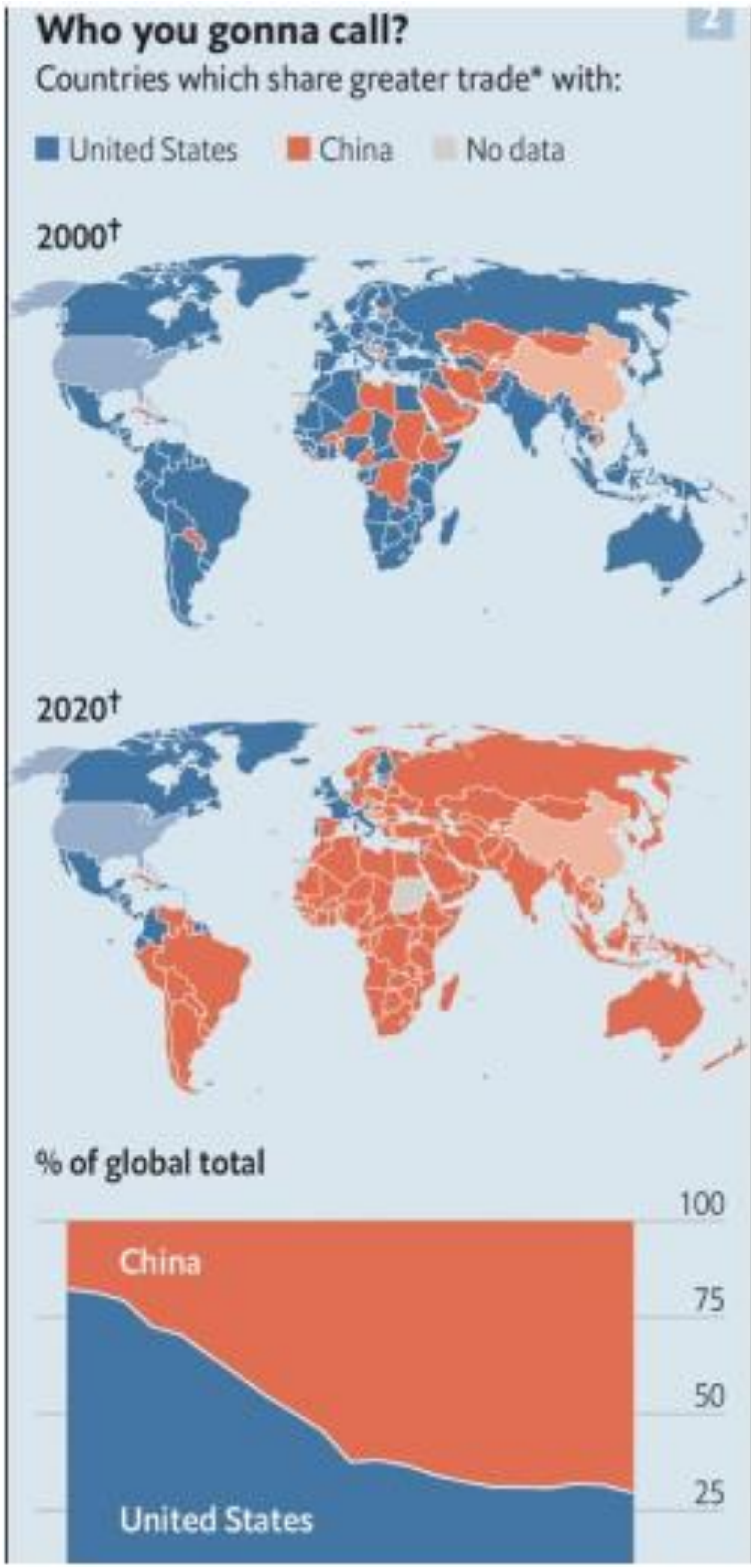
To keep things in perspective, note where the relationships between Gold and various and sundry measurements. By this chart, Gold has miles to go in higher prices to meet before it sleeps:

Macro and market metrics at all-time highs of gold: 1980, 2011, current

	1980	2011	Current
Gold price in USD	850	1,900	1,880
Monetary base in USDbn	155	2,637	5,839
M3 money supply in USDbn	1,480	9,539	19,896
US government debt in USDbn	863	14,790	27,748
GDP/capita	30,154	50,660	66,611
S&P 500	110	1,165	4,150
US unemployment rate	6%	9%	6.1%
US dollar Index	86	78	90

Source: Federal Reserve St. Louis, Reuters Eikon, Incrementum AG, as of 05/20/2021

A final note. The world has changed. The United States at the turn of the Century was the unparalleled leader in global trade. The demand for our dollars was completely global and dominant. While that demand remains global, it is no longer dominant. Given that this is the case, who pray tell will be the future bid for all these dollars Jerome Powell and his colleagues wish to create to "get us through the crisis"?!?



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) 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