Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - JANUARY 2023

2023: A PROMISING YEAR FOR GOLD

First and foremost, we'd like to wish all our loyal clients a happy and prosperous new year. May your 2023 be filled with health, love and all the things important to you (including a strong gold price, of course!).

As you'll read in Jeff Clark's quarterly report (attached), 2022 was as vibrant a year for the precious metals as we've seen in some time and the outlook for 2023 for both gold and silver is extremely promising.

It seems clear that the actions of government and fiscal policy makers over the past decade, and in particular during COVID, are now coming full circle. Our lives will be greatly impacted as we enter a new economic period of slower growth, lower wages, and job losses due to prolonged, tighter fiscal policy. Gold and silver will play a critical role in protecting your hard-earned money from other market losses. In fact, I expect continued positive gains for the metals in the 12 months ahead.

We hope that you enjoy this edition and benefit from the expert content within.

Mark Yaxley, General Manager for Strategic Wealth Preservation (SWP). He has been focusing on the diverse needs of retail and commercial precious metal investors since 2006.

Follow Mark on Twitter @YaxleyYax

GOLD AND SILVER TECHNICAL ANALYSIS

Technical Analysis Video by Chris Vermeulen, Chief Market Strategist for TheTechnicalTraders.com

You can follow Chris on Twitter @TheTechTraders

GOLD IN Q1: WAR, RATE HIKES AND INFLATION PUSH PRECIOUS METALS HIGHER

Jeff Clark, Senior Analyst GoldSilver.com, Advisory Board Member SWP, TheGoldAdvisor.com

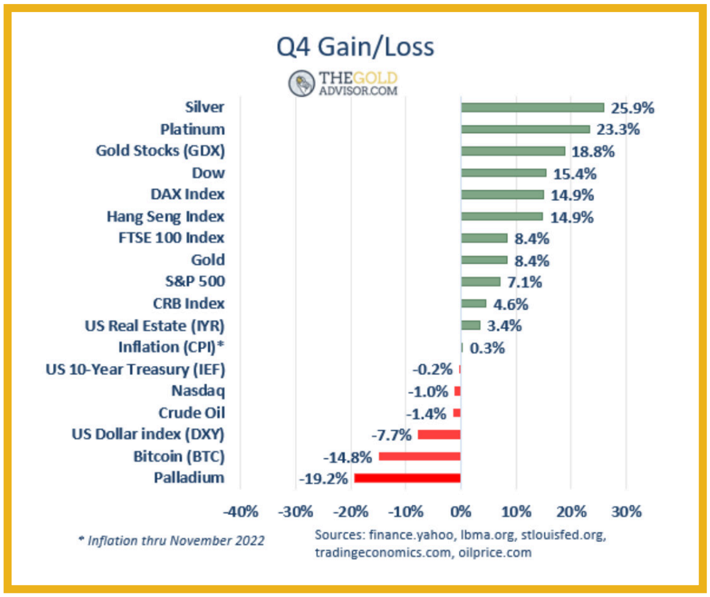
Gold in 2022: A Year of Tumult, But Most Precious Metals Were Buoyant

War! Inflation! Rate hikes! Crashing cryptos! Sinking stock markets! A soaring US dollar and hints of recession all highlighted a tumultuous 2022. Despite several headwinds and confusion over gold's weakness in the face of high inflation, the price ended the year basically flat, with silver and platinum rising.

Our quarterly report examines the performance of precious metals and other major asset classes in the fourth quarter of 2022, along with the full year. We also highlight the conditions that could impact them in 2023, a sobering summary that suggests higher prices are coming for precious metals.

Q4: Dollar Down, Most Precious Metals Up

The spiking USD in the first three quarters cooled in Q4, leading to gains in multiple assets, including gold, silver, and platinum.



Silver led all comers, while commodities, oil and the Nasdaq were weak. Platinum and the Dow also rose, while palladium gave up almost 20% and Bitcoin fell over 14%.

It was gold's best quarter since June 2020, based largely on expectations the Fed might slow interest rate hikes.

2022: Tumult Abounds, But Gold Is Buoyant, Silver & Platinum Rise

2022 was defined by numerous crises, a tumultuous year that included war, stubborn inflation, one of the most aggressive rate hike cycles in history, a huge spike in the US dollar, a crash in both crypto markets and stock markets, and hints of a recession.

By the end of the year, many major investment classes fell. In the precious metals arena, platinum and silver logged gains, while gold was flat.

Platinum and silver ended 2022 higher. Gold finished 2022 only 12% below its all-time high. We'll point out that using London PM Fix pricing, gold was up 0.4%.

Platinum was the strongest precious metal in 2022, indeed one of the strongest investments of the year other than commodities.

Gold was under pressure much of the year from an aggressive Fed. It neared record highs in March when Russia invaded Ukraine but gave back them when interest rates were hiked aggressively. By the end of the year, gold recovered on expectations the Fed might slow down.

Bitcoin lost almost two-thirds of its value last year. And stocks took it on the chin, one of their ugliest years in modern times:

- According to BofA, the annual return of the conventional 60/40 portfolio was the worst in the past 100 years.
- The Wall St Journal reported that a "basket of U.S. Treasurys, highly rated corporate bonds, and mortgage-backed securities was down more than 12% in 2022, its worst year since 1975."
- According to Morningstar, the average U.S. stock fund finished the year down roughly 17%, with the average large-value fund down 6%, and large-growth funds down an average of nearly 30%.
- The percentage of trading days the S&P 500 registered a loss of 1% or more was 24%, the most since 2008.

- The MSCI All-Country World Index fell more than 20%, also the worst since 2008.
- The Wall St Journal reported that US government bonds suffered the biggest annual decline in history.
- Revenue for investment banking posted a 40% decline in 2022, the biggest decline on record, even worse than 2008.

The year for stocks is perhaps best summarized by Renaud de Planta of the $635 billion Swiss fund Pictet. “It was one of the most significant years of wealth destruction in nearly 100 years. Looking at it rather simply, many private investors could have lost more than a quarter of their real inflation-adjusted wealth.”

This would not be the case for those that included an allocation to gold and silver.

2023 Watchlist

The start of the new year begins not as a blank slate but with a myriad of volatile factors that will impact silver and gold, along with most investments and economies.

Inflation: The Fed claimed in the spring of 2021 that inflation would be transitory. But 20 months later the CPI was still 7.1%, though down from its peak of 9.1% in June. This led to the most aggressive rate hikes since the 1970s.

The Fed’s 2% CPI goal is clearly far off. Inflation data remains mixed: costs for services are still climbing, while goods prices are falling. Fed Chair Jay Powell publicly admitted, “Services inflation will not move down so quickly.”

Some economists say inflation in the services sector will be difficult to squelch, due to rising wages, ongoing supply chain pressures, and elevated energy costs. If so, does the Fed continue rate hikes in 2023?

It’s not just a U.S. issue, either. The IMF reported global inflation ended 2022 at 8.8%, almost double the 4.7% reading in 2021. It sees average worldwide inflation at 6.5% in 2023, above the target for most any major central bank. Japan’s core consumer inflation hit a four-decade high in November.

Michael Burry (of “The Big Short” fame) said that while inflation has peaked, it is likely to pick up again in response to the coming stimulus, which will be unleashed to offset the painful 2023 recession. “The US in recession by any definition. The Fed will cut, and the government will stimulate. And we will have another inflation spike.” It’s not exactly a stretch to believe the CPI could stay above its pre-Covid levels for some time.

Fed Pivot? It’s one of the biggest questions for investors in 2023, as it will impact the economy, markets, and metals. On the one hand the CPI could remain elevated, on the other hand more rate hikes could lead to a recession and further weakness in stocks, where most 401ks are invested.

We’ll point out that since the 1950s, the average time between the Fed’s last rate hike and its first rate cut is a mere 5 months. Some were as short as one month, the longest was 13 months. If the Fed stops raising rates in 2023, it’s easy to see it could begin lowering them before the end of the year. A full Fed pivot would have major implications on investment markets, including precious metals.

Recession: The global yield curve inverted for the first time ever last quarter, something that occurred in 26 countries. The US yield curve (10-year minus 2-year) inverted in Q3, historically one of the most reliable predictors of recession.

Unemployment claims hit 1.71 million in the US last month, the most since last February and the largest rise since the peak of Covid lockdowns in June 2020.

The St. Louis Fed reported that, “Just over half of the 50 US states are exhibiting signs of slowing economic activity, breaching a key threshold that often signals a recession is in the offing.” The San Francisco Fed said in its report that 27 states had declining activity in October, ominously pointing out that “if 26 states have falling activity within their borders, that offers ‘reasonable confidence’ the nation as a whole will fall into a recession.”

Recession warnings are not confined to the US. Daniel Lacalle, chief economist at Tressis Gestion, says “the global economy likely faces a decade of sluggish growth.” The British Centre for Economics and Business Research reported, “The world faces a recession in 2023, as higher borrowing costs aimed at tackling inflation cause a number of economies to contract.” The IMF warned in October that “more than a third of the world economy will contract in 2023.”

The gold price has risen during most recessions since the 1970s, the only two exceptions being single-digit declines.

US Dollar: The US Dollar Index (DXY) was up 20% through October last year but cooled in Q4. The question now is whether its massive rally against most G10 currencies is over—or if this is just a pause for another phase higher. Interest rate decisions will influence the world’s reserve currency, in turn impacting most markets, including silver and gold which are inversely correlated to it most of the time.

Real Estate: According to Redfin, US home sales fell 35.1% year-over-year in November on a seasonally adjusted basis, the largest decline since it started records. Home-price growth also lost momentum, ditto new listings, which slumped 28.4% YoY and the biggest drop on record outside of April 2020. For-sale homes in the US took 37 days to go under contract, a jump from 23 days a year earlier.

Morgan Stanley analysts report the "affordability of housing across the U.S. is deteriorating at its fastest pace in history." In Australia, the housing market saw its biggest annual decline since 2008.

Stock Market: After the 2022 shellacking, it wouldn't be surprising to see stocks bounce. But if inflation persists, rate hikes continue, and a recession materializes, equities will face several strong headwinds. Gold is typically inversely correlated to stocks.

Bond Vulnerability: Aggressive rate increases by the Fed and other central banks have dramatically impacted lending and credit markets. According to Bloomberg, almost $650 billion of global bonds and loans are in distressed territory. Sounds like a hedge is needed.

Resumption of QE? The Financial Times says the cycle of global liquidity is bottoming out. "Quantitative easing programmes by central banks to support markets are impossible to reverse quickly because the financial sector has become so dependent on easy liquidity." It's a fair point, since the very act of quantitative tightening creates systemic risks that—shock!—demand more QE.

Meanwhile, President Biden signed a $1.66 trillion bill funding the US government for fiscal year 2023. The budget remains in deep deficit.

Gold Demand: Central banks bought more gold through Q3 than any year since 1967, ironically a time the US was on a gold exchange standard. The World Gold Council said demand was "primarily driven by a flight towards safer assets." Central banks have been net buyers of gold since 2009.

China, for the first time in three years, bought more gold for its official Reserves. It purchased 32 tonnes in November, its official gold reserves now at 1,980 tonnes.

Australia's A$200 billion ($134.28 billion) sovereign wealth fund announced it is increasing its exposure to gold, commodities, private equity and infrastructure, warning the future will resemble the low-growth, high-inflation era of the 1970s. It questioned the value of traditional 60-40 portfolios and called for an "investing shift to confront a world dealing with war, inflation, and climate change."

UBS reported in December that "long-term investors and the official sector [central banks] are gradually building gold allocations."

The price of gold rose in almost all major currencies last year. It hit new all-time highs in Egypt last month, mostly due to the country's weakening currency.

Meanwhile, the Silver Institute reports that silver demand reached a new high of 1.21 billion ounces in 2022, up 16% from the year before, driven by increases in industrial use, jewelry and silverware offtake, and physical investment. It noted that supply was also up, but that demand spiked so much that the gap between them reached 194 million ounces, the biggest deficit since the 1990s.

The gold/silver ratio (gold price divided by silver price) was 76 at the end of 2022, 27% above its long-term average of 55, highlighting it is still undervalued relative to gold.

China Reopening: The quarantine requirements for international arrivals ended January 8, admittedly a big development since the world's most populous country had the most restrictive Covid policies. It's been three long years, so you might say travel demand is ready to "take off;" according to Trip.com, China's biggest online travel agency, bookings for outbound flights jumped 254% the day after quarantine requirements were lifted. This could have significant impacts on demand, as well as the supply chain.

PermaCrisis? We'll end by pointing out this was the 2022 word-of-the-year from Collins Dictionary, referring to "an extended period of instability and insecurity." Since this period seems destined to last, gold and silver should be a cornerstone asset in every portfolio.

2023 demands we own a safe haven asset. The mix of inflation, recession and interest rate risks leave investors with few places to turn. Gold is an obvious and historically strong choice to balance a portfolio in the current environment, and silver will outperform gold, as it did in 2022.

Follow Jeff on Twitter @TheGoldAdvisor

SHOULD YOU BE WORRIED?

Written by Jeff Thomas, feature writer for Strategic Wealth Preservation, Doug Casey's International Man and 321gold.com

"The times, they are a-changin," as Bob Dylan said in song in 1964, but the changes that he saw back then were nothing in comparison to what we're witnessing today.

Governments, particularly in the First World countries, are headed in a decidedly totalitarian direction and the frequency and magnitude of the changes being implemented are on the increase.

This development is exacerbated, as the same countries that are leading the charge toward totalitarianism are also the countries that are experiencing the heaviest debt load ever created in history. Technically, they're all broke, but not yet collapsed, as a collapse only occurs when the populace discovers that the currency is worthless.

But is there hope? Is it possible that governments will turn this around?

I wouldn't bet on it. The First World governments are a part of a globalist cabal that have agreed to move in unison toward totalitarian rule and the collective behemoth would be highly unlikely to reverse out of its present direction. To do so would destroy their personal hold on power and that's the one consideration that they would never consider.

The globalist train is now going at a very high speed and the tracks lead to a cliff. The great majority of people in the First World are riding on that train and will find that it's difficult if not impossible to get off.

Those countries that are closely tied to the globalist countries will not be unaffected. The greater their dependence, the greater the damage. Conversely, the less attached a country is to the globalist countries, the more likely that the damage will be lessened. These countries will be the ones that have a minimum of trade with globalist countries and operate in a largely separate economic system.

But the most damage will be centred on the First World: the US, UK, EU, Canada, and, to a somewhat lesser extent, Japan, Australia and New Zealand.

So, should you be worried?

Yes, definitely so. This will be a once-in-a-century cataclysm – the greatest period of change that any of us will experience in our lives.

All of the above implies that what's coming is an "end of the world" scenario. But this is not so. In actual fact, such collapses have occurred periodically throughout history. What we're witnessing is a collapse of empire. Many empires have come and gone and, in each case, all of the events that lead up to a collapse have been essentially the same. In any given era, the technology will change, but the fundamentals are the same: accumulation of power and control of a major portion of the world, abuse of that power, leading to overreach, and eventual collapse of the economic and political system.

This was true for the Roman Empire, Spanish Empire Ottoman Empire and so on down the line.

Sadly, we're finding ourselves in the midst of just such a collapse. The major dominoes have not yet begun to fall, but the minor dominoes have been falling for decades – warning signs that a major collapse is coming.

And, as in eras past, the minor dominoes are explained away by the powers that be, treated as hiccups of lesser importance, making it possible to prolong the inevitable, but assuring that the eventuality will be even more catastrophic.

Unfortunately, we're now well into the pre-collapse pattern and are on the cusp of major events taking place.

Globalist governments are rushing the control systems into place, in an effort to get a firm hold on the populace, so that they're unable to rebel when the first dominoes fall.

Basic rights must be stripped away. Rights to free expression, rights to religious belief, rights to self-arm, rights to hold cash – all must be diminished dramatically if not removed altogether.

But, above all, people must be taught to obey.

This change in the populace has been superbly achieved through the creation of a false pandemic. Frightened people have surrendered their freedom of choice on a wholesale basis for more than two years and a majority now assume that, if their government tells them to jump, they're supposed to ask, "How high?"

Of course, there's a small percentage of the people in each of the above-mentioned countries who saw much of this coming. Most of them will say that it's looking to become more devastating than they'd imagined, but having insight early on has made them prepare as well as possible.

The first order of business is to relocate – hopefully well away from any city or other population concentration. Even better if it's rural and they have more control over their power, fuel and running water.

Better still, if they can exit the First World countries altogether and establish a residence in one of the countries that's likely to be the least impacted.

Finally, if possible, they should find a way to secure their wealth so that, going forward, they're minimally affected when fiat currencies collapse, as they most surely will.

Owning real estate in a country that will be less impacted promises to be a good way to hold wealth. Bitcoin may well become the most promising means of holding a currency in which to trade, as long as it's one greatest drawback of being intangible is not compromised.

And, of course, as readers of this newsletter will know, precious metals possession heads up the list. Metals are arguably less liquid than Bitcoin but more liquid than real estate.

And, for over 5000 years, whenever a collapse of empire has taken place, precious metals have been the most stable asset to own, if you're hoping to come through the debacle with your skin on.

But this time around, there have been rumblings of governmental regulation of storage facilities, possible laws against the movement of gold, and even confiscation.

So, again, should you be worried?

Unfortunately, this question does not have a simple "yes or no" answer. It can go either way.

If you store your metals in a jurisdiction in the above list, then laws are already in place that, if implemented, would lock you out of access to your metals, make it impossible for you to trade in them and, ultimately, possibly lose them to confiscation.

So, if you live in a First World country, and/or if you store your metals in a First World country, you're at the greatest risk.

We've entered a highly volatile time. To come through it with as little damage as possible, a mix of precious metals would provide the greatest cushion against adverse economic conditions.

And your metals should be in the safest location possible. Many might seek the strongest vault, but what should be done is to first choose the jurisdiction that's the least likely to impose restrictions and/or confiscate. Seek out those jurisdictions that are already attuned to accommodating overseas investors well. If they depend upon such investment, they're the least likely to pass laws that victimize those investors.

Once you've chosen a jurisdiction, choose the best storage facility within that jurisdiction.

Then, fasten your seat belt. This will not be a quiet ride. But, throughout history, those who exited a major collapse well have been those who had the foresight to hold those assets that not only retain their purchasing power, but increase it, during calamitous times.

WHAT'S NEW

WELCOME TO THE GOLDEN TURTLE SOCIAL CLUB!

We are happy to announce the launch of the Golden Turtle Social Club!

We are delighted to announce that SWP is launching the very first Golden Turtle Social Club for SWP clients. This is a private group based in the Cayman Islands for SWP clients only, (except on occasions designated for bringing guests).

We will meet informally every 2 months to discuss everything relating to precious metals investment, including how to manage your portfolio and the balance of alternative and traditional asset classes, the influence of economic and political factors on metals investment, as well as other related topics. We will also have guest speakers virtually and in person, where appropriate.

All SWP clients are welcome, so if you live overseas but are a visitor to the Cayman Islands, it's a great opportunity to meet with fellow SWP investors! Reach out to rb@swpcayman.com for more information. Event details will be circulated through email distribution only and not promoted through the Newsletter on or any other social media outlet.

NEW DOMESTIC IRA OFFERING

We are pleased to announce our new partnership with Preferred Trust Company to allow you the opportunity to invest in a self-directed precious metals Individual Retirement Account (IRA) stored domestically in the United States. SWP now offers two secure facilities for the purchase and storage of precious metal IRAs, conveniently located in Texas and Delaware.

This means you can both purchase and store your precious metals IRA investment with SWP and expect the same high level of service and integrity as you have with all of your SWP interactions. We believe flexibility is key to wealth preservation and we are proud to offer you this safe and easy way to diversify your domestic self-directed IRA with precious metals.

Things to know about Precious Metals Self-directed IRAs:

» **1.** Your annual contribution deadline for self-directed precious metals IRAs is April 18th. So, talk to us soon!

» **2.** Your self-directed IRA precious metals can now be held domestically in a US vault in Texas or Delaware.

» **3.** Your IRA invested precious metals must be: Gold 99.5% pure, Silver 99.9% pure, Platinum 99.95% pure and Palladium 99.95% pure. Not all products are permitted. With SWP you can rest assured that the metals you buy are always pure bullion products produced by the world's finest mints and refineries. Our account representatives can advise you on the accepted products and quantities. Click here for our Domestic Self-Directed IRA Fact Sheet

If you have any questions about opening a self-directed precious metal IRA, talk to your account representative We're standing by to help.

Strategic Wealth Preservation

ABOUT US

Strategic Wealth Preservation (SWP) is an international precious metals dealer and secure storage provider headquartered in the Cayman Islands. We specialize in the acquisition and secure storage of precious metals for individuals, companies, trusts and wealth management professionals on behalf of their clients. We deliver precious metals worldwide to homes and businesses and offer secure storage in vaults located in the Cayman Islands, Canada, the United States, Switzerland, Liechtenstein, Singapore and New Zealand. We also offer corporate disaster recovery services for businesses located in the Cayman Islands.

SWP's secure storage facility
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