

SEMI-MONTHLY FISCAL/MONETARY UPDATE - GOLD FIRMS, US DOLLAR WILL REMAIN WEAK, BYE BYE BITCOIN

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FISCAL-MONTHLY FISCAL/MONETARY UPDATE - GOLD FIRMS, US DOLLAR WILL REMAIN WEAK, BYE BYE BITCOIN (BLOCKCHAIN ADVOCATES WILL GO WITH THE GOLD)

The broad equity market continued upward in January. Gold bullion was up a little over 3%, the gold miners were up less (GDX up 2.2%, GDXJ down 1.3%). Our gold miner related portfolio was up inline with that group. We believe that the gold miners will start to outperform gold on the upside as they report Q4'17 earnings, the first quarter in over a year that the price of gold was materially higher than a year earlier. That will continue to be the case as Q1'18 is reported, and all through this year if gold holds its current price above \$1300. We describe below two particularly positive recent developments.

The US dollar has recently been dramatically lower, in particular against the Euro, which represents the second largest collective economy in the world. We have written in the past that gold does not necessarily move inversely to the dollar, as many observers believe, since it depends on the time period one uses. However, all other things being equal, a weak dollar helps rather than harms the price of gold. The question then becomes: what is really the US policy? Over the last year, both President Trump and Sec'y of the Treasury, Steve Mnuchin have made statements that they consider a weak dollar a "blessing" in terms of US exports, our economy and our trade balance. They backed off that stance recently as they were attacked by certain pundits. However, DJT has continuously said "it's all about jobs" and he is certainly not afraid of debt and deficits, which would pressure the US Dollar to the downside. The latest indication in this regard comes just last week in Davos, when Commerce Sec'y, Wilbur Ross, reflected back to 1945, just after Bretton Woods had established the US Dollar as the world Reserve Currency, and the US (with a strong dollar) was willing to be supportive of other countries rebuilding themselves after WWII. Ross said, though, that "it is a different world today". (Check it out on Youtube, minute 19-20 in the presentation). Obviously, he is pretty directly saying that the US can no longer afford to support the worldwide economy at our own expense, implicitly blessing a lower dollar.

The second potentially powerful positive development is that a number of prominent institutions are planning to introduce cryptocurrencies BACKED BY PHYSICAL GOLD. Just this week, the UK's Royal Mint, responsible for producing all the physical money in the UK, has announced the launch of its own gold-backed cryptocurrency. Also announcing similar plans are the Perth Mint in Australia, and the Sprott organization of Canada.

We have written (skeptically) about Bitcoin over the last few months, which readers can access through our Search function on the home page. We don't think it is a coincidence that, virtually to

the day that Bitcoin topped at \$20,000 and started to fall by 50%, gold has been edging upward. It seems more than reasonable to think that speculators and investors would rather own a cryptocurrency *backed by gold* than backed by NOTHING. Since the total market value currently invested in Bitcoin and others is still something on the order of \$300-400 Billion, there could be substantial additional demand for physical gold, whose total worldwide annual production is \$140-150 Billion.

We obviously believe that our gold related investment strategy is more valid than ever.