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A Separate Reality

Donald Trump has boxed himself into a corner. If he attacks Iran in the next few days (with his 'armada' and bogus reasons for his actual motive, regime change), Israel (fearing Iran retaliation), has opted-out. But Iran, if attacked, has promised to close the Straights of Hormuz (a China *no-no*), and attack US ships and Middle East bases. Does Trump TACO? Attack or turn tail?

What used to be a vast panoply of government lies has now progressed to what I'm calling 'a separate reality'. AI is advancing so rapidly that it boggles my mind. My 2 page letter take me 3 days to produce/edit, but now there are credible podcasts that produce new material, sometimes with only an hour/couple of hours in between.

The Asian guy is one of them (many podcasts each week). I listen to most of what he puts out because the data is relevant. But here's the problem: if we don't work to connect dots ourselves, we become subject to intended, overriding propaganda that's put out. Think back to Tulsi being confirmed as head of intelligence. Likely subterfuge to get Trump elected?

Because we live in a time where facts don't matter when measured against the importance of propaganda (lies), we need to be our own, ever vigilant, fact-checkers. In the wee hours, the other morning, gold and silver had the most precipitous drop in memory. Because I never trust anything from our government, I went online to the Shanghai exchange to find the price of silver almost $40 higher that paper price in the US.

The best explanation I found was a description of 2 gas stations across the street from one another—1 advertising gas for $2—the other for $5. But the $2 station, when accessed, had the pumps locked, with no attendants. Cars filled-up across the street.

The US has great need for silver, but no stockpile. So, the announcement of Trump's nominee for Fed Chair, with early morning beatdown of metals, functioned the way it always does—to drive-down precious metal prices.

That used to work for 2/4 weeks—now, in a commodity-based world—*hip to our jive,* it's measured in hours*,* making paper price irrelevant. It's not just the paper market on the chopping-block—it's also the dollar/US economy.

Mayhem seen in dollar purchasing power as compared to gold is a consequence of a world that's had enough of being pushed around by a bankrupt USA, and it's president, who like most republicans (and democrats), is clueless when it comes to international relations.

The demise of America becomes apparent when local coin dealers place a sign on the door: 'out of capital'. What are they trying to tell us? What happened to their capital?

That sign on the door is best explained by what Jim Sinclair asked? What is the value of a contract that can't perform? No value at all. Consider the dollar as a contract, backed only by good faith/credit of the United States. Neither exist any more—and all the world knows it.

It's different this time, compared to when trading restrictions and raised margins were used to stop the Hunt brothers—a time when US citizens had faith that federal regulation/control functioned as sound basis for solving dollar issues—for fixing and maintaining the economy.

Measured by alleged corruption in the Biden Administration, with payoffs to 'the big guy', and now Trump, through his *Gaza Board of Peace*, demanding tribute up-front, and forever, is nothing more than an extension of rules-based tyranny, purposed to put an end to the UN, replaced with Trump deciding, according to his dictates—as long as he lives.

What Americans are witnessing has been in process for years, a power/wealth transfer from citizens to elites, on the streets and in the hallowed halls—to be completed before it hits the fan? Government supports the dollar by shorting gold/silver, which gets reported as a non-event that will rectify as soon as the Fed (new Chairman), adjusts rates to stimulate credit creation—unfavorably to gold/silver. Just another—'buy the dip' opportunity.

But it's not. The United States of America has become a contract that can no longer perform. The usual fixes around interest rates and silver scrap being cash-in in by high silver price will have little effect where the paper price of silver bears no relation to having actual silver.

The big change is China, which not only has silver, but after Mexico is the world's 2nd biggest silver producer. Now China has ceased exporting silver. In a world where silver is strategic, that decision is not subject to change.

Domestically, because there is not the silver to meet demand, smaller gold/silver exchanges are shutting down. If not closed entirely, they function like restaurants that are closed 2 days a week, because they lose less when closed than they do when they're open.

Caught in the credit cycle, small dealers (weak hands), are shaken out of the market by credit consequences. Metal dealers hedge: they buy product at a price and then hedge in the futures market so as to suffer no loses—the hedge—even's it out. Say they bought $100K of product and hedge against the price falling. Because the futures market is based on margin, they are responsible for margin calls.

In other words, if the price of metal shifts upwards, exponentially, they find themselves in a scenario where metal they bought doubles in value—while their margin loss triples. My local dealer never hedged, but sharp drops in precious metal pricing—has eaten into their capital.

The only thing to save the dollar is a return to normal—that's not going to happen. All that nonsense we were subjected to about the sanctity of dollar reserve because there's so many Euro dollars out there, along with the world's debt priced in dollars, matters not when each of those dollars becomes nothing more than 'just a little piece of paper, coated with chlorophyll', Ray Charles. The dollar is now a contract that can't perform.

How will the small precious metal dealers (there's talk on the street that 1 of the big 3 may go down), be shut-down? They buy silver (which is heavy/bulky), that needs shipped. They used to get immediate or 3 day payment—now it's weeks/months. They struggle with going bankrupt.

On the Comex/LBMA (without necessary metal to meet deliveries), they'll go to 'force majeure'—contracts settled in dollars rather than precious metal. With contract payment made in dollars of depreciating value, when expectation was delivery of metal, Comex becomes irrelevant.

I have more on gold/silver, but my 2 pages are filled-up. Next article.

My articles often come from comments. Subscribe/comment at: erik@neverhadaboss.com. And thank you.