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It's Not About Gold It's About Real Stuff

The echoes are in the canyons—bank failures are beginning or have begun. Leaked FDIC documents warn (only large banks), of likely bank failures, bank runs, this year.

What will that mean? If you keep \$200K in Chase, because long-time customers get access and perks, that's not worth the risk. Chase is one of several large banks that have a large position in mortgage-backed securities—many of which are underwater.

Yeah I know: you don't have \$200K in checking to worry about—neither do I. Going into the weekend I leave \$1000 in my account because I don't want my (discretionary?) cash to become the property of a bank that makes bad investments. Not a penny.

My young friend who maintains a \$200K balance (payroll funds), has never been bit on his financial ass. He thinks losing \$200K is not life-changing. But losing that kind of money is analogous to an undefeated boxer getting knocked-out in the 1st round. In the fight game, that matters. He comes back tentative. If he loses again—he's finished.

What's going on for the dollar? With higher interest rates, 'for now', everybody's scrambling to find needed dollars. That includes the government/Fed, having to come up with 5% interest each 90 or 120 days to cover the interest on T Bills. Where do those interest payment dollars come from? They used to come from central banks and individual investors across the globe, but no more. Global buyers of dollar debt is gone.

Why is global \$ buying over? In the same way that the US, precipitating war in Ukraine expedited the end of NATO, freezing 300/600 B\$ in Russian foreign reserves expedites an end to dollar hegemony. Each central bank got the same message: we are at the mercy of the US Empire, and any time we are viewed as not toeing the line, we could be next. US dollar weaponization has acted to accelerate this dollar selloff.

Dollar weaponization has expedited development of alternatives to SWIFT (the global mechanism for debt settlement in the dollar). Systems to replace SWIFT (to settle in various currencies), were already in development, but threats of forex seizure sped-up the implementation of working, settlement models—soon to be brought up to scale.

The seizure of Russian reserves, the weaponization of SWIFT, and the demise of the petrodollar are a 3-pronged misjudgment, that, taken together, will bring down the dollar. It was 50 years ago that William Simon, as emissary for Richard Nixon, made his trip to Saudi Arabia to warn, that in a dangerous world, if Saudi would transact oil only in dollars, the US would function as its protector. US defeat in Vietnam, then in the

Middle East, along with US dollar weaponization, portended an end to the petrodollar.

That leaves only American retail buyers/Fed to fund the \$. With retail buyers tapped-out, the Fed becomes, in effect, the only buyer for US debt. But that's a diminishing return cycle—the equivalent of adding to your credit card monthly. Which works in a zero interest rate environment, but 5% interest adds to the debt—affecting all dollar-users.

So, how long does the 'lid stay on the pot' when the heat source is turned-up high? It lasts only as long a 'semblance of complacency' can be maintained. How long is that? It ends when massive layoffs occur, when unforeseen effects of Powell's rate hikes become apparent, when 1 or 2 large banks 'shutter the teller windows', and when defaults come faster than can be contained. When, I don't know, but sooner—than later.

And what about dollar geopolitics—without the word Ukraine being mentioned? As my friend MJ says, rapprochement of Saudi Arabia and Iran speaks to the dollar—maybe more than any other event. If 2 great oil producers stop blowing each other up, both of whom have already abandoned the dollar, we had best duck shrapnel coming our way. Who is behind this peace process? Those that play the long game—China.

With defaults looming, we ride an exponential, dollar purchasing slide, downwards. Exacerbating the situation is what's in store for gold. With shaky complacency in markets, where investors have lost, over 12 months, 1/3 in what they had in wealth funds (they assume it will come back), there is a scramble for dollars to cover debt service.

Gold, except for these last 2 days, has basically been held in check. But when those wealth funds lose 50% rather than 25%, and some funds close down—what then?

As it becomes apparent we are again living in a commodity-based, manufacturing world, where energy is what is needed to produce artillery shells/fertilizer, there will be a move to gold—and if the 'commodity realization' is sudden, it will be in a 'gold-rush'.

Not just gold, but real stuff—over which gold will be the arbiter and the measure. Based on an assumption that the US has little or no gold, purchasing power of the dollar will plummet. Because we produce so little, we will be unable to procure necessities of life. And, while the price of gold has risen in other currencies, while held down in the dollar through manipulation, that will reverse, with '0's being added to dollar/gold price.

The US is in the throes of deciding whether its wars with Russia, China, and others, are purely economic, or if they are to become hot. Economic war casualties are being felt everywhere. Chinese property owners are leaving Vancouver (if we can seize Russian assets, we can do this to China). The college where I live, pre-Covid, had a large Chinese student population—now there are none. Begging the question: though unprepared psychologically or materially to take on China/Russia war, what will be the consequences for US alienation of the most powerful manufacturer/energy producers?

US rhetoric is directed mainly at China. It's as though, discovering we are losing a fight with the smaller brother, we turn and go after the older and more powerful brother.

China will use Belt/Road Initiative—Global Development Initiative to: “promote modifications to international norms to favor state sovereignty...over individual rights.”

Classic double-speak: 'international norms' is doing what the US dictates. Individual rights, when was the last time you had a warm feeling the US cared about your rights?

There's more I have to say but my 2 pages are full—of things that threaten our very existence. So I'll continue on next time. Makes a body recall the words of HL Mencken: "No one ever went broke underestimating the intelligence of the American public."

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