

US Dollar and Gold



Wall Street Journal: “The end-game of this is most likely a continuation of the long-term decline and eventual collapse of the U.S. dollar as we currently use it, and that eventually you’ll likely trade some of your **gold and silver coins for 10-100x the number of dollars** (or whatever currency the U.S. and its citizens are using at that point) than you paid for them and use whatever currency regime(s) have replaced the status quo system.”

Bloomberg: “Gold Will Outlive Dollar Once Slaughter Comes”

The world’s monetary system is in the process of melting down. We have entered the endgame for the dollar as the dominant reserve currency, but most investors and policy makers are unaware of the implications.

The War On Cash Is Irrelevant If You Own Gold And Silver

“Yes, we know that the Government is going to digitize the currency system and take interest rates negative in an attempt to channel bank balances into consumption or the stock market or Treasury bonds.

But whatever measures the Government takes to implement capital controls and increasingly exert more control over your life can be offset if you move as much cash as possible out of the system now and into precious metals.”

Table 1: In most currencies, gold was trending up since the end of 2013, and it's up in every currency year-to-date

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 ytd
USD	18%	23%	31%	6%	24%	30%	10%	7%	-28%	-1%	-10%	18%
EUR	35%	11%	18%	10%	21%	39%	14%	5%	-31%	12%	0%	18%
JPY	35%	25%	23%	-14%	28%	13%	4%	21%	-13%	12%	-10%	13%
GBP	31%	8%	29%	44%	12%	34%	11%	2%	-30%	5%	-5%	23%
AUD	26%	14%	18%	32%	-3%	14%	10%	5%	-16%	8%	1%	17%
CHF	36%	14%	22%	0%	20%	17%	10%	4%	-30%	10%	-10%	19%
CAD	14%	24%	12%	29%	7%	23%	13%	4%	-23%	8%	7%	15%
MXN	12%	25%	32%	33%	19%	22%	24%	-1%	-27%	12%	5%	23%
CNY	15%	19%	23%	-1%	24%	25%	5%	6%	-30%	1%	-6%	20%
NZD	24%	20%	20%	40%	0%	20%	11%	0%	-28%	4%	2%	20%
SEK	41%	6%	24%	28%	14%	21%	13%	1%	-29%	20%	-3%	20%
RUB	22%	13%	22%	26%	27%	32%	16%	2%	-23%	82%	7%	18%
HKD	18%	24%	31%	5%	24%	30%	10%	7%	-28%	-1%	-10%	20%
NOK	31%	14%	14%	35%	4%	30%	13%	0%	-22%	21%	6%	15%
SGD	20%	14%	23%	5%	22%	18%	11%	1%	-26%	3%	-4%	16%
TRY	19%	29%	8%	39%	21%	33%	35%	1%	-14%	7%	12%	19%
KRW	15%	13%	32%	42%	15%	25%	13%	-1%	-29%	2%	-4%	22%
ZAR	32%	36%	28%	47%	-3%	16%	34%	12%	-11%	9%	20%	18%
BRL	4%	13%	9%	38%	-6%	23%	24%	18%	-17%	11%	34%	14%
INR	22%	21%	17%	31%	19%	25%	31%	11%	-19%	1%	-6%	21%

Source: Bloomberg, GoldMoney Research

Bloomberg: The Probability of Negative U.S. Rates Is on the Rise

Global central banks have opened the door to negative U.S. interest rates, in Wall Street's view.

After the Bank of Japan cut some rates below zero last month to spur growth and inflation, strategists are weighing the Federal Reserve's options in case of a crisis. If the world's biggest economy weakens enough that traditional policy measures don't help, the Fed may consider pushing rates below zero, according to Bank of America Corp. and JPMorgan Chase & Co.

Strong Dollar Pounds S&P 500 Into Earnings Recession

"Industrial and technology earnings likely fell in Q4 due to a strong dollar and weak overseas demand. (EPA/Newscom)

"Corporate America faces its first back-to-back earnings decline since the Great Recession, as a strong dollar weakens U.S. multinationals well beyond the oil patch."

Guess What Happened The Last Time The U.S. Dollar Skyrocketed In Value Like This?

Over the past decade, there has been only one other time when the value of the U.S. dollar has increased by so much in such a short period of time. That was in mid-2008 - just before the greatest financial crash since the Great Depression. So the fact that the U.S. dollar has been skyrocketing lately is a very, very bad sign.

WSJ MarketWatch: How fast is your dollar deflating?

Want to know how fast your dollar can lose its buying power? Here's an easy way to find out, using the mathematical principle known as the Rule of 72.

All you have to do is take the number 72 and divide it by the rate of inflation. For example, if the rate of inflation is 2%, divide 72 by 2 and you get 36. This is the number of years it will take to cut your money's value in half if inflation runs an average of 2% a year.

Scoot the average inflation rate up to 4%, and you will find that it takes 18 years to slice the value of your dollars in two.

And if the rate of inflation were to average 6%, you can say goodbye to half your dollars' buying power in only 12 years.

Ray Dalio: "If You Don't Own Gold, You Either Don't Know History Or Economics"

"If you don't own gold...there is no sensible reason other than you don't know history or you don't know the economics of it..."

Ray Dalio, founder and co-chief investment officer of Bridgewater Associates, L.P. and **one of the most successful hedge fund managers of all time** told Maria Bartiromo last week that **he owns gold and that he sees no "sensible reason not to own gold"**.

"Gold is a currency. Throughout the history, I won't tell you in length, money was like a check in a checkbook and what you would do was get your gold and gold was like a medium. **So gold is one of the currencies-- We have dollars, we have euros, we have yen and we have gold.**

And if you get into a situation where there's an alternative in this world, where we're looking at 'What are the alternatives?' and **the best alternative becomes clearly one thing, something like gold.**

Dalio's interview is important as it again indicates how slowly but surely gold is moving from a fringe asset of a few hard money advocates and risk averse individuals to a mainstream asset.

Wealthier people and some of the wealthiest and most influential people in the world are slowly realizing the importance of gold as financial insurance in an investment portfolio and as money.

This will result in sizeable flows into the gold market in the coming months which should push prices above the inflation adjusted high of 1980 - \$2,500/oz.

