Strategic Wealth Preservation

INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING PRECIOUS METAL INSIGHTS - APRIL 2023

GOLD REMAINS THE HERO AGAINST THE ECONOMIC KRYPTONITE

Well, the last few weeks have been quite the ride! And I think we can all agree that it's not over yet. The weakening of the US Dollar, bank closures, the Fed slowing interest hikes, and continuing high inflation, means we need to remain vigilant. Jeff Clark breaks it down for us in this quarter's ITV, giving us an expert perspective on what comes next.

We also hear from Jeff Thomas on what actually constitutes the safe storage of wealth, and Chris Vermeulen reports on precious metals performance in 2022, whilst highlighting the conditions that could impact them in 2023. Spolier: Gold remains the hero and continues to save the day for many investors!

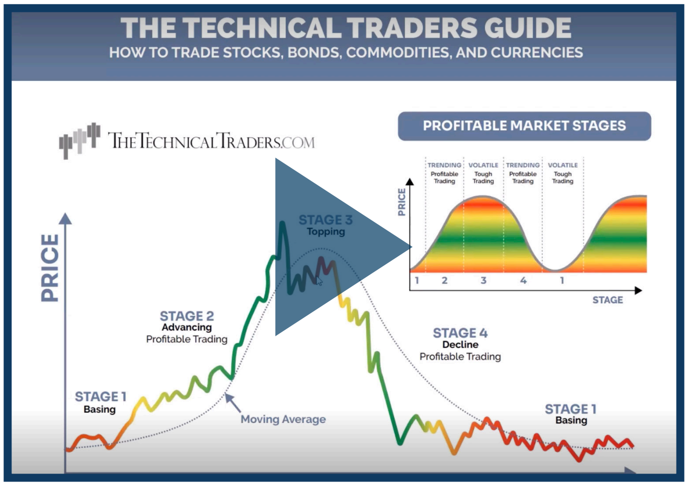
The SWP team are investors too and we have designed this newsletter to educate and inform our clients using expert opinion from the top minds in our industry. Please feel free to share the content with colleagues, friends, and family who may appreciate the insight.

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: HELLO, BANKING CRISIS

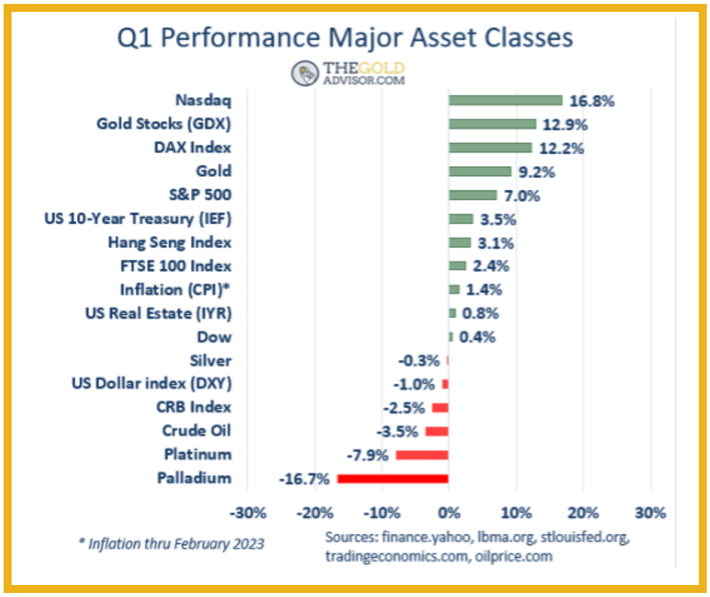
Jeff Clark, Senior Analyst GoldSilver.com, Advisory Board Member SWP, TheGoldAdvisor.com

The shocking closure of two US banks, the Fed slowing interest rate hikes, and a weakening US dollar all roiled markets and led to a spike in gold demand.

Our ITV quarterly report summarizes how gold and silver and other major asset classes performed in the first quarter of an already volatile year. We then outline the major catalysts to watch as the rest of the year unfolds.

Gold Leads Most Assets

This chart shows how gold and all precious metals performed last quarter, along with most major asset classes.



Gold rose 9.2% last quarter. Silver was flat, while platinum and palladium fell 7.9% and 16.7% respectively. Gold outperformed the S&P 500, US Treasuries, real estate, and the US dollar. Bitcoin, not shown, rebounded 72.1%

The gold price rose for a 2nd straight quarter. But even more noteworthy is this:

- Gold recorded its highest quarterly close, EVER.

The reasons for this are pretty clear: two U.S. regional banks nearly collapsed, causing fears of a widespread banking crisis… which in turn drove investors to bet the Fed might pause interest rate hikes… which in turn caused the USD to weaken. All of these were bullish for gold.

Now that Q1 is in the books, what can we expect going forward?

The Precious Metals Watchlist

There are numerous vulnerabilities that could continue to push investors into gold…

Banking Crisis: Is the banking crisis over? Deposits at small US banks dropped by a record amount after the collapse of SVB. The contagion spread to some large banks as well. The gold price soared when the SVB closure was announced.

Meanwhile, Credit Suisse was about to go bankrupt, but the Switzerland government stepped up because it said the collapse would've affected their economy and financial center and likely resulted in runs at other banks. They brokered UBS taking over the Zurich bank, a surprising and landmark event.

Banking is at the core of commerce, so any continued threat here will drive investors to gold.

Fed Pivot? A full Fed pivot is simply the central bank shifting from raising interest rates to lowering them. Many analysts believe that process is likely in its first stage, since the Fed has decreased how much it's raised rates.

While the jury is still out, I'll point out that since the 1950s, the average time between the Fed's last rate hike and the 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 this summer, for example, it is entirely possible we could see them begin to lower rates by the end of the year! A dovish Fed has major implications on investment markets, including bullish for gold.

Recession: The most accurate predictor of a recession is an inverted yield curve (10-year minus 2-year), and it is now more inverted than at any time in the last 23 years! The yield curve has also inverted in a whopping 26 countries. The gold price has risen during most recessions since the 1970s, the only two exceptions being single-digit declines.

Most consumers expect a recession. Consumer sentiment fell last quarter due to "concerns of an impending recession."

De-dollarization trend: The list of countries making efforts to trade in their own currencies instead of the US dollar continues to grow. Saudi Arabia, China, Brazil, France, India and of course Russia have all made public efforts to avoid using US dollars. A weaker US dollar usually means a stronger gold price.

Inflation: While CPI readings in the US have come down, inflation is still far above the Fed's 2% goal. It is not unreasonable to question the likelihood of them reaching that goal. History shows that high inflation is not only difficult to bring down, but that it can spike again before ultimately subsiding.

Meanwhile, the EU reported that core CPI hit a new record high last month.

Real Estate: Housing prices and demand continue to fall, with Morgan Stanley saying housing affordability in the US is "deteriorating at its fastest pace in history." Globally, interest rate hikes are outpacing the fall in home prices, making affordability worse.

A crisis in commercial real estate is also looming. Morgan Stanley says, "Commercial real estate, already facing headwinds from a shift to hybrid/remote work, has to refinance more than half of its mortgage debt in the next two years." The point being, they can't afford it with higher rates in place. This is something to watch.

Stock Market: Stocks remain vulnerable with the elevated risk of recession, elevated interest rates, and elevated inflation. Gold is typically inversely correlated to stocks.

Credit Card Debt: Despite some politicians claiming the economy has been strong since the end of Covid, US credit card debt hit a record $930.6 billion last quarter.

Bond Vulnerability: Aggressive rate increases by the Fed and other central banks have dramatically impacted lending and credit markets. Bonds in general have not provided the traditional protection many assumed it would—but gold has and will continue to do so.

Resumption of QE?: After interest rates, what is the Fed's number one tool? Printing! It will be entirely unsurprising to see quantitative easing (currency creation) resume at some point this year, whether it be due to lower tax revenues, a recession, a debt-related event, or a black swan.

Gold Demand: It's official: central banks bought more gold in 2022 than any year since they began keeping records. Central banks have been net buyers of gold since 2009. This offers a strong floor to the gold price, and all indications point to this trend continuing.

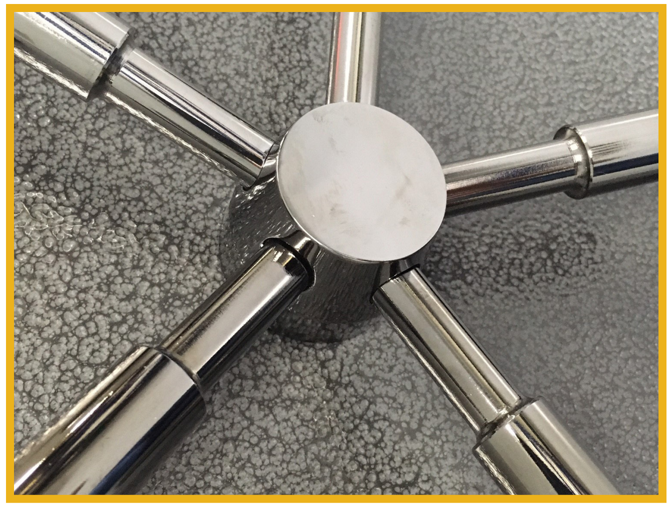
Gold/ Silver Ratio: The ratio (gold price divided by silver price) ended the quarter at 81, almost a third above its long-term average of 55. It fell to 32 in 2011, and 20 in 1980. Silver remains deeply undervalued relative to gold.

The need for a safe haven asset is clear. The banking crisis, recession risks, stubborn inflation, and interest rate risks leave investors with few places to turn. History shows gold is a strong choice to balance a portfolio in this type of environment.

Follow Jeff on Twitter @TheGoldAdvisor

KEEPING WEALTH SAFE

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



Since before the days of currencies, people have sought to keep their wealth safe – to store it where it wouldn't be stolen by others.

In the 1970's, I became the first jeweler that had existed in my country, the Cayman Islands. (It had been a backwater until the 1960's, but was developing rapidly). That made it necessary for me to import precious metals from Johnson Matthey in London on a regular basis.

At that time, local banks stored little or no precious metals and that meant that a safe storage location was needed for the ever-increasing inventory of precious metals. It became necessary for us to lease an old bank premises with a sizeable walk-in safe.

This experience turned me into a lifetime holder of precious metals. It also made me unusually conscious of the necessity for safe storage.

Back in 1970, economist Harry Browne wrote on what he considered the essential requirements regarding safe storage of wealth. He began by stating that "paper receipts are not real money; they are money substitutes." He then defined the minimum criteria for the storage of real money:

1 The storage facility must have a good reputation
Whether the client trusts the facility is not sufficient. It must be generally accepted as trustworthy, or transactions cannot take place.

2 The real money must be readily accessible
If your wealth is not yours on demand, it is not truly yours.

3 The real money must be kept out of circulation
If the storage facility may loan out your wealth, or bundle it together with the wealth of others, it's not readily accessible.

So, let's consider how well banks have adhered to the above principles as wealth storage facilities since 1970.

All of the larger banks have become involved in questionable loan practices in recent decades. This has made them unstable at best. Some would have failed, were it not for bail-outs (and, in some cases, bail-ins) by governments. In bail-outs, bankers paid themselves enormous bonuses, based upon the volume of their loans, no matter how unsound and, when the Ponzi scheme collapsed, governments rewarded them for their misdeeds by providing taxpayers' money to re-float their banks, as they were "too big to fail." Bail-ins were worse, as governments approved the robbery of depositors' funds to re-float the banks. (At present, the EU, US and Canada all have bail-in laws that allow bankers to unilaterally perform this type of robbery, by declaring a "bank emergency.")

(Recent events in the US should serve as a warning that the era of bail-ins is now upon us.)

Considering the above, it would be difficult to imagine banks to have a worse reputation for deposit safety.

As to wealth being accessible, most all countries now have laws that define your deposits as "bank assets" and that they represent a "liability" of the bank. This means that, at any given time (say, in a crisis situation), the bank has no obligation to allow you to withdraw your savings. The bank may wait until its crisis is resolved (if at all). Then, you'd be entitled to whatever portion of your savings actually remained, following the resolution. (The percentage can be as low as zero.) The bank has the authority to declare a freeze on withdrawals at any time, without recourse by depositors.

As to money circulation, since the bankers profited so handsomely from the loan scams leading up to the crisis of 2007, they've done it again, except that the level of uncollectible loans is far greater today than in 2007. Therefore, if an individual has his wealth stored in a bank, when the inevitable next crash arrives, he can be sure that it hasn't been kept out of circulation.

Well… not so good, is it? Banks in the 70's were a bid dodgy, but in today's world, they're about as unreliable and untrustworthy as they could be.

But, what can you do? If you were to withdraw your money now from your bank, where would you put it? Stuff it in your mattress? Worse, even if you did make that choice, most banks demand (since it's their asset and not yours) that you justify to them why you need to withdraw any of your money. This makes your wealth even less accessible.

There is, however, an alternative. Centuries ago, in Europe, people seeking a safe place to store their wealth adopted the practice of going to the local goldsmith, who, of necessity, had built himself a vault of some sort. They then paid the goldsmith a small storage fee. The goldsmith could not spend depositors' wealth, nor could he loan it out. (Unlike today's bankers, he would have been put in prison for such an act.)

And, returning to the introductory paragraphs of this essay, as a young man, I found myself in exactly that dilemma. As the only local jeweller, it became necessary to acquire safe storage, as there were no other practical options at that time in my country.

Since that time, I've become highly conscious of the need for safe storage of wealth and have been involved in the creation of several wealth storage facilities. Such facilities are becoming more numerous in today's world, and for the obvious reason: the alternative is eminently untrustworthy.

If the reader seeks to protect his wealth, he may wish to consider the well-established minimum standards once again. Begin by recognising that "paper receipts are not real money; they are money substitutes." Real money has intrinsic value and we therefore return, as mankind has for over 5000 years, to precious metals. As to its storage:

1 The storage facility must have a good reputation
Whether the prospective client trusts the facility is not sufficient. It must be generally accepted as trustworthy, or transactions cannot take place. Select a facility that's used by top investors and economists. And, it should be located in one of the safer jurisdictions, such as Dubai, the Cayman Islands, Singapore, etc.

2 The real money must be readily accessible
If your wealth is not yours on demand, it's not truly yours. Deal only with a facility that will allow you to withdraw or sell your wealth on 48-hour notice (at worst). Your metals should be physically owned – not an ETF or other paper contract saying that the facility "owes" you the metals or cash of equal value. They should also be fully allocated and segregated – you should be able to visit and inspect your metals at relatively short notice (24-48 hours), to actually hold your storage container, with its seal intact, open it and ascertain that it contains exactly what you've deposited (no changes in serial numbers on bars, etc.)

3 The real money must be kept out of circulation
If the storage facility may loan out your wealth, or bundle it together with the wealth of others, it's not readily accessible. The storage facility contract must state that you remain the owner of the assets at all times and that the facility cannot either loan out your metals, borrow against them or bundle them with the metals of other clients.

Back in the 70's, I faced a problem of wealth storage that couldn't be addressed without acquiring a vault. Today, the problem is far greater, but the solution is far easier.

To maximize safety, *choose the safest jurisdiction,* then *choose the safest facility within that jurisdiction.*

Strategic Wealth Preservation Capital

SWP CAPITAL UPDATE

Written by Bruce John, Managing Director Strategic Wealth Preservation.

Since launching SWP Capital in October 2021, SWPC has funded 17 precious metals margin loans (PMMLs) totaling $5.5 million all funded by precious metals backed secured notes (PMBSNs). The largest PMML was $1.2 million, and the smallest was $100,000.

SWP Storage Clients borrowed against their metals through SWPC and used loan proceeds to purchase more metals, real estate, invest in other assets and invested in their business. They got access to readily available funds when they needed, and they got to keep their metals.

During this period the interest rate on PMMLs rose from 4% p.a. to 9% p.a. which increased the cost of borrowing and the interest rate on PMBSNs rose from 2% to 7% which made Investors happy. We can thank the U.S. Federal Reserve for this due to aggressive increases in the U.S. Federal Funds Rate to fight rising inflation. Expectations are that the Federal Reserve will increase rates by another 25 bps in the next 60 days, hold rates steady for six months, and then lower rates in the new year. Despite the rising interest rates and a higher cost of borrowing, many SWP Storage Clients are borrowing against their metals to access cash without selling their metals or dealing with the red tape with their local banks. If you need access to cash and don't want to sell your metals, SWP Capital is still a good option.

A quick snapshot of SWPC's PMML program and PMBSNs:

- » **1.** Minimum amount of a PMML/PMBSN is $100,000
- » **2.** Term ranges from 3 months to 12 months
- » **3.** Current interest rate on a PMML is 9.0% p.a. fixed for up to 12 months (This rate is tied to U.S. Prime which is currently 8.0% p.a., and will change with U.S. Prime and the U.S. Federal Reserve)
- » **4.** Current interest rate on a PMBSN is 7.0% p.a. fixed for up to 12 months (This rate is tied to U.S. Prime which is currently 8.0% p.a., and will change with U.S. Prime and the U.S. Federal Reserve)
- » **5.** The arrangement fee charged on a PMML ranges from 1% to 2% of the PMML depending on the amount of the PMML (This fee covers legal fees and administrative costs). There is no fee on PMBSNs.

If you have an interest in a PMML or a PMBSN, contact:

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SWP Strategic Wealth Preservation

WHAT'S NEW

NEW INSIDE THE VAULT SERIES – RELEASING SOON!

We have just finished filming our new series of Inside the Vault and it is our best one yet! Whether you're new to investing or a seasoned pro, we think you'll find the information both valuable and interesting. Our very own Mark Yaxley talks us through 6 episodes that cover topics like: The Three Golden Rules of Investing in Precious Metals, Treasures Inside the Vault, A Deep Dive into Storage, and Precious Metals in your Self-Directed IRA. We also have a very special episode where Daniela Cambone visits the SWP vault and talks to Mark about her career in Precious Metals plus a sneak peek at the new SWP facility that will be ready for business in the next few months!

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, Singapore and New Zealand. We also offer corporate disaster recovery services for businesses located in the Cayman Islands.

SWP's secure storage facility
George Town, Grand Cayman

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