

US Dollar's Achilles heel, and gold to soar

By Dr. Jim Willie, 13 August 2019

All important factors are finally putting tremendous pressure on the USDollar. The weak economy will result in lower interest rates, thus more downward USD pressure. The enormous USGovt debt will result in further bond dumps in addition to trade settlement outside the USD, thus more downward pressure. The resentment for threatened hot wars, trade wars, economic sanctions, and SWIFT obstructions will result in amplified resentment. They will respond with a global boycott of the King Dollar, dumping of USTreasury Bonds, and thus more downward pressure. Worse, a global currency war might erupt in the very near future, which might have basis in competing interest rates from monetary policy in addition to competing bond yields. The remarkable fact that has come to the table in the last few weeks is that foreign sovereign bond offerings are having strong demand despite lower bond yields offered than USTreasurys. However, the USTreasury auctions are being gradually noticed as failures, despite higher bond yields offered. The message is crystal clear, that collateral for the huge debt is far more important than the carry, namely the bond yield. Finally the USGovt debt is being questioned, as it rises past the \$22 trillion level, as the debt limit is suspended, and as the over \$20 trillion in missing funds is publicized. The USGovt financial room is a recognized crime scene.

The global bond market crisis has begun. It will eclipse the Lehman subprime mortgage bond crisis from 2008 in a big way, like with three to five times the impact. The reason is simple. All the errors were repeated from ten years ago. New arrogant errors have been committed. The notion has been perpetuated that the USTreasurys can never suffer a default, but they can indeed suffer an internal breakdown from over-engineering and dependence upon machinery. It is self-dealing, otherwise called internally monetizing debt. The result has been that the major central banks are toxic sovereign bond vats, buyers of last resort. Worse, the USTreasury Bond has become the global subprime bond, soon to be recognized as such. It must be noted that negative bond yields represent a new bizarre twist to the moronic Modern Monetary Theory heresies being promoted, espoused, and implemented. They signal the powerful global recession, but also the rebellion against the USDollar. This global bond crisis has many sides.

PARADOX FROM GLOBAL RECESSION

The global economy is slowing down badly, which means less commercial trade, which is majority done in USD terms. Hence there is less movement in the many channels, and that means less payment in USD for other currencies. The result is a global economic recession

which translates to less demand for non-USD currencies. By default during a slowdown, the USDollar rises. The strong effect is that the other currencies are not receiving good demand. It is not a case of money flying into USTBonds, although that is another domestic factor. It is more a case where the USTBond demand is done in self-dealing. Both the US funds are buying USTBonds, and the USGovt is buying its own debt via derivative machinery. It is a reverse type argument. Best to think in terms of the other currencies in order to comprehend the point. Foreign currencies are seeing much less demand from lesser global economic activity. The USDollar rises in turn. It is an intriguing paradox.

The USEconomy is in terrible shape, stuck in a multi-year recession. The USGovt continues to lie about the price inflation, with the CPI perhaps 6% to 8% higher. Therefore the USEconomy GDP is 6% to 8% lower in growth, as in minus 4% to minus 6%, amazingly. Reality is a true bitch! Imagine all the imported products that the Americans are NOT buying. The Americans buy less from many countries, thus less demand for their currencies. The result is that they all go down, and the USDollar goes up in response. This global bond crisis has many sides.

PRESSURE FROM OTHER CENTRAL BANKS

In the next stage, the USDollar must be brought down. It will be done by means of cutting the official interest rates. **The USFed has no choice but to cut rates. The problem is that they will dither and diddle, not cut rates aggressively, and lie about their future rate cut actions.** Meanwhile, other nations like New Zealand have aggressively cut rates, and their currencies have come down. The result is the USDollar goes up. Other secondary central banks will cut rates, and do so more quickly than the USFed or even the Euro Central Bank. **The USFed and USGovt are both under huge pressure to bring down the USD, and not permit it to rise further. It is causing tremendous damage on a global scale.** The true need is for a Plaza Accord II, like in 1995 where the USD is brought down by force with respect to all other major IMF currencies. In fact, the Plaza Accord was a big success.

The other disaster on the global doorstep is Emerging Market debt. It was on the verge of default two full years ago. It is even worse now. For the last many months, Western banks have been lending good money after bad, lending to the EM nations for the debt service. The time has finally come for the debt default parade to begin, where potentially as much as \$12 trillion of their impaired debt is ready to default. The big Western banks are on the hook. This global bond crisis has many sides.

CORRECT FORECASTS LINING UP

Correct forecasts are lining up. Most of these listed forecasts have been cited and repeated within the Hat Trick Letter since 2014. They are actually all my pending forecasts. The majority have begun to hit, to become reality. A magnificent crisis has begun, and it will not

stop until the USDollar is in transition, followed by the multi-faceted modern version of the Gold Standard. When implemented, it will have numerous features, unlike in the years leading to 1971 when abolished.

Never have so many forecasts kicked into gear at the same time as what are currently taking place. The Global Bond Market crisis is gaining momentum. The fact that so many forecasts are kicking into gear means clearly that the Global Financial RESET is in its middle stages. The Jackass forecasts are coming to the fore, made over the past few years:

- Gold Trade Note is launched
- Germany flipping East
- China buying Saudi oil in RMB terms
- USGovt tossing the Saudis under the bus
- USFed reverts to Infinite QE Forever
- USTreasury Bond recognized as global subprime bond
- Numerous non-USD bank transfer facilities emerge
- Britain seeks a role in Belt & Road Initiative
- Iran becomes a vital member of Eurasian Trade Zone
- US loses control of oil market as OPEC dissolves
- The Dual Universe comes into form, USD vs RMB
- Shanghai gradually wrests control of Gold market
- US bond market unravels as crisis expands
- United States finds utter isolation.

INFINITE Q.E. FOREVER AT ZERO BOUND

It is next. It is unavoidable. It is urgently demanded. The USFed is backed into a corner. They must expand the bond purchase program, and must reduce the interest rates. The US Federal Reserve hints at the rapid return to ZIRP (zero rates), working toward the call of Infinite QE Forever (bond purchases). The reversal of monetary policy, away from tightening, and back to full bore easing with zero rates, will combine with expanded bond purchases. The new monetary policy will mark a major turning point for the USDollar, the USTreasury Bond, and the perceptoins of the USGovt debt structure.

The turning point will be extremely negative, with horrible global press toward the King Dollar, and a ruinous reputation for USGovt debt. The prospect is finally here and now, that the USGovt debt will endure a structured default. The Gold price will rejoice, rise, then soar. As the USFed climbs into the Infinite QE Forever policy chamber, the entire

global financial system will abruptly change gears, and the Gold price will react favorably.

The hyper monetary inflation framework is unavoidable for many reasons. The QE Forever feature of monetary policy is fixed and understood. Next comes the Infinite QE part, as lower interest rates will be accompanied by monetization of major corporations, for national security reasons. Many are the reasons for the institutionalized hyper monetary inflation to be put into place.

A) The entire Quantitative Easing (QE) put into action by the USFed in 2012 was designed to stimulate, but the only benefit came from avoiding a US Treasury Bond default. The bailed out the Wall Street banks. The funds were preventing from entering the business sectors, as Main Street has languished and fallen into an even worse recession. In February, Chairman Powell clearly indicated that QE bond purchases will become a permanent fixture at the USFed. **Now the only option left is hyper inflation with Infinite QE Forever, coupled with zero percent rates. The Gold price will rejoice.**

B) The USEconomy embarked on a disastrous course 20-30 years ago, expecting financial engineering to bear fruit. It brought disaster and bankruptcy, ruining the Greenspan Legacy. The failure has occurred on the global geopolitical stage, as the USGovt attacks its enemies and badgers its allies to remain within the King Dollar Court. **Now the only option left is hyper inflation with Infinite QE Forever. The Gold price will rejoice.**

C) The debt burden for the USGovt has gone completely out of control, surpassing \$21 trillion quickly. Worse, the over \$1.3 trillion in fiscal deficit combines with the over \$1 trillion in trade deficit, so as to put the United State on display as the next Third World nation on the map. A Balance of Payments Crisis has begun, certain to blossom. The USGovt must finance its debt, and will do so by purchasing its own debt. It is essentially a hidden monetization of debt by means of the derivative tools led by the Interest Rate Swap contract. The deficits must be funded. **Now the only option left is hyper inflation with Infinite QE Forever, using these nefarious engineering tools. The Gold price will rejoice.**

D) The United States cannot halt its wars, and is obligated to feed the military industrial complex. Such is the epitaph on the national tombstone, endless war. It is possible that eventually the US Military will wage war against our own allies, but surely in a hidden manner, laying blame on Russia, China, or Iran. The costs of military forces with weapons is enormous. The USGovt budget for military purposes is greater than the military budgets for the rest of the globe combined. The benefit is

negative, as the economies are destroyed while the costs add to the USGovt deficits. Most of the missing \$21 trillion is directed at the Pentagon, where not a single audit has been completed in 40 years. The deficits must be funded. **Now the only option left is hyper inflation with Infinite QE Forever, coupled with zero percent rates. The Gold price will rejoice.**

E) Prized stalwart corporations next will falter, bleed red ink, and seek support. Start with Boeing and Wells Fargo, each showing signs of terminal business. Boeing has suffered grounding of aircraft, flawed design, canceled orders, resulting in magnificent quarterly loss. Wells Fargo has likely suffered massive Chinese fund withdrawals, while at the same time pilfered client accounts. The bank surely does not receive the same pampered attention as those located in South Manhattan. Next might be one or two Wall Street firms to approach financial failure, like Bank of America or Citigroup. The energy sector exposure is gigantic, led by the shrinking shale sector. The Jackass expects the USGovt, in concert with the USFed, to monetize these dying firms, under the national security pretext. The deficits must be funded. **Now the only option left is hyper inflation with Infinite QE Forever, coupled with zero percent rates. The Gold price will rejoice.**

The reaction by financial markets around the globe to Infinite QE Forever endorsed by the USFed, joined by the Euro Central Bank, will be a powerful upward move in the Gold price. It might be accompanied by a big hit to the USDollar, but that is not certain. The lower volume of global payments in trade, based upon the USD, will result in more weakening of foreign currencies, while resulting in a higher USD exchange rate versus those other currencies. **THE ONLY CERTAINTY IS A MUCH HIGHER GOLD DEMAND, AND RESULTANT HIGHER PRICE. The nascent Dual Universe, complete with a friction-filled frontier zone, will assure more USDollar damage and more Gold platforms constructed.** Global gold demand is on the fast rise, due to the perceived bond market and currency market crises. The Jackass expects discontinuous upward leaps in the Gold price in the next several months and couple years. That means big jumps overnight, like \$100 or maybe \$200 per ounce price movement in the Gold price, and like \$2 or maybe \$5 per ounce price movement in the Silver price. These jumps will come later on, when Gold is over \$2000 and Silver is over \$30.