



Retirement *Lifestyle*
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RADIO PROGRAM

Expert Interview Series

Guest Expert: Egon Von Greyerz
Matterhorn Asset Management

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. Joining me today on the program is first-time guest, Mr. Egon Von Greyerz. Egon is the founder and managing partner of Matterhorn Asset Management. I'm catching up with Egon today from his offices in Zurich. Egon, I've been a longtime follower of your work. It's a pleasure to have you on the program. Welcome.

Egon von Greyerz:

Dennis, very good to speak to you for the first time. A lot to talk about these days, which makes your job interesting, and mine too.

Dennis Tubbergen:

It certainly does. And let's maybe start, Egon, with just a little bit of background. And let me just mention to the listeners that if you'd like to learn more about Egon's company and what he does, you can go to goldswitzerland.com. That's goldswitzerland.com. Egon, can you tell us just a little bit about Matterhorn Asset Management? What motivated you to start the company and what do you do for people?

Egon von Greyerz:

At the end of the 1990s, I was worried about... Which I often am. I'm worried about the world, but worried about the debt exploding, and worried about derivatives. And that was at the same time as gold was bottoming, had gone down from 850 to \$250. And I thought that this was the time to really worry about the safety of your investments, and of the financial system. So, we started then with that for ourselves and with a few investors that we advised at the time, to focus on wealth preservation in the form of physical gold and silver stored outside the banking system in the name of the client. So, we started going into gold in a major way in 2002, when it was \$300. And really, we haven't turned back. Obviously, we got the first crisis, 2006, eight, and gold rose quickly from 300, as you know, to over... Well, in the 1,900, and then it's been going sideways for a while. But the good thing with gold, is that it always goes up, of course. Or if we turn it around, paper money always goes down.

And that's what really is happening, because gold is just a stable purchasing power. And that's why we thought it was absolutely critical in the coming years in a system which is... Well, we have bubbles in every asset class, the bonds, stocks, property, and we think there'll be major corrections in all of these. And we felt that gold is the best way to insure against this, and to protect your wealth. But obviously you mustn't keep it in paper form or in a

system that is bankrupt, and we've seen examples of that just in the last few days. So therefore, you have to have it in very safe vaults outside the banking system, and preferably outside your area of where you live also, or the country where you live, so you can actually flee to your gold if things really get bad. So that's what we started 20 years ago, and we have clients all over the world. We have the biggest private gold vault in the world in the Swiss Alps, that's for normal-sized clients. But our minimum is quite high. It's \$400,000 in the smaller vaults, and then \$5 million in the mountain vault. So that's in a nutshell what we do, Dennis.

Dennis Tubbergen:

Well, Egon, thank you for that explanation. I caught an interview you did a couple of weeks ago, and during that interview... and I've seen you write about this as well... you mentioned that \$2 quadrillion in global debt looms over our markets. And I believe that's the term that you used. First of all, a quadrillion is a number that in my mind is unfathomable. I can't even get my arms around how much that is... and that can't possibly be paid. And can you explain to listeners a bit about what you mean and how you arrive at that number?

Egon von Greyerz:

It's really very simple. Global debt is around 300 trillion today. At the beginning of this century, it was just under 100 trillion and it's gone up three times just in the last 20 years. And of course, if you go back 50 years before Nixon closed the gold window, of course global debt was just a fraction of what it is today. For the ones who were born before 1971, we've experienced a period of a debt explosion that has never happened before in history on a global basis, which is what we're seeing now. It's everywhere. It's not just America or Europe, or Japan, it's in every country in the world. And so that's a 300 trillion debt first. And then in my estimation, the derivatives outstanding are probably about 2 quadrillion.

Now I'm saying that because about 12 years ago, the Bank of International Settlement was the central bank of all central banks, and they reduced the outstanding derivatives just with a stroke of a pen from 1.2 quadrillion to 600 trillion. But that was actually fake accounting. The gross outstanding figure was still 1.2 quadrillion. This was, as I said, over 10 years ago. Since then, there's been a massive growth in derivatives. Every single transaction today has elements of derivatives, or all derivatives in them. And a lot of lending is taking place through the shadow banking system, also in the derivative market. So therefore, I'm saying that these derivatives are going to collapse, and they're also very interest sensitive, and therefore they're

under a lot of pressure now because of the higher interest rates, which haven't been really taken into the risk calculations.

So therefore, the outstanding derivatives is, as I've said, one and a half to 2 quadrillion. And I think, just like we saw now a number of banks having to be saved by... Well, it was really by the FDIC, or with Fed's intervention, and Bank of England in England also. But just like they had to be saved, although it wasn't a formal bailout, but in the end, it would become a bailout anyway, because FDIC hasn't got the money. And the same will happen with the derivatives. They will fail when counterparty fails, and then those derivatives will fail, and therefore somebody has to step in. And what I'm saying, is that these derivatives will actually turn into debt, and central banks will have to step in to buy this debt, or to support the banks that will be failing otherwise. The big US banks, they all have... If you take JP Morgan, it's the biggest with over 50 trillion of derivatives.

And I think they will actually turn into debt. And this is how the 300 trillion becomes over 2 quadrillion in coming years. I'm quite convinced that's going to happen. And of course, at the same time then, what central banks will do around the world, they're working on it now, the fiat money system now, they will turn that into some digital money. They'll try to pretend that they can park the old debt somewhere else, and now we have new money. And then at the same time, of course, this digital money is wonderful for every government, because they can then control us totally with all the spending and what we do, and finance, and the taxes, et cetera. So that's what the risk is that we'll see in the next few years. And as I've said, that's how the debt will totally explode.

And of course, if we get to that level of money printing, and I think there's a high risk we will, of course there will be inflation, or hyperinflation also. There has to be. You can't print that much money without creating inflation. So it's a pretty dire prospect that we're looking at. I'm not a prophet of gloom and doom. I'm an optimist actually, but my specialty, if you want, what I'm interested in, is understanding risk. And in my view, the risk is higher today than it's ever been in history, and therefore you've got to protect against that risk. I hope I'll be wrong. I doubt I will be, but I hope I will be. In any case, investors or people who just have money in the bank, they've got to now start think about taking protections because, as we've just experienced, those banks are not safe.

Now the first little banks, and they're not that small, the Silicon Valley Bank and the Silvergate Bank, I mean they could be saved by the system. But

once it starts with bigger banks... And we know that most banks are under pressure, and some are under more pressure, like Credit Suisse in Switzerland for example. When that pressure mounts, and we get a chain reaction, they're not going to be able to save the system. Or if they do, they'll print so much money that the money will be worthless. And that's the risk we have, and that's why investors should be very careful, and not keep any major money in the bank, in my view. Much better to hold gold and keep it outside the banking system.

Dennis Tubbergen:

Well, I'm chatting today with Mr. Egon von Greyerz. He is the founder and managing partner of Matterhorn Asset Management. You can learn more at goldswitzerland.com. And Egon, we've got just two minutes left in this segment. You mentioned a central bank issued digital currency, and you mentioned that, "In my view, the reason politicians want it is obvious, it's control." But do you see that actually becoming a reality? Do you think they're going to be successful?

Egon von Greyerz:

No, I think it will fail. But of course, digital currency is just another form of fiat money, so it will totally fail. They will try it. My view is actually that they might not even have time to do it properly, because although they're working on it, it's going to take much longer to implement than anybody thinks, and therefore we'll have some kind of half measure coming up in the next few years. But I think the system will overwhelm them and collapse, and therefore I think digital money will not get an orderly start.

So therefore, everybody talks about resets, and there's going to be reset. Everybody defines reset differently. In my view, the only reset that's going to count is the disorderly reset there. That's what we're going to have, when there will be panic and when people will lose money within the system. And we have to have a cleansing of the financial system. The world cannot continue to grow soundly with the system full of massive bubbles, and fake money, and fake promises. So that's sadly what we're going to see in the next few years.

Dennis Tubbergen:

Well, the clock says we have to leave it there. I'm chatting today again with Mr. Egon von Greyerz, the founder and managing partner of Matterhorn Asset Management. I'll continue my conversation with Egon when RLA Radio returns. Stay with us.

You are listening to RLA Radio. I'm your host Dennis Tubbergen. I have the pleasure of chatting today with first-time guest here on the program, Mr. Egon von Greyerz. He is the founder and managing partner of Matterhorn Asset Management. I've been a longtime follower of Egon's work, and it's a pleasure to chat with him. And Egon, you mentioned in the first segment that all this currency creation by central banks has created huge bubbles in asset markets. Can you just talk a little bit about how overvalued you think these markets are? Maybe just talk about stocks and real estate to start.

Egon von Greyerz:

Well, sadly investing has just been too easy in the last few decades, and especially in the last 20 years, because of the massive amount of credit creation and money printing that central banks have produced around the world. And as we know, until very recently now, when every central bank worked on getting... And especially the Fed of course, and the ECB in Europe. They all worked on getting inflation up to 2%. And then overnight it went from 2% to 10% in Europe, and eight, 9% in the US. Now artificially the US one has come down a bit. But inflation is going to continue up. I experienced it in the 1970s in the UK, when we had inflation average 17% for eight, nine years, and I think we are in for a period of high inflation, high interest rates now.

We've had this money printing that has created these massive bubbles, because all the money that was printed by the central banks... Or also, of course, commercial banks do most of the money printing by extending credit, and by blowing up their balance sheets. And all that money went into investment assets and not into the consumer economy, and therefore inflation rates for the way that we measure inflation in the west, and of course that was falsely changed in the 1980s, but the way we measure it now, of course, there has been no consumer inflation, and it was below to 2% everywhere, and all of a sudden the result of this massive money printing then turned into inflation in the last couple of years. But anyway. So, then it went into assets, and that's why assets just went up and up and up.

The generations who've been investing for the last 20, 30 years, they don't understand anything else, but that asset markets always go up, of course, because of the very friendly central banks we have around the world. So that's why we have created bubbles. In my view, when markets correct, they always correct more than they should, and I wouldn't be surprised to see a correction in the stock market which was as big as in '29 to '32, which was 90% for the Dow Jones. And then the circumstances were nowhere near as severe as they are today with debts and banking systems, et cetera, and

money printing. So that's why it would be totally normal, in my view, to see a 90% correction there, because of all this debt that is backing it.

The same in the property market. I see property coming down by 75 to 90% also. And the biggest bubble of all, is of course the bond market. And also, the banking crisis we saw now in Silicon Valley in the last two days, that actually also was because of the bond market. I know you're a pension specialist. Now you take these banks, they got the money from these Silicon Valley companies, the funds that they raised, and the bank puts it into long-term bonds and government bonds. I mean, that is the most foolish investment that anyone could ever do. First of all, government is never going to pay back the bonds ever in normal money. The only way they can pay that back is with printed money, and if those bonds run for five or 10 years or longer, that money is going to be worth nothing that they're going to pay in 10 years' time, because inflation, or currency, or debasement of the money, will totally kill the value of that money.

And then to buy long-term debt when rates are just one, 2%, or 3%, I mean, it's just ridiculous. It's criminal. But people don't understand that these low rates were just totally artificial, orchestrated by the central banks. So that's why, as I said, all this money went into those assets. And these assets are not going to correct now. Bonds, property and stocks, they're all 75 to 90% overvalued, and a lot of the bonds will be worthless, of course. Bank bonds always become worthless in the end. And they have been backing the assets, and therefore the assets that were backed by all this debt will also come down. So we need this correction. That's the only way from which the world again can grow soundly, and that has to be done. And in the meantime, the world will suffer for a number of years, but then will come out on the other side stronger. But the transition will be horrible for the world, for all of us, of course.

Dennis Tubbergen:

Egon, let me zero in on your specialty. Let's talk a little bit about gold, and understanding really that pricing gold and fiat currency is a bit misleading. But just talk a little bit about where you see gold going, and the best way to own gold, for our listeners that have interest.

Egon von Greyerz:

Well, it's a good question, Dennis. And what most people don't understand, is that gold is the only money that has ever survived in history. In every period of history, going back thousands of years, each single currency always went to zero without exception. There's no money today that exists

in the form that was originally created that has survived. So that's why it's so simple. If you know that, you know that the money you put in the bank in five years' time, or 10 years' time, or longer, that's going to be worth just a fraction of what it is. So, if we measure money in gold, you take the dollar... But it's the same with all currencies. Since 1971, all currencies have declined between 97 and 99% in stable purchasing terms, which is what gold reflects.

So, imagine a dollar today, \$71 is today worth 2 cents then. And if people understand that... And that's happening all the time with every currency throughout every period of history. I'm obviously talking about the longer term here. The shorter term, you can have fluctuation. But banks don't like gold, because they don't make any money on it. Asset managers don't like gold either, because they like to churn commission and trade, and therefore nobody recommends gold. But if you think about it, if you actually want to preserve your wealth... And most people don't... And I'm talking about in real purchasing terms. That all you need to do is to buy gold and hold gold for the longer term, not for speculation. You don't ever buy gold for speculation. You don't buy to sell it in a month or two months' time. You buy it, you put it aside, you measure it in ounces or grams or kilos, and not in dollars or Euros or yen.

And then you know that over time you will always do better than any paper money and most other assets also. And especially because now you're going to see all these bubbles burst. Sometimes of course stocks do very well and property do well, as it has done now, but that period is finished, and we're going to see these big corrections. And that's why now. I tell people, "Please, please. Not for our sake, and you buy it wherever you want, but please own some gold, and keep it as insurance." Imagine if the Venezuelans had done that 20 years ago, they would have had money for the rest of their lives if they'd done it. Even if they had just saved a little bit. Or the Argentinians, or all the other people who've gone through hyperinflationary periods.

Its only then people realize how important it is to protect your money and to own gold. I've got so many people coming to me having been through hyperinflationary periods, like in the former Yugoslavia for example. They said, "Tell your clients, tell everyone, they have to own gold, because all of my friends didn't in Yugoslavia, and they lost all of their money." But sadly, people think that trees grow to heaven, and therefore they're going to make money. Stock markets always come back and only goes up, and property market too. That's not going to happen now. People that don't protect themselves now are going to have real problems in coming years. Sadly.

Dennis Tubbergen:

Egon, we have time for one more question here. Can you address confiscation risk? I'm thinking back to some of my history studies, and here in the United States in 1933, then President Franklin Roosevelt made it illegal for American citizens to own gold. Do you think that's a possibility? And if so, how would one go about protecting themselves from that risk?

Egon von Greyerz:

Well, it's always possible, but it's a very archaic method of confiscating money in my view. The governments have a most wonderful way of confiscating money. Well, one is through inflation of course, i.e. the value of the money goes down all the time. But secondly, the best way is taxation. You remember, gold in 1933 was only confiscated, or people were not even... That wasn't even confiscated, but it was actually, Americans were forced to sell it back to the government at around \$21, just under \$21. Because the US government needed to devalue its currency, and the gold was backing the currency, and that was the only way to devalue the currency, is to revalue gold, when you have official gold backing of the currency. So that's what's happened, and then gold was revalued at 35 and the dollar obviously then devalued.

But now gold is backing no currency at all, so I don't think that's the way they would do it. Instead, they will actually do it through taxation. People have to remember now that every government around the world is running bigger deficits, and they're going to be even bigger when all these bad debts materialize, and governments and central banks have to support all of this debt. So therefore, they're going to increase taxes, and that's the way to confiscate money. So, taxes is what people should worry about. So, tax planning is just as important as investment planning. Of course, the normal people, wage earners, they can't really do anything about their taxes. But for anybody who has the ability to actually do something about... or plan their taxes better, I think they should do, because that's what government's going to do.

The low taxes we've had now, they are not going to last. We'll have very tough times in coming years. Some people listen to me and say, "Well, he's the prophet of doom and gloom," but I don't see it that way. All I'm doing is just judging the risk in the world, and just telling people, "Try to protect against this risk by holding the only money that's ever survived in history." And then I always say to people also, "Remember that the best things in life are free." That's friends, family, nature, music, books, et cetera. In bad times, all of those things are much more important than money. Although

you need of course enough to eat and have a roof over your head. But except for that, all of those other values are much more important. We've been too focused on money in the last 50 years or so, and on the golden calf, and I think that these other values are so important. People mustn't forget that.

Dennis Tubbergen:

Well, that's a terrific sentiment on which to end. Couldn't agree more. My guest today has been Mr. Egon von Greyerz. He is the founder and managing partner of Matterhorn Asset Management. You can learn more at goldswitzerland.com. Egon, it's been a sincere pleasure to chat with you today. Appreciate you sharing your perspective with our listeners, and I'd love to have you back down the road.

Egon von Greyerz:

Dennis, very good to talk to you. Thank you for having me on your show, and I'd love to be back. Thank you.

Dennis Tubbergen:

We will return after these words.