Ronald Stöferle: In Gold We Trust

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Erik: Joining me now is Ronald Stöferle, managing partner, fund manager, and research director for Incrementum.

Ronni is best known as the principle author of "In Gold We Trust," which – it's almost bragging rights, Ronni. I can say that I remember the old days when IGWT wasn't that big of a deal. But it's really taken on a huge following in the last few years. You're up to about 350 pages of heavy-duty research. And it's free.

So tell us a little bit about how this came about. Why is it free? Why are you giving it away? And how did you get to the point of doing this?

Ronni: Hi Erik.

Thanks for having me again. I'm publishing this report for 14 years now already.

I started writing it when I was an analyst at a bank. Back then, I kind of felt like the vegetarian in the big butchery. Because, you know, sitting in a bank and then writing about the gold standard and being bullish on gold is kind of weird.

Then we set up our own company, Incrementum, based in Lichtenstein. And then the reports got bigger and bigger.

And, for me, it's just cheaper than going to the shrink because there is so much in my mind that I'm reading, that I'm researching, that comes from conversations with other investors, with people on the street, books that I'm reading, newsletters that I'm reading, podcasts that I'm hearing.

So this is, basically, I'm distilling this into one big report. And at some point we said, okay, we really have to take the next step.

And now we are employing, basically, 20 people to crunch the numbers, to edit the reports, to translate it from German to English. And also to Mandarin. So it's a big project now.

And I'm really, really glad how it's turned out. It's probably one of the most widely followed publications on gold nowadays.

Erik: Something I've been saying since 2008, or maybe earlier, was that gold is going to be the asset to own in the 2020s. I've got my reasons for that view. But what was very interesting to me is I saw the report which was just released yesterday –

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Ronni, as I looked at the table of contents, I see that you're describing the dawning of a golden decade, which sounds like the same idea that's in my head. But I want to hear is your version of why we're at the beginning of a golden decade.

Why is now the time to really be thinking about a secular move in precious metals?

Ronni: We always got a leitmotif for the report.

Last year it was the erosion in trust. And I think that topic was really quite spot on.

And this time we said, okay, let's really make a long-term outlook for this upcoming decade. And so we analyzed the whole macro picture.

And I think this is something that differentiates our report from other reports – this is we don't really care about just the supply-demand picture of gold. We try to analyze gold from a macro perspective.

And I think that if we kind of zoom out a bit, the environment for gold for this decade couldn't be better. I think the world at the moment is really running out of safe havens. From our point of view, the relative scarcity is one of the most important topics to understand gold.

So the stock-to-flow ratio of gold is like 64. So you've an annual inflation rate of gold between 1.5% and 1.6% every year, which is already quite a big advantage when it comes, for example, to the money supply that is growing on average by 7.8% since 1971.

So I think this relative scarcity and this solidity and reliability that you cannot be inflated at will in gold. Very similar to bitcoin, by the way. This is one big thing.

Then I think that gold in this upcoming decade could take more and more the role of bonds.

We shouldn't forget, in 2008, Erik, Treasuries were spotting yields of (I think) 3.5%. German bunds had a yield of 4%. Now, at the moment, we are basically at zero or even below with most government debt.

So I think the risk/return is very asymmetrical.

Now, with this whole corona crisis, I think that we can all assume that currency devaluations will be used to try to solve all the structural problems that we have. So this should also be quite beneficial for gold.

And then we are seeing a renaissance of hoarding.

And one thing that is really important, gold is extremely liquid.

We are quoting a study by the LBMA that shows that gold is actually, at some points, much more liquid than government bonds. So this study is referring to the European Banking Authority's measure regarding high-quality liquid assets. And, for some assets, compared to some assets like some government bonds but also corporate bonds, gold is much more liquid.

So I think, going forward, we will really see this remonetization of gold.

A second thing that I want to stress is we will – and here, really, the corona crisis is one of the biggest triggers – we will reach the limits of debt sustainability.

So the International Monetary Fund says for the industrial nations debt-to-GDP will rise from 105% now to 125% – in this calendar year alone.

And then, I think – and this is really a hot topic that we will be discussing hopefully – is we are seeing the end of central-banking dependence.

So what we've seen in the last couple of weeks – I think Chris Cole said that on MacroVoices. He felt that capitalism almost died in the last couple of weeks. And I couldn't agree more.

So, from my point of view, this is really the point where MMT, helicopter money, universal basic income, yield-curve control, and all those things will be implemented, absolutely, for sure.

So this, in combination with the current price action for gold that we're seeing at the moment, makes me pretty confident.

Erik: Ronni, a theme that we've been focusing on here on MacroVoices for the last couple of months has been the evolution from a deflationary macro backdrop, which has predominated the economy for the last decade, in moving toward, I think, either inflation or stagflation. Something that is not deflationary.

But I think that we've seen so much money printing and there is so much more on the horizon, that it's likely that we move into a period of secular inflation or stagflation.

First question: I already know the answer (but) do you agree with that?

And I think there's a yes because I saw it in the report.

But give us your version of that.

Why do you think that we may be headed towards inflation or stagflation? And how would it come about? And what would it mean for precious metals?

Ronni: We all know from reading monetary history that gold is a pretty good inflation hedge. I think that's obvious.

I think if we compare the current situation to 2008-2009 let's have a look at TIPS, for example. The volatility in March and April was enormous. So TIPS were falling to minus 0.6 I think. And then within basically two weeks they rebounded to positive 0.63. And this was really the biggest rebound in inflation expectations that we ever saw in history.

Break-evens are currently at 0.7. And we have never seen a deflationary development like 2008-2009 where the five-year break-evens were at minus 2.2.

So what this is telling me is that, this time around, central bankers were acting much more quickly and much more aggressive compared to 2008-2009.

They've learned their lessons.

But this time around it's not only central bank action. It is also fiscal policy that is extremely aggressive.

Until the end of April, we saw central bank liquidity injections of $10.4 trillion and fiscal stimulus of $10.2 trillion.

So I think that's roughly 20% of world GDP that was created – just until end of April.

So those measures, of course, are enormous. But we shouldn't forget that there is lots of deflationary pressure in the system.

The problem is that, basically, in this kind of creditism system that we are in now, we seem to have reached the limits for loan growth coming out from the traditional banking sector. So we shouldn't always blame just the central bankers. We shouldn't forget that most of the money is actually created coming out of commercial banks.

And I think if we compare really a big long-term view, if we have a look at this inflation scenario, normally, and we quote Murray Rothbard from his wonderful book, the *Mystery of Banking* – it's really a great book – and Rothbard says, actually, there are three stages when it comes to inflation.

The first stage is when money supply is increased and prices, they hardly rise at all. So people think it's only temporary and for politicians. This is like the "land of milk and honey."

Then the second stage is when suddenly asset prices start rising. And I think we've seen massive asset price inflation, this everything bubble that Jesse Felder described so well.

So, at this point, politicians are basically facing a fork in the road. Should they either allow some sort of natural deflation and painfully reduce the excesses and the proof of recession? Or should they continue with the path of cheap money?

And, thus, risk the third phase.

And the third phase is this stage – and I think we could be on the verge from the second to the third stage at the moment, when the public perceives that the inflation dynamic cannot be stopped and that is gradually accelerating. And at one point, people just say, okay, that's it. We tried to leave the system and choose alternative currencies and hard assets.

Erik, I think it's no coincidence that bitcoin is one of the best asset classes this year. It's up, I think, 25%. So, from my point of view, we could really be on the verge of this third stage.

Now, I don't think that this is going to lead to hyperinflation. But we shouldn't underestimate the time lag that we'll see from all those measures that were implemented in the last couple of weeks.

It's a bit like drinking tequila shots. After two or three, it really goes well. And then you have another one or two. And then, at some point, you just pass out and wake up with a huge hangover the next day.

So I think the politicians and central bankers completely underestimate the time-lag effect.

Now, once velocity starts rising again, once the economies open up again and the whole sentiment is getting better, then I think that is going to be the point when we really will see if inflation picks up significantly.

But some of the reasons for rising inflation, from my point of view, are we are seeing much lower productivity? We are seeing that increasing populism? But and we'll see probably less trade, less globalization.

We are seeing that, for example, the whole ESG development is something really big. If you want to set up a mine, whatever – a copper mine, a coal mine, whatever – it's just basically impossible.

So those are long-term effects that now meet those monetary measures and those fiscal measures.

So, from my point of view, inflation, it's not something that we should expect in the next couple of weeks or months. But it is something that we will see in the next couple of years.

But don't forget, Erik, we're seeing US $14 trillion in bonds at negative yields.

Now, the biggest pain trade for those $14 trillion, of course, is rising inflation.

And, at the moment, I think the average investment advisor is 52 years old. So during their professional careers they have never really experienced any inflation. So this will be a completely new ball game for many people in the industry.

And I think that gold is already telling us, okay, friends, inflation is around the corner. It's going to happen.

Erik: Ronni, you have expressed a view which is very consistent with what we've heard from some of our other guests, which is this pandemic was not the cause of the recession which is beginning. Rather, the recession was ready to happen. It needed a trigger or a straw to break the camel's back. The pandemic was the trigger that got it going.

Please elaborate. How does this situation compare, say, to 2008-2009?

And what's your outlook economically?

Ronni: Well, I think I've been on the show with you Erik in August of last year, and I said a recession is going to happen sooner or later. And don't get me wrong, a recession, from my point of view, is something normal, something healthy, within a cycle.

But I think last year we have seen a yield curve inversion, which is one of the most reliable recession indicators, of course.

We saw that the OECD leading indicators declined for roughly 20 months in a row. We saw that 70% of world PMIs were negative. The US was already in an earnings recession. Germany was very close to a recession. South Korean exports – which is also very, very sensitive to world trade – were down.

So I think it was pretty obvious that the economy was weakening significantly.

Now, I just finished reading the FOMC minutes. And they sounded very, very concerned. So they said, okay, they fear that many job losses will be permanent. They said, basically, the word medium-term much more often that in the previous FOMC minutes.

This suggests that the Federal Reserve doesn't expect a V-shaped recovery. Actually, I don't see anybody but the stock market expecting a V-shaped recovery.

So it means that the Federal Reserve will probably become much, much more dovish.

Now, we have seen – and you did some brilliant shows on what was happening coming out of central banks – but we have seen from 2007 to 2014 that, actually, Fed total assets increased by five times from $900 billion to $4.5 trillion.

From my point of view, at some point it will easily go to $20 trillion.

I think at some point the Federal Reserve will start buying all sorts of assets. They are now active in the junk bond market. At some point they will start buying stocks.

Of course, I think the Federal Reserve Act would have to be changed. But it was already amended four times in history. So this just leads me to the conclusion that the market is conditioned to further stimulus like Pavlovian dogs. But those dogs now are really, they are fat, they are sick, and they are old. So it needs much, much more food and much more stimulus to get them up.

And this is something that really, really concerns me. Because it means that there will be less market forces. There will be more interventionism.

I once said it's going to be corona socialism.

And this is something that scares me, as a libertarian.

And this also means that, after the corona crisis – because now everybody is still kind of scared and nobody knows how this whole health situation is going to turn out – but the next crisis will probably be a debt crisis.

Ronald Reagan famously said to say Congress: *spending like drunken sailors* is an insult to drunken sailors.

Now, I think for last year the deficit in the US was already 4.8%, despite the fact that the economy was doing well.

This year, I don't know what the number is going to be. $14 trillion? Or 14% of GDP. Nobody knows. it's an election year, so they will probably spend a little bit more. But those numbers are just outrageous.

And this just tells me, okay, we won't see positive real interest rates in the next couple of years.

And this is, then, also a very, very good foundation for the price of gold.

Erik: Now, with the expectations that you have around inflation and so forth, normally that would be associated with a very bullish outlook for commodities, generally.

Of course, commodities have been really moving south pretty hard, even before the crisis, and even harder during the crisis.

Are you anticipating a turnaround for commodities generally? And does the weakness in commodities raise any caution flags with respect to precious metals?

Ronni: Well, commodities, it's tough. The last few months were probably as turbulent and unsuccessful as Justin Bieber's latest attempt for a comeback.

It was the CRB, for example, I think is down, like, 30% this year and it's 72% below its all-time high, while the Bloomberg commodities is, like, 64% below its all-time high. So it's tough.

And we're writing in the report the whole world is upside-down.

There is this great children's book called *Opposite Land* by Charlotte Rose where, basically, she says everything is opposite in this book. But it's supposed to be.

So socks wear feet and broccoli is meat and behind is ahead and people poop from the head.

So it seems to me sometimes like the whole world of investing is upside-down.

You know, with negative oil prices and negative yields now being – it's just normal.

From my point of view, when it comes to commodities, it's really a tough call. And, actually, making the case for commodities is painful. And when I tell friends that I'm pretty bullish copper, that I think that oil is having a pretty decent risk/reward, that silver looks fantastic, this is the point where people start ridiculing you.

But that also tells me, okay, perhaps that's a good idea.

Because most great investments, they start in discomfort.

They really should hurt and they should give you, perhaps, sleepless nights. So, from my point of view, commodities should often come at the next stage.

So, first, there is always gold moving.

Then it's normally silver. In silver we saw massive reversal from gold/silver ratio at 125 down to 100. So silver started outperforming gold in the last couple of weeks.

And normally the third stage is that commodities pick up relative strength.

So we make a comparison and show the parallels between the 1970s and the 2000s to the currency situation. And each time we have seen previously a decade of booming of stock markets, very aggressive central bank policy. And this basically fueled a rally in commodity markets.

So I am pretty confident.

Because when our inflation view is right, then I think that the people start buying real assets at some point. And I think that this fiscal stimulus, those huge infrastructure programs that are considered now and that will be implemented, this could really be the catalyst. Especially in an environment where, basically, nobody is bullish. Commodities and valuations are extremely low. So valuations of commodity market versus the Dow Jones are at the lowest since the 1960s.

So I see lots of value in the commodity space at the moment.

Erik: Ronni, a question that you posed in this year's *In Gold We Trust* report is can gold substitute for bonds in portfolios?

Now, of course, historically, the argument against gold is that it doesn't yield anything. Of course, bonds don't' yield anything

these days either.

So what's on your mind here?

Ronni: I think that at some point this might really happen. Erik, what we are seeing at the moment, when it comes to gold, is that generalists are getting interested again. This is something that we haven't seen, like, a year ago.

Let's not forget that one year ago, when we published the last *In Gold We Trust* report, gold was below this $1,360 to $1,380 resistance. This is really, really hard to tackle. And it tested this massive resistance zone a couple of times.

Then, early June, it went above this resistance zone. And then gold really picked up momentum. And, really, it started – according to Dow theory – I think we are now in the second stage of this bull market, which is the public participation phase.

So I see that many big institutional players are getting interested at the moment.

I think the allocation, when it comes to institutional players is extremely low.

But we are seeing some hedge fund stars like (let's say) Paul Tudor Jones but also Stanley Druckenmiller, he became bullish gold a while ago. We are seeing Sam Zell, Ray Dalio, and so on – they already kind of rediscovered gold.

From my point of view – and this is what we are doing with quite a lot of institutional clients at the moment, we are calculating for them actually what gold does to your portfolio.

Erik, you know our reports. And we always emphasize that gold is not the answer to everything. It is not a religion. It is just something that has got pretty positive consequences for your overall portfolio.

And I think we perfectly saw that in the last couple of weeks where gold really defended your portfolio. It stabilized your portfolio from losses in equity.

So I think gold did a brilliant job. It did exactly what it's supposed to do. And, therefore, I think in this stage of the bull market, now, more and more institutional players will come into the market.

They will realize, okay, with 10-year Treasuries, with German bunds, there is only very, very limited potential.

And, basically, with this whatever-it-takes approach to create inflation to actually reach those 2% or 3% inflation rates.

And, at some point, I think they will say, okay, temporarily we need higher inflation rates.

I think this basically tells you, okay, guys, get out of bonds.

And then, I think, this will probably stimulate a realistic market. It will probably be positive for equity markets. But It will be most positive for gold, which is the most reliable inflation hedge that you can have.

Erik: Ronni, let's talk about the US dollar. A lot of people think it's about to crash and the end is nigh. I don't really hold that view.

I follow a lot of Jeff Snider's work, looking at the global shortage of US dollars and the amount of outstanding US dollar debt. Now, historically, there is kind of an inverse correlation between gold and the dollar. And I think we should point out gold has already broken to new all-time high prices in most currencies. But now the US dollar. Probably because the dollar is so strong.

So how do we reconcile for US-dollar-centric investors, people whose portfolios are denominated in US dollars? Is there a caution here that maybe the strength of the dollar makes gold less of a good idea than it would be for investors who invest in other currencies?

Ronni: Well, since the beginning of the year, in dollar terms, gold is up 14%. Last year gold was up 19% in dollar terms. Over here in Europe terms, gold is up 16%. Year-to-date it was up 22%. And in other currencies, like the Australian dollar, it is up 21%. And so on.

So, of course, the dollar is the strongest currency at the moment.

Actually there is only one currency where gold is not trading at new all-time highs at the moment. And this is the US dollar.

So we have reached new all-time highs in Swiss francs, for example, a couple of days ago.

So this tells me, okay, the world still regards the US dollar as the safe-haven currency.

Now, we are interviewing two good friends of us, Luke Groman and Brent Johnson. And Brent, as we all know, he is making a tremendous case for a strong dollar while Luke Groman makes more this de-dollarization view, which is much more of a longer-term negative case for gold.

Now, Erik, I've got a very contrarian mindset, I would say.

So we checked the analyst's forecasts for the US dollar, or basically the Dixie Index [DXY], on Bloomberg. And actually there is no analyst, not one analyst who is seeing a dramatically or a sharply higher dollar index in the next three years.

So the consensus is basically that it will go slightly lower over the next three years.

And this is telling me, okay, Bob Farrell said when all the experts and forecasts agree, something else is going to happen.

So I think that the risk is definitely out there that the Dixie breaks to – if we break to 102, then it can go to 115 or 120 pretty quickly. And this would basically cause the next crisis.

Now, I think there is a pretty big fight going on.

And the fight is called "Donald Trump versus the Market." And we know that Donald Trump doesn't want to have a strong dollar, obviously. And he just said recently it's $6.2 trillion and we can handle that easily because of who we are, what we are. It's our money, it's our – we are the ones, it's our currency.

So this reminded me a bit of John Connally back in 1971: The dollar is our currency but your problem. And we know what happened afterwards. The US dollar devalued 50% against the German mark.

So I think that Donald Trump, he is very much concerned about strength in the dollar.

And we will see if actually the market will win or if politicians will win.

From my point of view, I hope the markets will win. But we know that if the dollar breaks significantly higher, and I think it should be, then there will be a massive intervention from politicians, some sort of a Plaza Accord meeting or whatever.

But, in the meantime, if it breaks 220 or even higher, this will cause dramatic volatility and turmoil in money markets. Especially in emerging markets.

Erik: Ronni, I want to talk about the gold mining stocks.

And forgive me if I get anything wrong here, because I do not profess to be an expert on the mining stocks. But, from what I remember over the last decade, it seems like usually the mining stocks kind of anticipate moves in the market and they tend to be the leading indicator that leads the price of the metal.

It seems very, very clear that mining stocks are trailing the price of the metal here. Is that normal? And if not, what's going on? Why is this happening?

Ronni: Well, Erik, we do quite a lot of relative-strength work. Because I think this is most valuable in a market that is basically just trying to discount and anticipate what central bankers are going to do next. So I think that absolute prices are heavily influenced by central bank interventions.

Now, relative prices give us a significant amount of additional information. And what we are seeing now is that mining stocks picked up relative strength against the leading sector in the stock market, which is technology stocks. That's a fantastic sign.

So mining stocks are outperforming technology stocks.

Now, what we saw over the bear market – it was a brutal bear market – we saw that many, many companies (not all of them, of course) they did a good job, they did their homework.

So the profitability of the producers has increased in recent quarters.

We shouldn't forget that that was reduced. They are having much more capital discipline, cost control. We are seeing that margins and cash flows are higher.

They even pay – and I think that's important – because the *Wall Street Journal* just wrote that more companies in the S&P 500 have suspended or cancelled debt dividends so far this year than in the previous 10 years combined.

Now at the moment, Yamana Gold, Newmont Mining, B2Gold, Kirkland Lake, they were all raising their dividends. So on a relative basis I think that's a fantastic sign.

Then we shouldn't forget that energy, of course, is a huge driver on the cost side. And that most of the currencies are extremely weak versus the US dollar.

So from the weak local currencies versus the US dollar, that's a strong effect for most of the miners that are in Canada, that are in Australia, and so on.

So, from my point of view, the miners really, really look interesting at the moment. They've got the highest leverage on a rising gold price, probably ever. And we are seeing that generalists are coming in.

If you have a look at the charts and if you have a look at volumes, you can see that there is big volume in the large mining stocks, like Barrick, like Newmont, and also in the royalty space like Franco, for example.

So this tells me, okay, this is only the mining guys that are entering the markets. This is really the big generalists that are now investing in the mining space.

So that makes me pretty confident. But I'm absolutely certain that, with rising gold prices and rising share prices, many companies will screw it up again. They will do ridiculous M&A. They will start just stupid projects.

So it is really important to do your homework in the mining space to have a look very close. Look at management. And, of course, also valuation measures.

I think it's a very demanding sector. But it's also a very rewarding sector. And this is why we enjoy investing in the mining space so much.

Erik: Talk to me about silver, Ronni. It's an industrial metal, not just a monetary metal. That causes a lot of people to be concerned that in a recession situation, as you and I both predict, maybe silver is not going to do so well.

But the other side of that is from a ratio standpoint, the gold/silver ratio, hit I think it was an all-time high recently. And that, of course, would make a very strong argument for recovery in silver.

So which way do you see this thing going down?

Ronni: Well, you are totally right. We have never seen a higher gold/silver ratio. It was at 125. So it basically means that at one ounce of gold, you could buy 125 ounces of silver.

We know that silver is kind of gold on steroids. So it's much more volatile. And we've seen that especially in the bear market.

Now, from my point of view, if you have a look – and, of course, industrial demand is much more important compared to gold. It's just 10%, it's not really relevant for prices.

But when it comes to silver's supply/demand picture, we can see several supply constraints working in silver's favor. So out of eight sources of silver supply, only two are not in the state of near stagnation or even contraction.

So, from my point of view, silver is definitely something that you should be considering if you are bullish on gold. Investor demand is basically non-existent.

And when it comes to the supply side, we shouldn't forget that silver is basically a byproduct. It is a byproduct of copper production, zinc production, and so on.

And if you have a look at CAPEX plans for the big base producers, it was already supposed to be down big time before corona and now even more so.

So I think on the supply side there might be problems arising in the silver market while, when investors demand really should be picking up, I think that silver can go quickly to 25 or even higher.

It's just primarily, from my point of view (and probably some silver bugs won't like this view), I think it's a function of the bull market in gold.

If gold does well, silver at some point will dramatically outperform gold.

Erik: Okay, Ronni, I want to take a trip to the dark side of the forest.

There are growing numbers of investors, particularly younger and more tech-savvy investors, who would say, Ronni, look, you know, nice try on gold. But look cryptocurrency is the new thing, buddy. Gold is an antiquated relic. The only real value that it ever had was its scarcity. And cryptocurrency invents a better way of creating a scarcity asset. Forget gold, it's all about bitcoin, baby.

What would you say to that?

Ronni: First of all, this competition between bitcoin and gold is just ridiculous. I mean, it's like saying are the Rolling Stones better or worse than the Strokes. It doesn't make any sense to compare them. I like both. I like both. I like the Strokes and I like the Stones.

From my point of view, there are many similarities between gold and bitcoin. And bitcoin was designed to be digital gold. We have now seen this halving thing a couple of days ago. The inflation rate of bitcoin is only roughly higher – I think it is 1.8% at the moment – so it is roughly higher than gold's inflation rate.

Now, in four years, at the next halving in 2024, the stock-to-flow ratio of bitcoin will be 121. So it will be an even harder currency than gold in 2024.

From my point of view, it's very binary. So if bitcoin should still be around in 2024, and I think so, I think it will be significantly higher, I think –

We just launched a fund that is doing extremely well that combines physical gold with bitcoin. And then we are doing something that we call volharvesting. So we are basically making user/buyer options of the significant volatility that we are seeing in the bitcoin space, which totally makes sense. And we really want to embrace the volatility in this space.

Now, as I said before, bitcoin I think did a tremendous job during the whole crisis. It is up 26.7% year-to-date. So I think that bitcoins is steadily becoming, really, an asset that will also be considered more and more by institutional players.

I think that in 3, 5, 10 years from now, it will just be normal to have a small allocation in digital assets. Like it's normal now to be in internative assets, in private equity, in hedge funds, whatever.

I think this is happening.

We are seeing many, many signs that really big companies are becoming more positive. Especially because the regulation is now getting better and better.

So it is not the Wild West anymore. People, they have got their regularly framework in the cryptospace now.

And I really appreciate the fact, Erik, that there is so much young talent coming in. We are talking to so many – and I don't know if I'm old, but I am 39 years – but there are so many young kids in the market now.

And you start discussing gold versus bitcoin with them and you can see, okay, they are really bright kids, they are extremely motivated, they are great entrepreneurs, they really want to deliver better solutions to the market.

And when those young kids start thinking about what is money? Where does money come from? Is bitcoin better money than gold? Or is it better money than the US dollar?

I think this is a really, really important discussion that is going on.

And, therefore, I really enjoy talking to those young people. And I think our view has always been that most of the problems that we are facing at the moment can be traced down to our monetary system.

]So this is probably some sort of end game of our monetary system. We definitely came one chapter closer to the end.

And, therefore, I think it's really important to understand how our monetary system works. And I think that gold is one (let's say) insurance against those developments that we have to expect.

But bitcoin is not a good answer to it.

Erik: Final question, Ronni. I'd like to ask your advice on a conundrum in my mind that has just been frustrating me, which is just, boy, you know you just couldn't ask for better long-term fundamentals for gold than what we have today.

But the problem with that is everybody knows it. And it seems like a whole lot of people are whole in. And we've gone really, really far up, really, really fast without any significant corrections along the way.

Are we overdue for a technical correction? Or are we just going to keep moving higher?

Ronni: I agree with you. Sentiment-wise I think that, according to sentiment trade, it's not extremely bullish. But, of course, it is not like the super-contrarian bet at the moment.

Just anecdotal evidence.

But a couple of weeks ago, when everybody was crazy about we are running out of gold and there is no gold anymore. And I said relax guys, this is mostly logistical issues.

There is huge demand and explosion of gold and there is an implosion of supply because there are no flights from London from to Zurich to New York.

But, back then, even my ex-girlfriend called me – and I haven't heard from her in 10 years – and she said, I want to buy gold now. And I said, okay, well, this is perhaps some sort of a sign that sentiment is now pretty positive.

But on the other hand, when you talk to institutional players, and they probably will be the drivers of the next leg up , they don't have any location in gold at all.

So I have to say that we are pretty bullish in gold, obviously, because gold is rising in every currency.

So, actually I also have to quote Bob Farrell again because Dave Rosenberg, he always brings it to attention and he said marks are stronger when they are broad and weaker when they are narrow.

So, actually, this bull market in gold is pretty strong. Gold is rising in every currency. Gold is outperforming stocks now and it is outperforming bonds.

So this just tells me that we are really in an established bull market. Somebody, I think it was

Harris Cooperman, he wrote: *This is an asset that you don't have to worry, going on the beach, because it's going to do well*.

Of course, there will be short-term, there will be corrections. But you should buy the dips in the corrections. And, as I have said at the beginning, this is a decade view.

And, therefore, I really enjoy reading Chris Coles' stuff. And I think it is great that you are having him on so often. He has this 100-years portfolio.

And what we did in this report, we calculated the 10-year forecast for gold.

Now, of course, it is not easy. Because you cannot do a discount of cash flow for gold. But what we did, basically, we used the money/supply developments and the implicit gold-coverage ratio.

And then we did a distribution probability. And, actually, at the end of the 2020s, we arrived at a gold price of $4,800.

Now, the interesting thing is the distribution is clearly skewed to the right. So this means that significantly higher prices are far more likely than lower ones. Now, if you say gold will be at $5,000 at the end of this decade, people will say you are crazy, this is impossible.

But, from my point of view, this is going to happen because we are seeing so many things at the moment where we would have said a couple of years ago this is crazy: Negative oil prices, impossible. Negative rates. The Federal Reserve buying junk bonds now. This will never happen.

So I'm pretty confident that this 5,000 target for the next ten years, which is obviously pretty long, that we are going to go there.

And of course there will be corrections. But I think the risk/reward for gold is the best that I see in the currency space.

Erik: Ronni, I can't thank you enough for a terrific interview. Listeners, again, the free research report is called "In Gold We Trust."

You can find the link in your [Research Roundup Email].

Or just Google "[In Gold We Trust]."

Patrick Ceresna and I will be back as MacroVoices continues, right here at [macrovoices.com].