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COMMENTARY NUMBER 563
Fiscal and Systemic-Liquidity Crises Update

October 4, 2013

No More Tap Dancing on a Land Mine,
The Administration Pulls Out a Couple of Hammers

Message to the Global Markets:
Long-Range Solvency Issues of the United States Will Not Be Addressed

Stagnant in September, Monthly M3 Suggests Deepening Systemic-Liquidity Distress;
Annual Growth in Monetary Base Rising at Fastest Pace Since 2008 Crisis

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PLEASE NOTE: The next regular Commentary *is scheduled for Friday, October 11th, covering financial-market and political developments and implications for the hyperinflation outlook. In particular, the circumstances facing the U.S. dollar, and gold, silver and oil prices will be reviewed. Interim developments will be updated as appropriate.*

For the duration of the shutdown of the Federal Government, federal statistical agencies (including the Bureau of Labor Statistics, the Census Bureau and the Bureau of Economic Analysis) have suspended issuance of regular economic releases. This does not apply to releases from the privately-owned Federal Reserve, or from other non-federal government entities. As usual, ShadowStats Commentaries *will be published at least once per week. See the schedule for full detail.*

Best wishes to all — John Williams

NO MORE TAP DANCING ON A LAND MINE; THE ADMINISTRATION PULLS OUT A COUPLE OF HAMMERS

Secretaries of the U.S. Treasury, chairmen of the Federal Reserve and presidents of the United States typically do their best not to roil the financial markets. Presuming some innocent misjudgments, those efforts have not always worked out well. For example, amidst an extraordinary confluence of negative factors, then-Treasury Secretary James A. Baker provided the proximal trigger for the 1987 stock-market crash of October 19th. During the weekend preceding the panic, he announced that the United States no longer would support the U.S. dollar against the Deutschemark. That started a panicked-run against the dollar (all dollar references here are to the U.S. dollar, unless otherwise indicated).

In September 2008, then-Treasury Secretary Henry M. Paulson and current-Federal Reserve Chairman Ben S. Bernanke allowed the failure of Lehman Brothers, with the purported assumption that a run on the banking system would not follow. An otherwise foreseeable run on the banks and the U.S. dollar, however, followed, immediately, in the great panic of 2008. The system has been reverberating ever since. The U.S. fiscal crisis was exacerbated severely, as a result, and much of the ongoing, current economic and systemic-liquidity stresses can be tied to what were non-resolutions of the 2008 crisis (see *Hyperinflation 2012*). Five years later, the federal government has shut down, and the U.S. debt ceiling problem has reached crisis level. As noted in *No. 527: Special Commentary* of May 29, 2013:

"Tap Dancing on Land Mines, Bernanke and Lew Are Not Necessarily Candidates for *Dancing with the Stars*. With due deference to the song lyrics of rock group Aerosmith, Federal Reserve Chairman Ben S. Bernanke has been tap dancing on a land mine since 2008. He has avoided detonating an intensified banking-system crisis, so far, but the cost has been that of locking the Fed into near-perpetual quantitative easing and monetization of U.S. Treasury debt, with horrendous implications for future domestic inflation and U.S. dollar debasement. Crises in the economy, financial markets and systemic-solvency continue, with the post-2008 panic environment little moved towards sustainable and renewed normal activity, despite the fancy footwork. Again, the Fed has locked itself into quantitative easing for some time to come, irrespective of any jawboning to the contrary.

"Mr. Bernanke's new counterpart in the federal government, U.S. Treasury Secretary Jacob J. Lew, is just beginning his carefully orchestrated tap-dancing routine, trying to avoid hitting the new statutory debt limit on Treasury borrowings, along with the risk of detonating a new credit-market Armageddon and/or collapse in the foreign-exchange value of U.S. Dollar. Secretary Lew is reasonably confident that he can keep his fancy footwork going through Labor Day (September 2nd) [now estimated at October 17th]. Despite any interim negotiating turmoil, with its potential impact on the credit rating of the United States and U.S. dollar selling, the Congress will have to take eventual corrective action.

"Negotiations surrounding efforts to bring U.S. fiscal conditions into balance appear doomed to contentious political failure, at best, or to a compromised, smoke-and-mirrors balanced-federal-budget package at worst. In the latter case, some among the U.S. public and in the U.S. markets might be misled into thinking that the fiscal issues had been resolved or the crisis contained, losing what limited time still might be left to address the actual fiscal disaster. The longer-term U.S. sovereign solvency issues are the bane of the U.S. dollar and the global financial markets. Unless these problems can be brought under credible control, those same global markets—soon and massively—will revolt against the U.S. dollar."

Signal to the Markets: Long-Term Solvency Issues of the United States Will Not Be Addressed. Instead of trying to promote orderly and stable markets, the Administration appears to have been playing an extraordinarily dangerous game, in recent days, trying to talk down the stock market, while counterbalancing some financial-market moves with intervention activity through the efforts of the President's Working Group on the Markets (a.k.a. the "Plunge Protection Team"). Created in the wake of the 1987 crash, it certainly was used in 2008, along with other extraordinary machinations by the Fed and Treasury. It also clearly was used during the mini-panic in August 2011 to "stabilize" (boost) stocks.

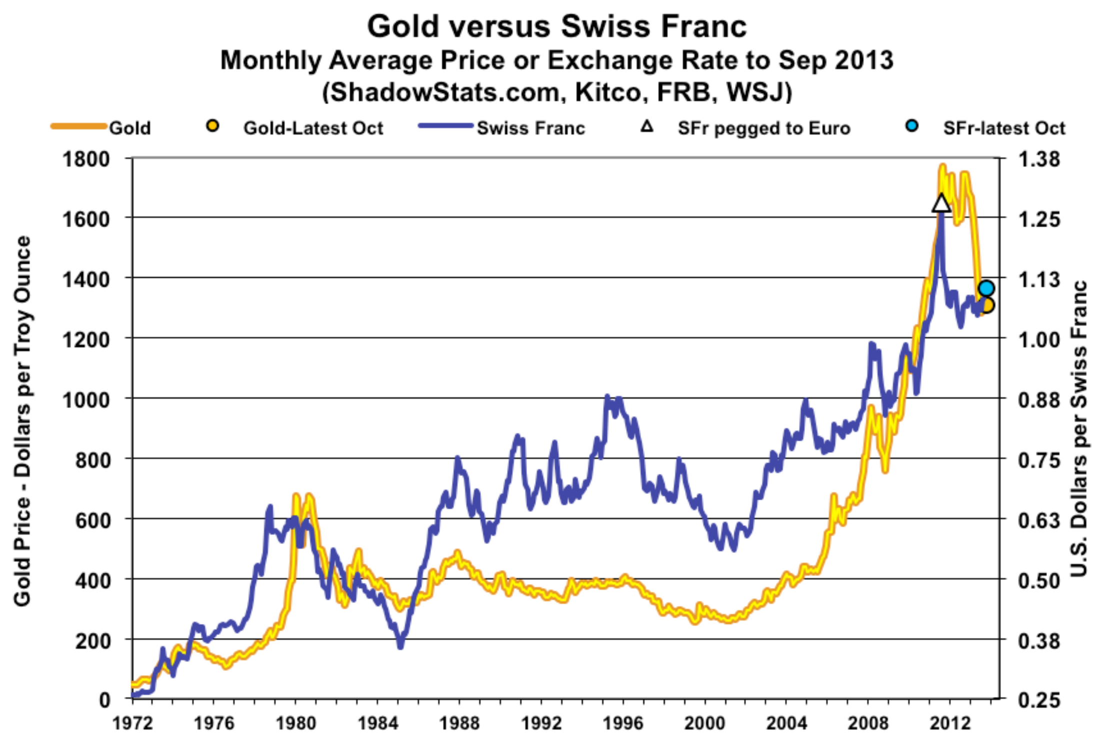
Beginning to play with hammers around a land mine, the President recently suggested that the financial markets should be concerned about the shutdown/debt-ceiling crisis. Related comments from the Treasury Secretary suggest looming economic and financial Armageddon, in the event of a default on U.S. Treasury securities. The push appears to be to frighten the markets enough, so as to pressure a resolution on the government shutdown and debt-ceiling issues, without those controlling the government having to address federal fiscal-policy issues, meaningfully. Such market-negative jawboning, however, also runs the risk of triggering an unintended panic or other unfortunate circumstance.

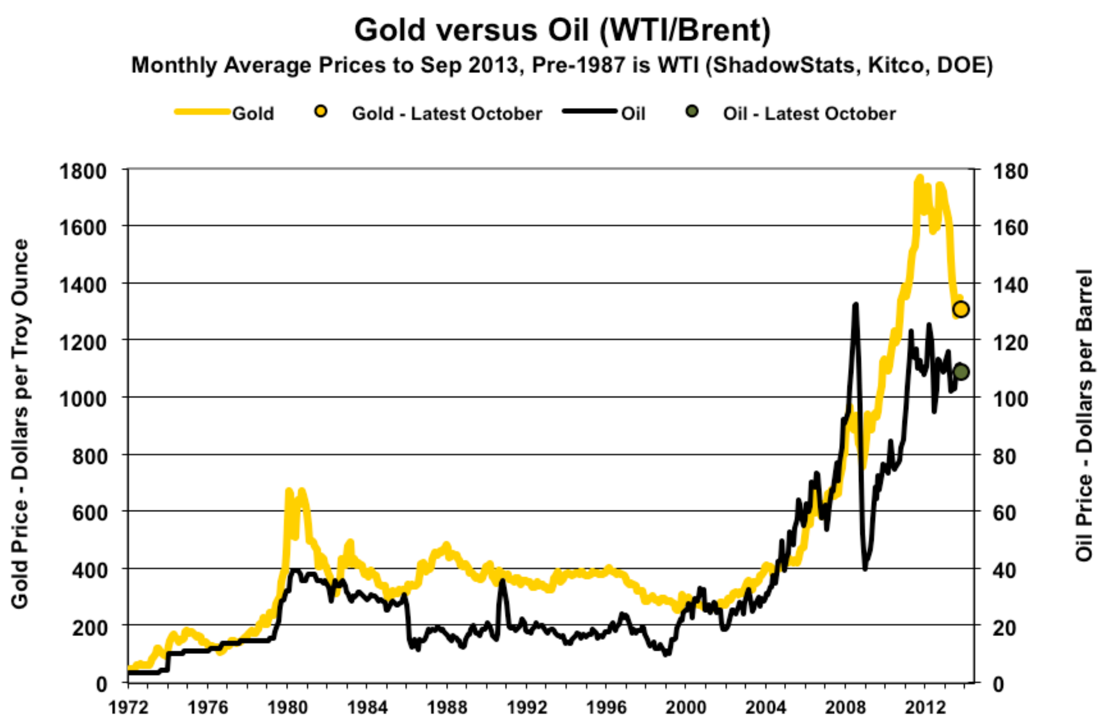
While a U.S. default indeed would be extremely damaging, it remains highly unlikely. Separately, though, intensifying talk of pending default is the stuff of which rating downgrades are made. The signal to the markets from the Administration's current posturing is not that the U.S. government debt is at imminent risk of defaulting on its debt. Instead, the increasingly clear message to the global markets is that the Administration will not take any meaningful action to address the long-term solvency issues of the United States.

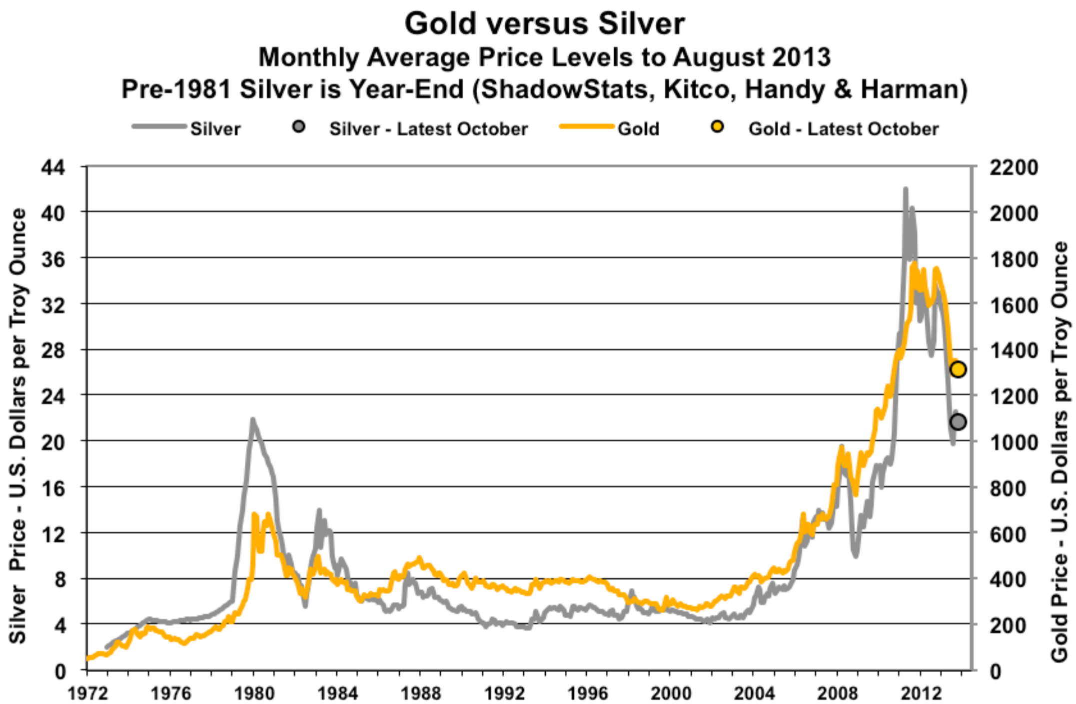
Sovereign states that issue debt in the same currency they print rarely default, except by deliberate political action. Instead, they simply print the money needed to cover financial obligations that could not be covered otherwise with tax revenues, asset confiscations, etc. The effect usually is full debasement of the currency, or hyperinflation. Creditors get paid off, but with what has become a worthless currency.

Indeed, ahead is currency debasement, eventually complete debasement of the U.S. dollar. As the global markets increasingly absorb that reality, selling of the dollar against the currencies of major U.S. trading partners should become intense, with pressure for removal of the dollar as the global reserve currency becoming unstoppable. Oil and other dollar-denominated commodity prices would rise sharply in dollar terms, fueling domestic U.S. inflation, despite a moribund economy. In like manner, the dollar prices of precious metals—particularly gold and silver—would move on to ever-increasing historic highs, despite any efforts by central banks and related plunge-protection teams to contain those prices with jawboning and covert or overt physical intervention, in the markets.

Developments of the last week have begun to take a toll on the dollar and the domestic equity markets. The relative weakness in precious metals prices has been counterintuitive and almost certainly reflects direct market intervention aimed at depressing the price of gold, in particular. Underlying fundamentals, however, will win out here, with the precious metals soaring in response to their role as a store of wealth, an asset class that preserves the purchasing power of wealth and assets. Circumstances here will be addressed as necessary. Following are the various gold graphs that usually accompany the *Commentaries* on monthly inflation. The nascent renewed weakness in the U.S. dollar versus the Swiss franc is evident in the first graph following. The "latest October" prices reflect late-London fixes or early-afternoon New York prices as of October 4th.


Gold versus Swiss Franc
Monthly Average Price or Exchange Rate to Sep 2013
(ShadowStats.com, Kitco, FRB, WSJ)
Gold
Gold-Latest Oct
Swiss Franc
SFr pegged to Euro
SFr-latest Oct
Gold Price - Dollars per Troy Ounce
U.S. Dollars per Swiss Franc
1800
1600
1400
1200
1000
800
600
400
200
0
1.38
1.25
1.13
1.00
0.88
0.75
0.63
0.50
0.38
0.25
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012


Gold versus Oil (WTI/Brent)
Monthly Average Prices to Sep 2013, Pre-1987 is WTI (ShadowStats, Kitco, DOE)
Gold
Gold - Latest October
Oil
Oil - Latest October
Gold Price - Dollars per Troy Ounce
Oil Price - Dollars per Barrel
1800
1600
1400
1200
1000
800
600
400
200
0
180
160
140
120
100
80
60
40
20
0
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012



MONEY NUMBERS SUGGEST INTENSIFYING BANK PROBLEMS

September M3 Money Annual Growth Holds at 4.1% While Monetary Base Explodes. Despite the continuing surge in the annual growth in the monetary base, the preliminary estimate of year-to-year annual growth in the ShadowStats Ongoing-M3 Estimate for September 2013 is on track to show roughly 4.1%, the same level of growth as in August.

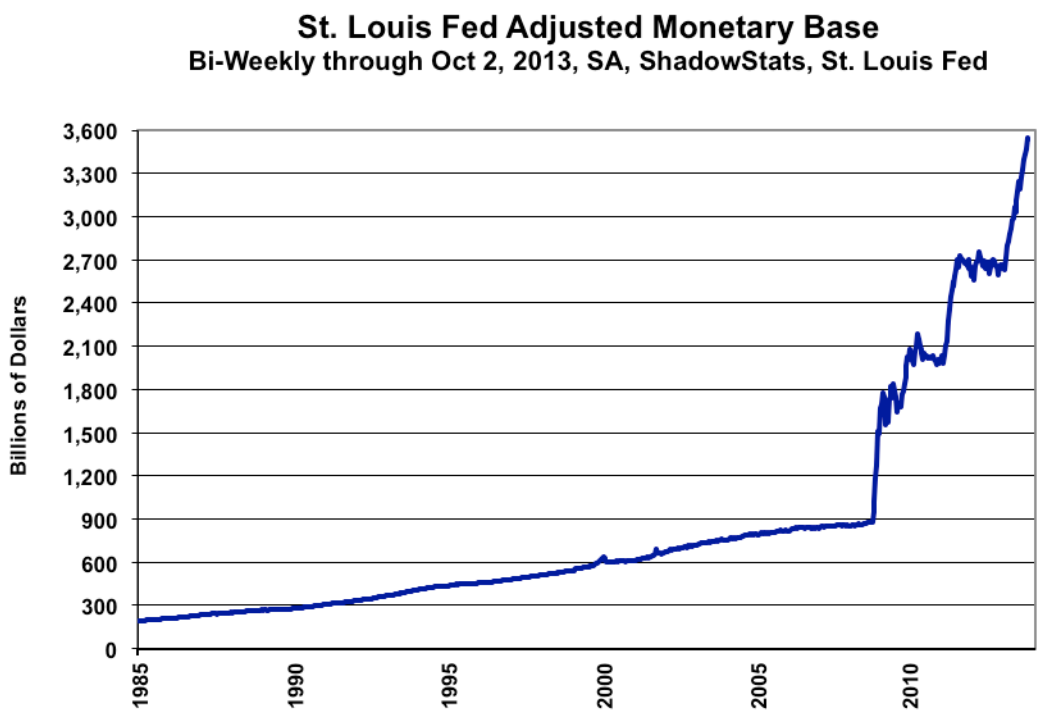
Annual M3 growth has weakened in recent months, down from a four-year high annual growth in January 2013 of 4.6%. January 2013 was the onset of expanded QE3 easing. The September detail is based on three-plus weeks of data from the Federal Reserve and the hard-number estimate will be published in the Alternate Data tab of www.shadowstats.com by tomorrow, October 5th.

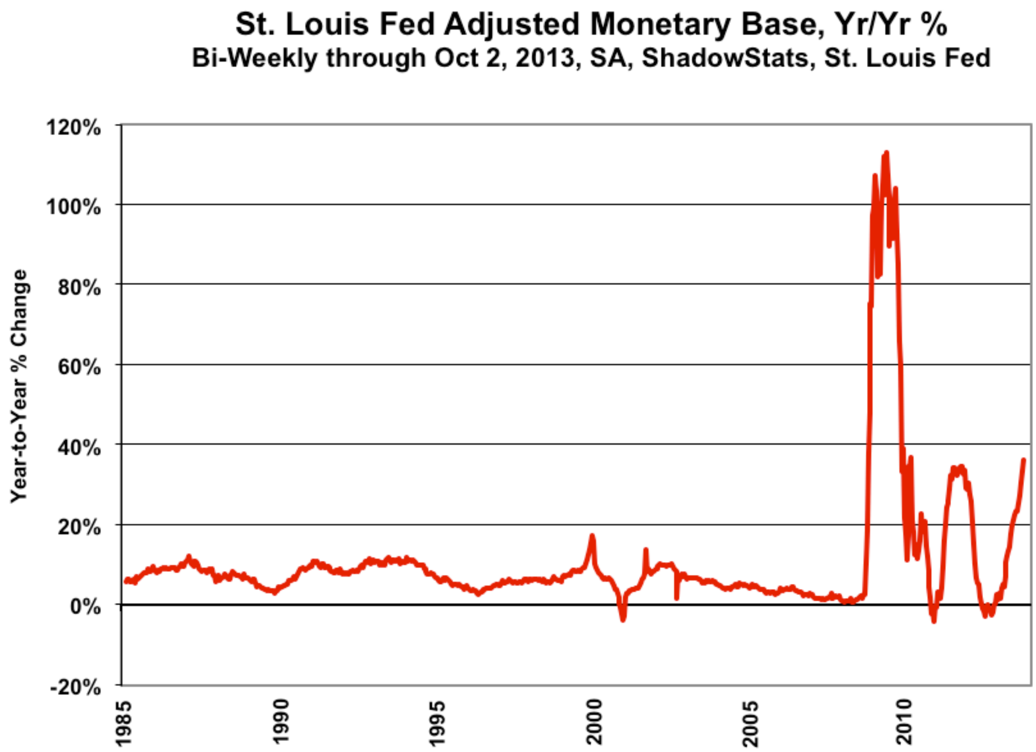
Where annual growth had been on the upswing into the expanded QE3, the unfolding pattern of slowing-to-stagnant monthly growth, in an environment of rapid growth in the monetary base, likely is a sign of mounting banking-system stresses. Any revisions in the following numbers are due to revisions of underlying data by the Federal Reserve.

The seasonally-adjusted, preliminary estimate of month-to-month change for September 2013 money supply M3 is for a likely gain of 0.1%, versus a 0.1% gain in August. Estimated month-to-month M3 changes, however, remain less reliable than are the estimates of annual growth.

Initial Growth Estimates for September M1 and M2. For September 2013, early estimates of year-to-year and month-to-month changes follow for the narrower M1 and M2 measures (M2 includes M1, M3 includes M2). Full definitions of the measures are found in the *Money Supply Special Report*. M2 for September is estimated to show year-to-year growth of roughly 6.2%, versus an unrevised 6.8% in August, with month-to-month change estimated at roughly a 0.4% gain in September, versus a revised 0.6% (previously 0.5%) gain in August. The early estimate of M1 for September 2013 is for slower year-to-year growth of roughly 7.7%, versus a revised 9.1% (previously 9.2%) gain in August, with a month-to-month September gain of about 0.4%, up from a revised 0.1% (previously 0.2%) in August.

Annual Growth in Monetary Base Rising at Fastest Pace Since Fed First Addressed 2008 Panic. Mirroring the ongoing and expanded QE3 activity, the monetary base continues in uncharted territory, both in terms of historical level, and in terms of year-to-year growth for the near-term cycle. As shown in the accompanying graphs, the monetary base (St. Louis Fed) was at a seasonally-adjusted (SA) two-week average level of $3,528.3 billion as of October 2nd (down from a record $3,545.7 billion in the prior two-week period, where the temporary decline was due to seasonal-adjustment issues). The 36.3% pace of rising year-to-year growth for the October 2nd period, was at a new cycle high, and a level that has not been seen since the Fed first began flooding the system with liquidity, during the 2008 panic. The weekly data are reflected in the first two graphs following.

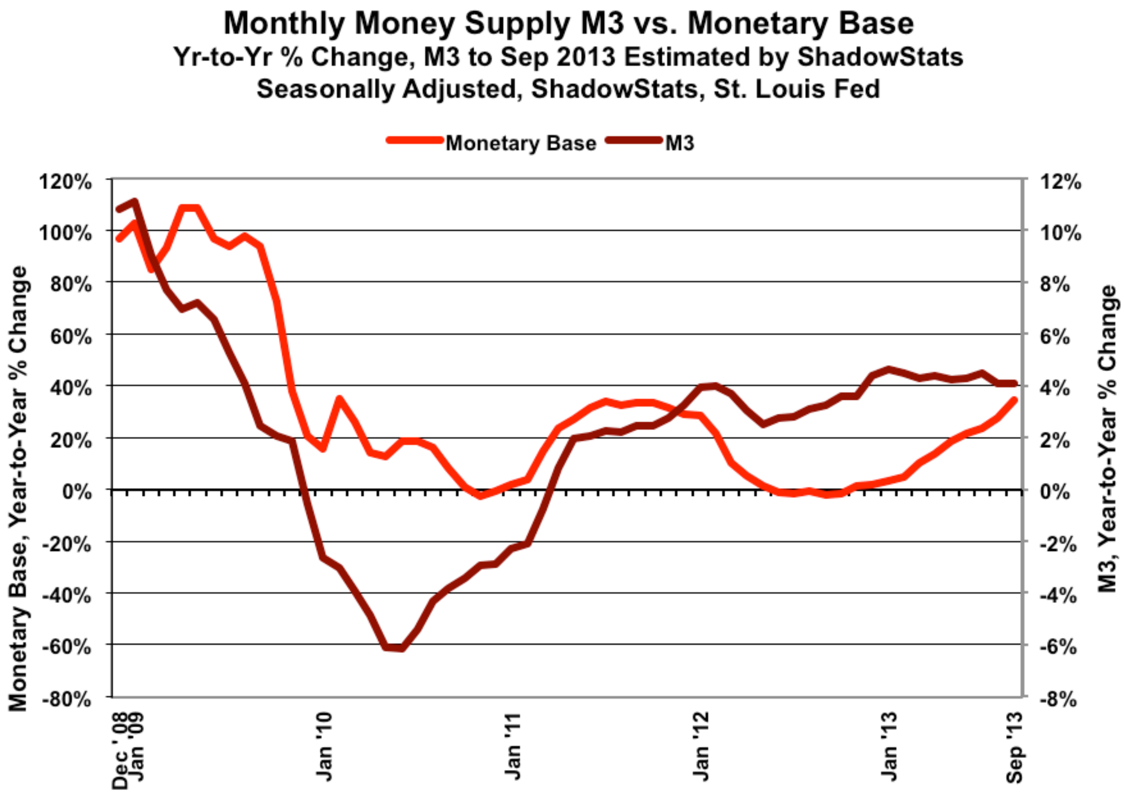




Since the implementation in January 2013 of the Federal Reserve's expanded quantitative easing QE3, the Fed has continued to buy U.S. Treasury securities at a pace suggestive of concerns that the U.S. government otherwise might have some trouble in selling its debt. From the beginning of 2013 through October 2, 2013, the Fed's net purchases of Treasury securities has absorbed the equivalent of 130.5% of the coincident net issuance of gross federal debt. That circumstance has been exacerbated somewhat, of course, by the level of gross federal debt currently being contained at its official debt ceiling. The Fed usually purchases Treasury debt in the opening market (banking system). Where available supply includes all open issues, the central bank purchases will include debt from earlier years, which is how the net monetization can top 100%.

The monetary base is currency in circulation (part of M1 money supply) plus bank reserves (not part of the money supply) (see a more-complete definition in the *Money Supply Special Report*). Traditionally, the Federal Reserve has used the monetary base to increase or decrease growth in the money supply, but that has not had its normal impact in the post-2008 crisis period.

Instead, financially-troubled banks have been holding their excess reserves with the Federal Reserve, not lending the available cash into the normal flow of commerce. When the Fed monetizes U.S. Treasury securities, as it has been doing, that usually adds directly to the broad money supply, and it contributes to selling pressure against the U.S. dollar. Faltering year-to-year growth in broad money supply M3, in this circumstance, tends to be an indication of mounting systemic stress in the banking industry.



M3 versus Monetary Base—Letup in Fed Easing Still Unlikely. While there has been no significant flow-through to the broad money supply from the expanded monetary base—a problem directly related to banking-system solvency—there still appears to have been some impact. As shown in the updated graph, there is a correlation between annual growth in the St. Louis Fed's monetary base estimate and annual growth in M3, as measured by the ShadowStats-Ongoing M3 Estimate. The correlations between the growth rates are 58.1% for M3, 39.9% for M2 and 36.7% for M1, all on a coincident basis versus growth in the monetary base. The September 2013 annual growth estimates are based on four weeks of data (monetary base), and more than three weeks of data (M3).

The divergence between the patterns of annual growth in M3 and the monetary base continues to increase, suggestive of still-intensifying liquidity stresses in the banking system.

The Fed's easing activity of recent years has been aimed primarily at supporting banking-system solvency and liquidity, not at propping the economy. When the Fed boosts its easing, but money growth slows or does not respond, there is a suggestion of mounting financial stress within the banking system.

Further, underlying U.S. economic reality is weak enough to challenge domestic banking stress tests. In this environment, the Fed most likely will have to continue to provide banking-system liquidity, while continuing to take political cover for its quantitative easing from the weakening economy (see No. 527: Special Commentary). Accordingly, there remains nothing here to suggest an imminent end to QE3.

HYPERINFLATION WATCH

Hyperinflation Outlook—Unrevised Summary. This *Hyperinflation Outlook* summary remains as it was updated in *Commentary No. 562*, of October 1st. The summary is intended as background material for new subscribers and for those looking for a brief version of the broad outlook on the economic, systemic and inflation crises that face the United States in the year or so ahead.

Background Material. *No. 527: Special Commentary* (May 2013) supplemented *No. 485: Special Commentary* (November 2012), reviewing shifting market sentiment on a variety of issues affecting the U.S. dollar and prices of precious metals. *No. 485*, in turn, updated *Hyperinflation 2012* (January 2012)—the base document for the hyperinflation story—and the broad outlook for the economy and inflation, as well as for systemic-stability and the U.S. dollar. Of some use, here, also is the *Public Comment on Inflation*.

These are the primary articles outlining current conditions and the background to the hyperinflation forecast, and they are suggested reading for subscribers who have not seen them and/or for those who otherwise are trying to understand the basics of the hyperinflation outlook. The fundamentals have not changed in recent years, other than events keep moving towards the circumstance of a domestic U.S. hyperinflation by the end of 2014. Nonetheless, a fully-updated hyperinflation report is planned in the month ahead.

Beginning to Approach the End Game. Nothing is normal: not the economy, not the financial system, not the financial markets and not the political system. The financial system still remains in the throes and aftershocks of the 2008 panic and near-systemic collapse, and from the ongoing responses to same by the Federal Reserve and federal government. Further panic is possible and hyperinflation remains inevitable.

Typical of an approaching, major turning point in the domestic- and global-market perceptions, bouts of extreme volatility and instability have been seen with increasing frequency in the financial markets, including equities, currencies and the monetary precious metals (gold and silver). Consensus market expectations on the economy and Federal Reserve policy also have been in increasing flux. The FOMC and Federal Reserve Chairman Ben Bernanke have put forth a plan for reducing and eventually ending quantitative easing in the form of QE3. The tapering or cessation of QE3 is contingent upon the U.S. economy performing in line with overly-optimistic economic projections provided by the Fed. Initially, market reaction pummeled stocks, bonds and gold. Yet, the early talk of tapering QE3 was little more than jawboning, aimed either at placating a growing chorus of Fed critics or at manipulating variously the gold, currency and domestic-stock markets.

Underlying economic reality remains much weaker than Fed projections. As actual economic conditions gain broader recognition, market sentiment even could shift from what now is no imminent end to QE3, to an expansion of QE3. The markets and the Fed are stuck with underlying economic reality, and, increasingly, they are beginning to to recognize same. Business activity remains in continued and deepening trouble, and the Federal Reserve is locked into quantitative easing by persistent problems now well beyond its control. Specifically, banking-system solvency and liquidity remain the primary concerns for the Fed, driving the quantitative easing. Economic issues are secondary concerns for the Fed; they are used as political cover for QE3. That cover will continue for as long as the Fed needs it.

At the same time, deteriorating expectations for domestic political stability reflect government scandals and conflicting policy actions, in addition to the dominant global-financial-market concern of there being no viable prospect of those controlling the U.S. government addressing the long-range sovereign-solvency issues of the United States government. These factors, in combination, show the end game to be at hand. The government shutdown of October 1st was the beginning of the big battle over long-range sovereign solvency of the United States. The debt-ceiling crisis also is imminent.

The most visible and vulnerable financial element to suffer early in this crisis likely will be the U.S. dollar in the currency markets (all dollar references here are to the U.S. dollar, unless otherwise stated). Heavy dollar selling should evolve into massive dumping of the dollar and dollar-denominated paper assets, at any time, with little or no warning. Dollar-based commodity prices, such as oil, should soar, accelerating the pace of domestic inflation. In turn, that circumstance likely will trigger some removal of the U.S. dollar from its present global-reserve-currency status, which would further exacerbate the currency and inflation problems tied to the dollar.

This still-forming great financial tempest has cleared the horizon; its early ill winds are being felt; and its impact on the United States and those living in a dollar-based world will dominate and overtake the continuing economic and systemic-solvency crises of the last eight years. The issues that never were resolved in the 2008 panic and its aftermath are about to be exacerbated. Based on precedents established in 2008, likely reactions from the government and the Fed would be to throw increasingly worthless money at the intensifying crises, hoping to push the problems even further into the future. Such attempts to save the system, however, all have exceptional inflationary implications.

The global financial markets appear ready to move beyond the forced patience with U.S. policies that had been induced by the financial terror of the 2008 panic. Accordingly, the U.S. dollar faces likely extreme and negative turmoil in the months ahead. A domestic hyperinflationary environment still should evolve from something akin to these crises before the end of next year (2014). The shifting underlying fundamentals are discussed in *No. 527: Special Commentary*; some of potential breaking crises will be expanded upon in the next revision to the hyperinflation report.

Still Living with the 2008 Crisis. Despite the happy news from the redefined GDP series that the recession was shallower, and the recovery more rapid, than previously estimated, there still never has been an actual recovery following the economic downturn that began in 2006, and collapsed into 2008 and 2009. No other major economic series has confirmed the pattern of activity now being reported in the GDP. Indeed, 2012 household income data from the Census Bureau show no recovery whatsoever.

Instead, what followed was a protracted period of business stagnation that began to turn down anew in second- and third-quarter 2012 (see the corrected GDP graph in the *Opening Comments* section of *Commentary No. 552*). The official recovery seen in GDP has been a statistical illusion generated by the use of understated inflation in calculating key economic series (see *No. 527: Special Commentary* and *Public Comment on Inflation*). Nonetheless, given the nature of official reporting, the renewed downturn still should gain eventual recognition as the second-dip in a double- or multiple-dip recession, with current reporting in basic economic series, such as housing, retail sales and production (not the GDP), coming into synchronization with a renewed downturn in broad economic activity starting in second- and third-quarter 2013.

What continues to unfold in the systemic and economic crises is just an ongoing part of the 2008 turmoil. All the extraordinary actions and interventions bought a little time, but they did not resolve the various crises. That the crises continue can be seen in deteriorating economic activity and in the ongoing panicked actions by the Federal Reserve, where it still proactively is monetizing U.S. Treasury debt at a pace suggestive of a Treasury that is unable to borrow otherwise. As of August 2013, the Fed had monetized in excess of 100% of the net issuance of U.S. Treasury debt, since the beginning of the calendar year.

The Fed's unconscionable market manipulations and games playing in fueling speculation over the future of quantitative easing clearly were used to move the U.S. dollar (the purpose of initial quantitative easing was U.S. dollar debasement). QE3 and continuing efforts at dollar-debasement are not about to go away. Further complicating the circumstance for the U.S. currency is the increasing tendency of major U.S. trading partners to move away from using the dollar in international trade. The loss of some reserve status for the U.S. dollar is likely, as the crises break, and that would intensify both the dollar-selling and domestic U.S. inflationary pressures.

The Fed's recent and ongoing liquidity actions themselves suggest a signal of deepening problems in the financial system. Mr. Bernanke admits that the Fed can do little to stimulate the economy, but it can create systemic liquidity and inflation. Accordingly, the Fed's continuing easing moves appear to have been primarily an effort to prop-up the banking system and also to provide back-up liquidity to the U.S. Treasury, under the political cover of a "weakening economy." Mounting signs of intensifying domestic banking-system stress are seen in soft annual growth in the broad money supply, despite a soaring pace of annual growth in the monetary base, and in global banking-system stress that followed the crisis in Cyprus and continuing, related aftershocks.

Still Living with the U.S. Government's Fiscal Crisis. Again, as discussed early on in *No. 527: Special Commentary*, the U.S. Treasury now has reached the final stages of going through extraordinary accounting gimmicks, in order to avoid exceeding the federal-debt ceiling. The crisis is at hand, with a deadline in the week or two ahead for resolving related issues, including—in theory—significant budget-deficit cuts.

Both Houses of Congress have put forth outlines of ten-year budget proposals that remain shy on detail. The ten-year plan by the Republican-controlled House proposes to balance the cash-based deficit as well as to address issues related to unfunded liabilities. The plan put forth by the Democrat-controlled Senate does not look to balance the cash-based deficit. Given continued political contentiousness and the use of unrealistically positive economic assumptions to help the budget projections along, little but gimmicked numbers and further smoke-and-mirrors are likely to come out of upcoming negotiations. There still appears to be no chance of a forthcoming, substantive agreement on balancing the federal deficit.

Indeed, ongoing and deepening economic woes assure that the usual budget forecasts—based on overly-optimistic economic projections—will fall far short of fiscal balance and propriety. Chances also remain nil for the government fully addressing the GAAP-based deficit that hit $6.6 trillion in 2012, let alone balancing the popularly-followed, official cash-based accounting deficit that was $1.1 trillion in 2012 (see *No. 500: Special Commentary*). Recent reductions reported in the year-to-date cash-based 2013 deficit reflect gimmicks such as the U.S. government declaring itself dividends out of government-backed and controlled Fannie Mae and Freddie Mac. Those dividends also have helped the Treasury operate around the limits of the current debt ceiling. If the government consolidated those entities into its financial statements, as would happen in the corporate world, the deficit position would be much bleaker, as it is otherwise with generally accepted accounting principles or GAAP-based accounting.

Efforts at delaying meaningful fiscal action, including briefly postponing conflict over the Treasury's debt ceiling, bought the politicians in Washington minimal time in the global financial markets, but the time has run out and patience in the global markets is near exhaustion. The global markets previously had expressed their extreme discomfort with the unresolved longer-range sovereign solvency issues of the United States, by dumping dollars at the time of the failed July/August 2011 fiscal negotiations. The continuing unwillingness and political inability of the current government to address those issues, only pushes along the regular unfolding of events that eventually will trigger a massive flight from the U.S. dollar and a domestic hyperinflation, as discussed in *Commentary No. 491*.

U.S. Dollar Remains Proximal Hyperinflation Trigger. The unfolding fiscal catastrophe, in combination with the Fed's direct monetization of Treasury debt, eventually (more likely sooner rather than later) will savage the U.S. dollar's exchange rate, boosting oil and gasoline prices, and boosting money supply growth and domestic U.S. inflation. Relative market tranquility has given way to mounting instabilities, and extreme market turmoil likely looms, despite the tactics of delay by the politicians and ongoing obfuscation by the Federal Reserve.

This should become increasingly evident as the disgruntled global markets begin to move sustainably against the U.S. dollar. As discussed earlier, a dollar-selling panic is likely this year—still of reasonably high risk in the near-term—with its effects and aftershocks setting hyperinflation into action in 2014. Gold remains the primary and long-range hedge against the upcoming debasement of the U.S. dollar, irrespective of any near-term price gyrations in the gold market.

The rise in the price of gold in recent years was fundamental. The intermittent panicked selling of gold has not been. With the underlying fundamentals of ongoing dollar-debasement in place, the upside potential for gold, in dollar terms, is limited only by its inverse relationship to the purchasing power of the U.S. dollar (eventually headed effectively to zero). Again, physical gold—held for the longer term—remains as a store of wealth, the primary hedge against the loss of U.S. dollar purchasing power.

