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Government and Central Bank Systemic Issues are Only Getting Worse
We are coming off a rough 2022 for global markets. In the US, there have only been a handful of years where both stocks and bonds have been down, and, you guessed it, 2022 was one of them. Global markets shed more than $30 trillion in value, a staggering figure.

Unfortunately, there are a bunch of long-term, systemic financial issues and ongoing behaviors that will be coming to roost in the years ahead. Given this, there are myriad reasons you need to be hedging your portfolio with hard assets. Hard assets are physical, tangible assets, and you should be looking to those which have intrinsic value and a track record of holding value. This includes productive land and precious metals, including gold.
Here are four of the top reasons why hedging with hard assets has a real sense of urgency. If you need help in doing so after reading the piece, consider reaching out to my friends at Goldline for assistance.

Government spending shows no signs of slowing

It may be rare to get bipartisan support of anything in the US Congress these days, but spending is something that both parties are far too adept at. With votes from Democrats and many Republicans, Congress passed a $1.7 trillion spending package late last year, signed by President Biden on December 29th. Per CNN, Biden commented about the spending, “Looking forward to more in 2023.” Oy vey.

Any hope that following all the covid “emergency” spending there might be a return to fiscal responsibility looks like an utter pipe dream.

The trajectory of US government spending is completely unsustainable. The Congressional Budget Office (“CBO”) in their “The Budget and Economic Outlook: 2022 to 2032” expects the national debt held by the public to surpass $40 trillion in the next decade and expects net interest paid on that debt to almost triple to over $1 trillion by 2030. It is likely that to address this, more money will be “printed” and further devalue the dollar.

Over the next 30 years, the CBO also estimates that interest payments on the debt will total more than $60 trillion. Let me say that again…$60 trillion! That’s nearly three times our current GDP.

This alone means that you need to be looking at hedges, including gold, not only for 2023, but for the long term.

But wait, there’s more…

Global central banks are adding to their own gold reserves

For a slew of reasons, including that the US government and Federal Reserve are being reckless with the US dollar, we are headed toward a new financial world order.

In expectation of this, countries and their central banks have been taking various preparatory actions. One is adding to their gold reserves. According to the World Gold Council, central banks around the world bought 673 tons of gold through the first 9 months of 2022! That purchase level in nine months is more than any full year since 1967, a time when we were on the gold standard.

If following the lead of what countries and their central banks think is important to secure their financial future isn’t enough of an incentive, consider their other behaviors.

Between October 2021 and October 2022, top holders of Treasury securities, including China and Japan, have been reducing their share of US Treasury holdings. Per US Treasury data, Japan shed about $242 billion in holdings, and China shed almost $156 billion, taking their holdings below the $1 trillion mark.

In recent years, we have seen many of the MENA (Middle East and North Africa) region countries and other emerging markets that export oil move away from the US dollar peg. These include Angola, Argentina, Azerbaijan, Kazakhstan, Iran, Nigeria, Russia, South Africa, and Venezuela.

All of these are warnings about potential systemic financial changes that will be ahead, and a need to look at hard assets and wealth hedges, like gold.

Former Federal Reserve Chairman Ben Bernanke said of gold, "Well, I pay attention to the price of gold, but I think it reflects a lot of things. It reflects global uncertainties. The reason people hold gold is as a protection against what we call tail risk, really, really bad outcomes."

Recession

Adding to hedges today and not procrastinating is critical because we never know how long the financial system undoing will take. But there is another 2023 reason and that is the possibility of another recession.

We saw a short-lived technical recession in the first half of 2022, and many experts believe we will see economic contraction, both in the US and around the globe, before 2023 ends. According to *Bloomberg*, "Forecasters surveyed by the Federal Reserve Bank of Philadelphia put the probability of a downturn in the next four quarters at more than 40%, the highest reading since at least 1975. Economists polled by Bloomberg see the chance of a 2023 slump at 65%." Their own Bloomberg Economics model puts the recession risk at 100%.

Where other assets may continue to struggle during a contraction, and while past performance never guarantees the future, gold does tend to hold up well during recessionary times. Per the US Bureau of Labor Statistics, "gold prices can act as an indicator of the health of the economy. A rise in the price of gold may be a signal that the economy is struggling. As a result, in times of either a crisis or inflation, many investors turn to gold to protect their principal."

That creates more of an incentive to shore up your portfolio hedges sooner vs. later.

The threat of Central Bank Digital Currencies

Developed countries around the globe (and some less developed ones), all being saddled with high debt loads and lots of government spending are looking at CBDCs (Central Bank Digital Currencies) as a means to perhaps buy themselves more time and power.

A CBDC is a "digital" version of whatever currency a government is already backing with its "full faith". It is issued by and regulated by the same monetary authority or central bank that issues the country's "fiat" money. The rub is that a CBDC, particularly those issued at the retail level, further centralizes control over money in the hands of governments and their central bank.

CBDCs allow government to program money, trace spending and even make decisions on how and if you can access or spend your money. CBDCs are a frightening affront to freedom.

Today, according to the IMF, around 100 countries are considering CBDCs at different stages. Some are doing exploratory research, while others are in test phases.

In mid-October, financial officials from G7 countries, per *Reuters*, came together to endorse a set of 13 policy principles for retail (direct to consumer) CBDCs.

In mid-November, *Reuters* reported that the New York Fed was launching a 12-week "digital dollar pilot" with various financial heavyweights, including Mastercard, Citigroup, Wells Fargo and others.

Should these proceed (or, should I say, when they proceed), central banks and their respective governments will have complete control over your money and freedoms. This means people not just in the US but around the world will be looking for alternative ways to control assets, particularly those that can back purchases and even payments.

It also adds major systemic risk to the financial system.

Some folks think Bitcoin is the answer. I am old school, so I go with the hedge that the central banks are loading up on and that has a 5,000-year social contract and is widely understood around the world—gold.

How to hedge

How much you hedge depends on your risk tolerance and how much you are concerned about these issues. Many experts recommend 5-10% of your portfolio as an "insurance policy," but if you see more movement on the CBDC front or otherwise, that may not be enough for you. Talk to your financial advisor, make decisions based on your own goals, objectives and risk profile.

If you need some help, check out my friends at Goldline (where I get my physical gold from). Ask them for their Buyer's Guide and don't forget to claim the special newsletter offer!

These issues, whether short- or long-term, aren't likely to improve any time soon. Make sure you aren't procrastinating in securing your wealth.

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As a Goldline customer, you already know the value of protecting your assets. But, have you done any preparation to protect your MOST VALUABLE assets, your loved ones, in the unfortunate, yet inevitable case of medical emergencies, aging issues or even mortality?

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