



## Gold & Silver...Where to from Here?

Happy New Year! I hope everyone had a safe and healthy holiday season, and I wish you more of the same as well as a prosperous 2026.

Longtime readers know I have owned precious metals for decades. I started buying gold around \$250 an ounce and silver at roughly \$8-\$9. My recollection is that I have never sold any precious metals-related positions I hold.

Before the presidential election last year, I republished a lengthy piece on the topic right here in this space detailing the necessity of having a meaningful position in metals.

I noted in the piece that it's a positive thing that Russian gangsters can buy property in New York City through no-name LLCs. It means they have confidence in the system and where to park their money. They're not purchasing Chinese condos (nor are the Chinese) or assets in Venezuela.

The U.S. system has traditionally inspired confidence, which supports the country's global status. But it's in a precarious position. My primary concern was that Kamala Harris would win the election. Her boneheaded ideas, such as price controls on grocery stores that barely cover costs and eliminating the filibuster, would implode the system.

And, it would have.

Ironically, Trump won the election, and precious metals exploded anyway. The trend in asset prices was already up, and metals had broken out of a massive trading range well before the election.

I'm not a "Gold Bug" per se. Harry Browne, a Libertarian candidate for President, created the *Permanent Portfolio* many decades ago, which advocated for a prominent position in precious metals. Every asset class has its ups and downs, but the *Permanent Portfolio* has an incredible track record for real (a.k.a inflation-adjusted)

returns. You can test this yourself for free at [Portfoliocharts.com](https://www.portfoliocharts.com) and compare it with numerous other strategies.

Mostly, I hold these positions as an offset to the rest of my financial life, *in case* the shit hits the fan. The shit *will* hit the fan from time to time, *and* it may come out of left field. And, when the shit *does* hit the fan, you'll be better able to deal with it while *everyone else* is losing their minds because they didn't have the shit hitting the fan *protection*.

It's not because gold is magical. It's an asset class like anything else.

As I noted, the trend has been up for a while after a long period of consolidation. Gold zooming past \$4,000 an ounce has little to do with speculation. Instead, it has to do with a structural shift in where capital is being allocated, particularly for safety. Sure, when an asset like gold trades +/- 5% on any given day, there are speculators involved. But they will get wiped out, as they always do, and as long as the structural shift stays in place, the trend will resume.

So, we are seeing some speculative excess here, but we shouldn't ignore the structural shift underneath that is the primary driver of the move higher in prices.

Investors are moving out of U.S. Treasuries. And, they have to go somewhere. And, this pace is accelerating. It's reached escape velocity, which might turn into terminal velocity.

Anyone can see the level of debt exploding. It doesn't take a genius to figure it out. And, a reasonable person might assume there's some level of fraud, waste, and abuse in the system. However, the numbers are *staggering*.

I recently watched a *YouTube* video of Elon Musk discussing his time at the Department of Government Efficiency (DOGE). DOGE uncovered numerous instances of fraud, waste, and abuse, but couldn't do much about them. Musk said there are *hundreds of billions of dollars in phantom payments* each year.

As a forensic accountant for 25 years, I believe him.

He only scratched the surface, and people terrorized his business and threatened him. If given the choice again, he wouldn't work for DOGE and would rather focus on his business interests.

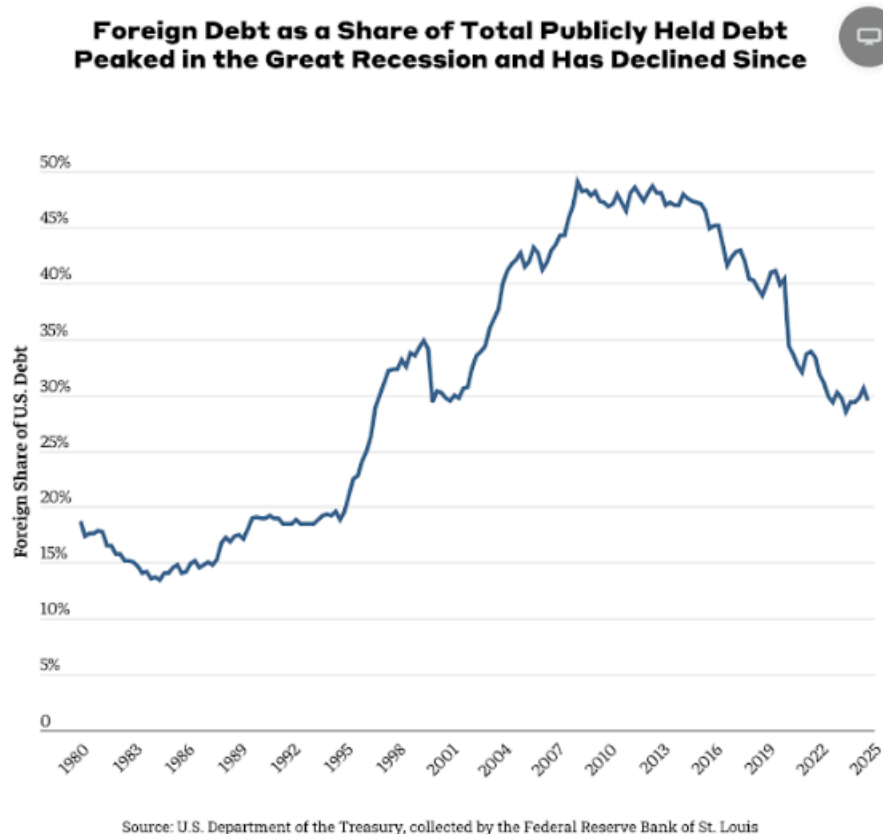
The system is designed to scam. Vast amounts of money are poured into elections to keep the scam going. As long as special interests with massive pools of money can influence an election, nothing will change.

If election contributions were curbed to, say, \$5,000 for individuals and organizations, and only allowed to support candidates the individual could vote for or where organizations had a presence, then the scam could be curbed. That will never happen. So, it won't.

Now we see billions of dollars stolen in Minnesota. The Department of Housing and Urban Development has sent billions of dollars in checks to *dead* people in all 50 states! There are no-bid contracts totaling tens of billions of dollars. What could go wrong?

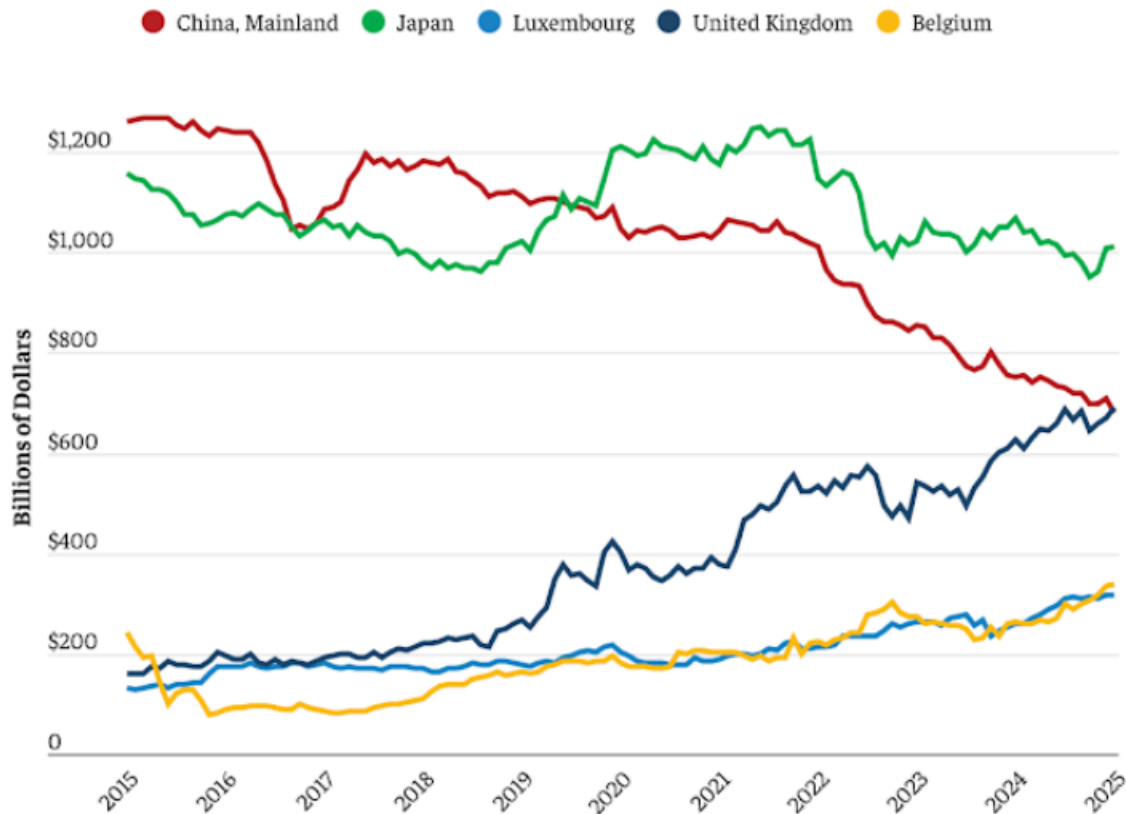
There's no serious effort to curb the deficit spending or pay down the debt. Then, to make matters worse, we might give another round of \$2,000 checks to citizens (and non-citizens) which results in even more fraud when free money is handed out.

So, investors are pulling stakes as they should. And, it's been going on for a while. As the chart below shows, foreigners have been dumping treasuries for nearly 20 years. The trend shows no signs of slowing down.



As you might expect, China has been a big seller.

## China Has Divested While Other Top Five Investors Maintain or Increase U.S. Debt Holdings



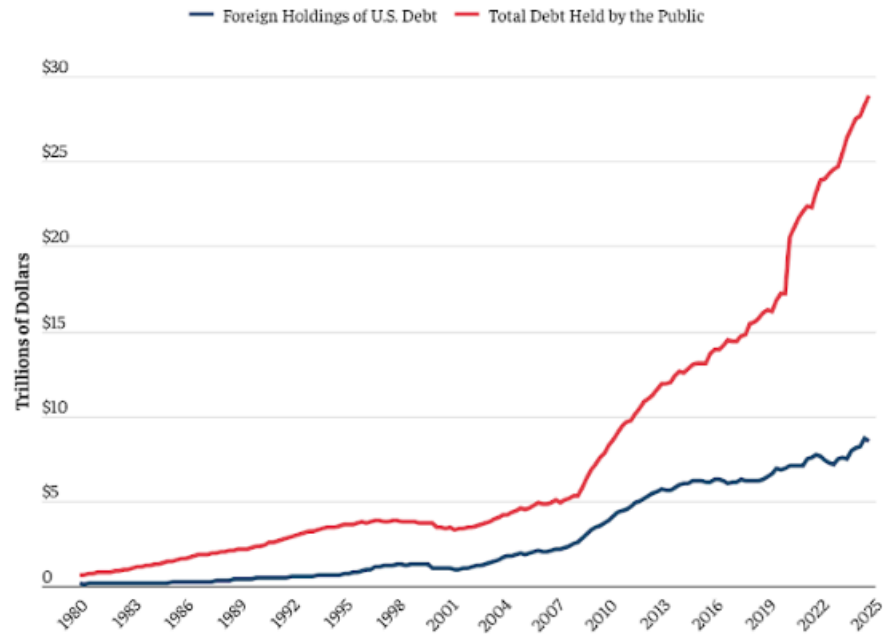
And, here's the thing. Americans have the attention span of a TikTok video. They're mostly thinking far enough ahead to what they're going to have for lunch today. The Chinese are thinking hundreds of years ahead. The Arabs are thinking to...*forever*...

For example, in the U.S., we come up with a dumb regulation that says everyone needs to electrify everything in the name of the environment (again, follow the money to see where the scam is), *with no plan for how to get there*. Saudi Arabia has been creating 5-to 10-year plans to diversify its economy since it struck oil.

*Long-term thinkers are dumping treasuries.*

Meanwhile, the growth is being funded by the public. Like most horror movies, this will end badly, with lots of blood and guts.

## Growth in Overall Public Debt Has Far Outpaced Growth in Foreign Debt



Source: U.S. Department of the Treasury, collected by the Federal Reserve Bank of St. Louis



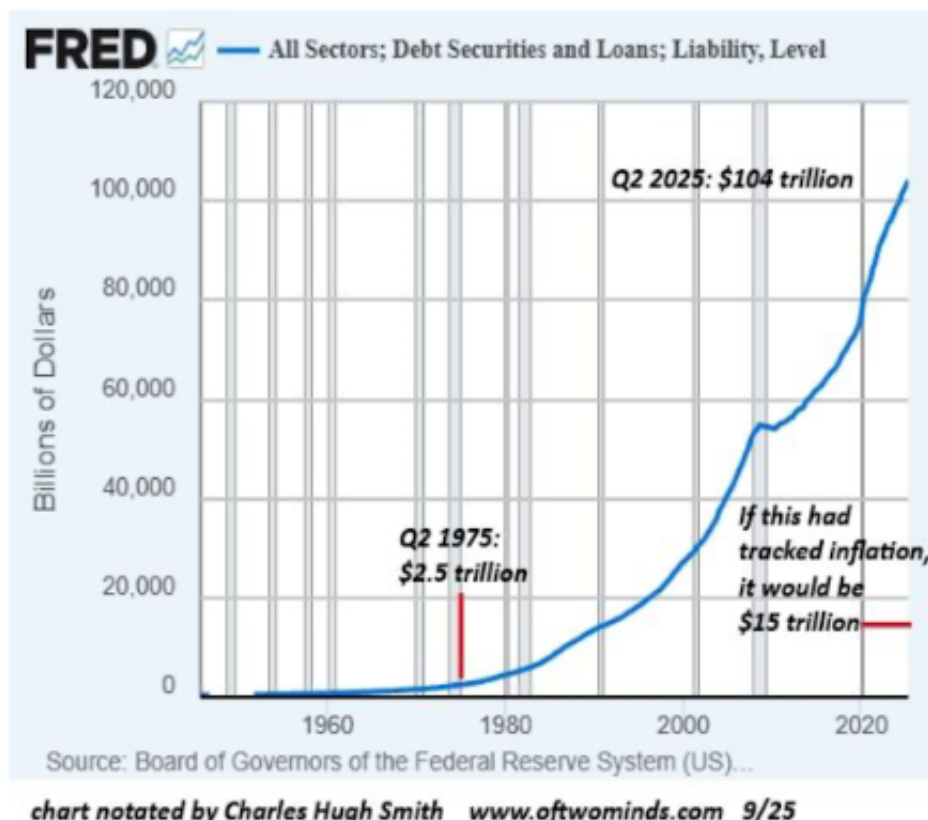
For 40 years, there was a massive bond bull market. Interest rates fell persistently, and governments and others used that trend to increase debt levels. Now it's time to pay the piper.

There are quadrillions of dollars in exposure across various forms. There's a debt crisis coming.

As the chart below shows, the level of debt and liabilities has gone parabolic. Worse, the level of debt has outpaced inflation by a wide margin.

On an inflation-adjusted basis, the level should stand at about \$15 trillion. Instead, it's \$104 trillion.

Yikes!



The level of systemic risk is massive. Harry Browne is probably rolling over in his grave. But his general idea in the *Permanent Portfolio* accounted for such scenarios.

Despite all these scary charts, the U.S. is still the best place to fund innovation. That's why the *Permanent Portfolio* owns U.S. equities too. This is a topic for another day, but in my experience on Wall Street, a good idea will get funded. You could be a purple alien from another galaxy.

The only color Wall Street cares about is green. It doesn't matter if you're a man, a woman, a person of color, or a person of a particular religion. Sure, some people might have an easier time getting through the door, but good ideas will find their way to funding. That's not the case in other places!

So, where to from here?

Well, again, the big move in metals has nothing to do with speculation. More recently, weak hands have hopped on the train. As they tend to do, they do it with leverage. Leverage works until it doesn't. Then they get taken to the woodshed, busted out, and the trend resumes. Increases in margin requirements impact weak hands, not strong ones.

I'd expect a fair amount of volatility in the near-term as this gets sorted out. But the strong hands will take from the weak hands, and that will stabilize prices.

The best thing that could happen is that metals bounce around a bit for a few months. Then that consolidation period will set them up for the rest of the year.

Furthermore, the miners have massively underinvested in capital expenditures. This isn't something that can be resolved in a few months or even a year or two.

I own miners too, although only more recently than metals. I found miners' performance disappointing relative to the metals, but that's changed more recently.

I have no plans to sell any positions. I have no plans to buy anything here while there's speculative volatility that needs to be resolved. I might come back into miners if they get deeply oversold for reasons unrelated to the structural changes I noted above.

If you're not in the metals and miners, then you have no business trading in them *unless* you have a **defined strategy**. If you're using emotion, you're going to get your ass kicked. You will only have yourself to blame.

Longer-term holders aren't going to sell. As a result, if short-term speculators sell positions in January for tax reasons, I suspect the trend will resume after the first quarter of 2026... *unless* something changes.

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