

Hello Everyone,

***“There are decades where nothing happens; and there are weeks where decades happen.” — Vladimir Ilyich Lenin***

No, I am not a fan of Lenin. He was a thug---and a murderer of millions. But, things are moving so fast, his quote catches the feeling of the day.

The money spigots are now on full force. Trillions will be thrown at this problem. And the problem is not the coronavirus. It is the debt bubble that Covid19 popped.

What this means is the America we had only two months ago, will not be the America we have going forward.

Gold is up \$62/oz as I write this. Swiss gold refiners (where 70% of the world’s gold is refined) are shutting down. Too much uncertainty.

Today’s missive addresses some of the uncertainty in the banking sector. I hope it helps give you a broader view of our situation.

Signed, Your Watching-The-World-Being-Flooded-With-Dollars Financial Advisor,

Greg

## **KKOB 03.23.2020 Coronavirus and Banking --- Again**

**Bob:** Well, Greg, if there is a lesson in this Covid19 thing, it might be that investors totally underestimated the massive economic impact of the virus.

With that said, I am hearing people now say it is time to buy. I guess I can understand that reasoning. But I wonder if we are still underestimating the impact of what’s happened.

**Greg:** Those are all good insights. My take is ----to know where the stock market is going, you need to look at the banks.

**Bob:** You said that almost two months ago. You said banking would be the tip off. Now, I haven’t seen many stories about

banking in the mainstream media, but I think I know where you're going. Loans aren't being paid, right?

**Greg:** Right. Last Friday I mentioned 10% of global GDP was from tourism. Bob, you've driven past the hotels and restaurants. Those parking lots are empty ----all over the world.

Cruise ships? Forget it. Airlines? Choose your seat. Bob, American Airlines alone owes \$34 billion. Tell me, how likely is it those businesses will be able to make their debt payments to the banks on time?

**Bob:** Probably not very good. And I think some businesses will never reopen. I mean, I would think that alone could trigger a wave of defaults.

**Greg:** Right. How about retail? Even before the coronavirus outbreak, brick-and-mortar, and the malls, were struggling. Some of those will never reopen. They owe money to the banks.

Let's move on to energy. Even prior to Covid19, you and I had done deep dives into the underlying problems in the shale and fracking industries. We talked about the stresses in companies like Marathon, Occidental, & Devon. These are names you know. Those stocks are now down anywhere from 80%-90%.

Even mighty Exxon had its debt downgraded last week

Bankruptcies are coming. The money many energy companies borrowed will never be repaid. Thus, banks--and pension funds—are clearly concerned.

And as long as I'm being Mr. Cheerful...how are all those newly unemployed going to make their car, credit card, or mortgage payments on time?

Anyway, Bob, I want to be wrong on this. But the evidence is piling up there is serious damage in the plumbing of the banking system.

**Bob:** I want you to be wrong, too. But I can see it...and I think I can even see it globally. I was supposed to be going to Italy. I can't imagine what is happening to Italian banks ---and they were already on life support.

**Greg:** Great observation. Or, what about those Chinese banks that loaned trillions to construct ghost cities and prop up inefficient industries? How do those loans get repaid?

This is why we are seeing central banks all over the world cranking out money like there is no tomorrow. Because while we may say, "Oh, that's over there", you and I know it's all interconnected.

Globally, everyone's printing press is running 24/7.

Even here at home we have the government proposing what (?) \$2 trillion in stimulus? And then we have the Federal Reserve announced this morning unlimited QE...unlimited money printing! So you're looking at bailing out banks **and corporate America!**

My point is this. Long after the coronavirus has run its course, banks & governments are going to be dealing with the damage of defaulted loans. Meanwhile, for investors, viruses come and go,

but the trillions the government and banks are pushing out there will be with us for a long time.

Now, here is our segue....

As an investor, look for the opportunity! What benefits as money is devalued? As an investor, do you really want to be in heavy cash positions, knowing it is government's best interest to devalue the currency?

**Bob:** Well, to answer that. During inflation, I want to be invested in things-that-can't be-printed. And, while I see the need for some cash, having all my money in cash--- and thinking that I'm safe---- isn't reasonable as they print trillions. Enjoyed as usual. How do people reach you?

**Greg:** Thanks and that's my take, too. My number is 250-3754. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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