

Hello Everyone,

*I've looked at clouds from both sides now
From up and down and still somehow
It's cloud's illusions I recall
I really don't know clouds at all.*

Joni Mitchell, American Singer/Songwriter

Substitute the word “money” for “clouds” in the song above, and you have today’s monetary world. When trillions can be “printed” with strokes on a keyboard, do we have money or the illusion of money?

Today’s missive looks at how monetary illusions can dissolve----leaving only truth standing.

And, yes, we can handle the truth...but sometimes it takes some time to get there.

Signed, Your-Not-To-Alarm-You-But-The-Mad-Max-Movies-Were-Set-In-2021-:->)-
Financial Advisor,

Greg

KKOB 08.10.2020 Perception vs. Reality

Bob: So, Greg, you have spent the summer explaining the ins-and-outs of the precious metals markets. And I believe you have done it a way most of us haven’t heard before. And, I know you wanted to close the topic out and move on, but you’ve got one last PS you want to add on. Right?

Greg: Right. And remember, our goal is always the same. We want to make your listeners better investors. And, key to this is understanding the difference between illusion and reality. Especially with gold...but to some degree with silver as well.

So, to make my point, let me ask you a question. Bob, have you ever been on an airplane, but just sitting on the tarmac?

As you are waiting to taxi away, the airplane next to you starts to move?

Bob: Sure. It's kind of startling. You see movement out of the corner of your eye - ---- and you think you're moving. Anyway, after a second or two, you realize it's really just an optical illusion.

Greg: Right. This same illusion happens with gold. Bob, let's pretend you have a room at KKOB and only you have the key. In that room you place a one ounce gold coin, you lock the door, and leave the room. One year later, you reenter the room, turn on the light and see your gold coin sitting exactly where you left it. Then, let's also say that over the course of that year, gold went from \$2000/oz. to \$4000/oz.

So, what really changed? Did the gold coin change?

Bob: Well, no. The coin is exactly as I left it. It did not improve. Only the price changed.

Greg: Right. But why? If the coin did not improve why did the price double?

Bob: I see where you are going. You are saying the dollar changed. You're saying it's like the airplane that moves while you are sitting still.

Greg: Exactly. If gold were a company, where products were improving or the workforce more efficient, we could say the price of the stock went up for those reasons. But a gold coin does not improve. It just sits there.

But, let's now take it two steps further. What about a can of corn, or a can of green beans. Let's say you put those in your KKOB room and one a year later you come back and the price has doubled.

Like gold, the can of corn didn't change. You could even make the case it got older. Yet, we will say, *"Hey honey, prices rose at the store again."* The point is, we assume the dollar is stable, and we blame the farmers, or Trump, or the Chinese, or space aliens for corn getting pricier.

Bob: Couldn't it also just be supply and demand that drove the price?

Greg: Yes. So, then why did demand go up? It could be supply shortages...but we haven't had that. Plus, you can only eat so much corn...so that's not the reason. So, it is something else.

At the end of monetary cycles, psychology changes. Aware people see it first. They recognize, *"Heeeeyyyy, wait a minute. Corn didn't go up; the dollar went down."* At that point, confidence in the currency starts to break.

Those people start unloading unstable dollars as fast as they can. *"Get me something real, before the value of this paper devalues further."*

Bob: So, that's your airplane moment. They know they're not moving, the other plane is. The corn isn't changing, the currency is. That prompts the illusion breaking. Right?

Greg: Exactly. It's all about perception and illusion vs. fact and reality. Gold is gold. Corn is corn. Cotton is cotton. Lumber is lumber. When those prices begin to rise far beyond the normal confines of supply and demand, it's not the commodity that is changing, it is your currency. And that is always the beginning of the end. An eventual currency reset becomes a certainty.

Bob: So, you're saying you don't have to watch gold prices, watch the grocery shelves. They'll tell the story.

Greg: They already are. Look at the holes on the shelves where canned goods used to be. That tells me, some people are already seeing it. They're unloading paper and digits for real goods.

Bob: Great report. You have a way of changing perceptions. I'll say that. How do people reach you?

Greg: Just go to my website at zanettifinancial.com.

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