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GOLD IS FINALLY MOVING

Big moves in gold start with significant market changes that make people start to seriously wonder about their investments.

We have seen four big ones this year. In May gold very suddenly broke out of a five-year trading range as it rose from under \$1,300 to over \$1,500 during the summer.

Gold mover #1: the Fed is cutting rates again. Initially, the move was caused by signs that the U.S. economy was rapidly slowing down as the Federal Reserve began **cutting interest rates for the first time since the financial crisis** 11 years ago. This was the first big market change.

Gold has remained above \$1,500 as U.S. economic slowdown signals are now quite clear: the newly released Duke University/CFO Global Business Outlook revealed that more than half of U.S. CFOs, the men and women on the front line of the economy, think the economy will be in recession next year. (In Asia and Europe, 7 out of 10 CFOs think so.) Think half of U.S. CFOs is not too bad? **Pessimistic chief financial officers in the United States outnumber optimists 5 to 1.** The Fed is widely expected to cut interest rates a third time in October, a move likely to boost gold yet again.

Gold mover #2: trillions in bonds are paying negative interest rates. A second significant market change

also occurred in the summer, as trillions in bonds in Europe and Japan began trading with negative interest rates: in the bizarre world economy, there are now a large number of bonds where you pay money to own them. Did you ever imagine a scenario where investors would actually pay to lose money? But it gets worse: **starting next year, Italian bank Unicredit will begin charging large savers for having a savings account.** It will be the first bank in thousands of years of Italian financial history to pay negative interest. A bank charging its customers for savings is clearly something that makes the prospect of owning gold more attractive in the eyes of Europeans.



Gold mover #3: boom time hot investments are collapsing. Perhaps the most important sign of a significant market change is one we see at the end of all economic booms: the collapse of investment gimmicks the market has been experiencing this year. The Bitcoin bubble popped in December of 2017 and it still trades at half its all-time high. But that's nothing.

Once America's priciest home, at \$250 million with 21 bathrooms and a crocodile skin-clad elevator, the Los Angeles Billionaire home sold this month at a 62% discount. While real estate is doing well in some areas, like Texas, this is not the case in high-flying places like New York, California and Florida. Keep in mind that these states are generally the first markets to take off and the first to fall. Florida real estate began declining 2 years before the 1929 stock market crash and few saw the reason at the time: **a brutal recession lay ahead.**

Consider the **collapse of Uber and other hot stocks**, which last year were Wall Street darlings. Uber, which may never earn a profit and which has lost billions of investors' money, **was valued at \$120 billion earlier this year. Since its May public offering Uber is now worth \$53 billion.** In terms of earnings, Uber lost \$5.2 billion in the second quarter... In a single quarter!

WeWork, regarded as the most valuable U.S. tech startup at \$47 billion just a few months ago, is now worth \$8 billion and is on the verge of bankruptcy. How is this possible? Well, like at the end of all market cycles investors have begun to look under the hood and ask serious questions like "Will this company ever be able to make any money?" Get this: at present WeWork burns 700 million dollars each quarter. **Theranos a now-defunct company**

known for incorrectly claiming to have revolutionized blood testing is another hot company built on a dream that also went to zero in a great hurry late last year. The CEO is in serious legal trouble, as well.

This is the story of the unicorns, startups valued at a minimum of one billion dollars, of which there are more than 300. They are collectively valued at over \$1 trillion and they have absorbed hundreds of billions of dollars in investor money. Uber and WeWork are some of the first to face real investor scrutiny and they have failed miserably.

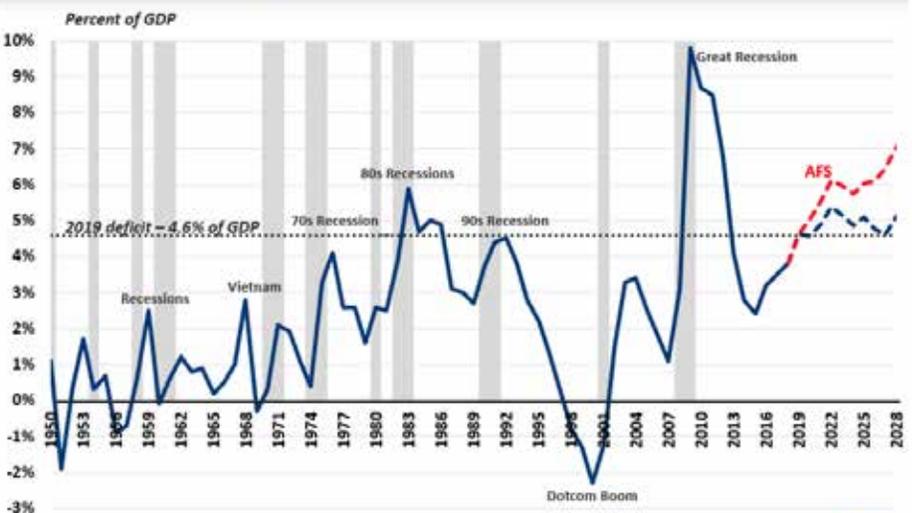
This should sound familiar because there was similar crashing and burning of investor dreams when the Nasdaq collapsed in 2000. But consider that three years ago (when the bubble was smaller) investor and NBA Dallas Mavericks team owner Mark Cuban wrote that the **unicorn bubble is "far worse than the tech bubble of 2000."** In the months leading up to the Great Recession of 2008, during which many of the world's largest financial institutions collapsed, investor dreams centered around housing until the market crashed suddenly.

Gold mover #4: trillion dollar deficits are back. A fourth significant market change, which has received surprisingly little attention, is that we have once again arrived at a \$1 trillion federal budget deficit. This was something that has only occurred during the last financial crisis and should be cause for financial alarm. What will the deficit be when we go into recession, which we are clearly on the verge of?

While gold has been rising this year driven by these end-of-cycle drivers, it is notable that silver has been gaining ground as well— rising over \$18. **Precious metals investors should remember that in gold bull markets silver generally performs as well or better than its sister metal.**

Be it gold or silver Austin Rare Coins & Bullion, a market leader in buying and selling precious metals, can help you by offering sound advice and avoiding novice mistakes. They can offer up-to-the-minute trustworthy strategies and honest pricing on the highest quality products available. **Call a helpful Austin Coin Advisor today at 1-800-928-6468 for reliable advice.**

Deficits Have Only Been At These Levels In or After a Recession



Source: CBO, OMB, NBER. Shading denotes U.S. economic recession.
 AFS: The Alternative Fiscal Scenario is CBO's estimate of what would occur if certain tax and spending policies are continued, most notably the 2017 tax cut and the increased discretionary caps agreed to in 2018.

