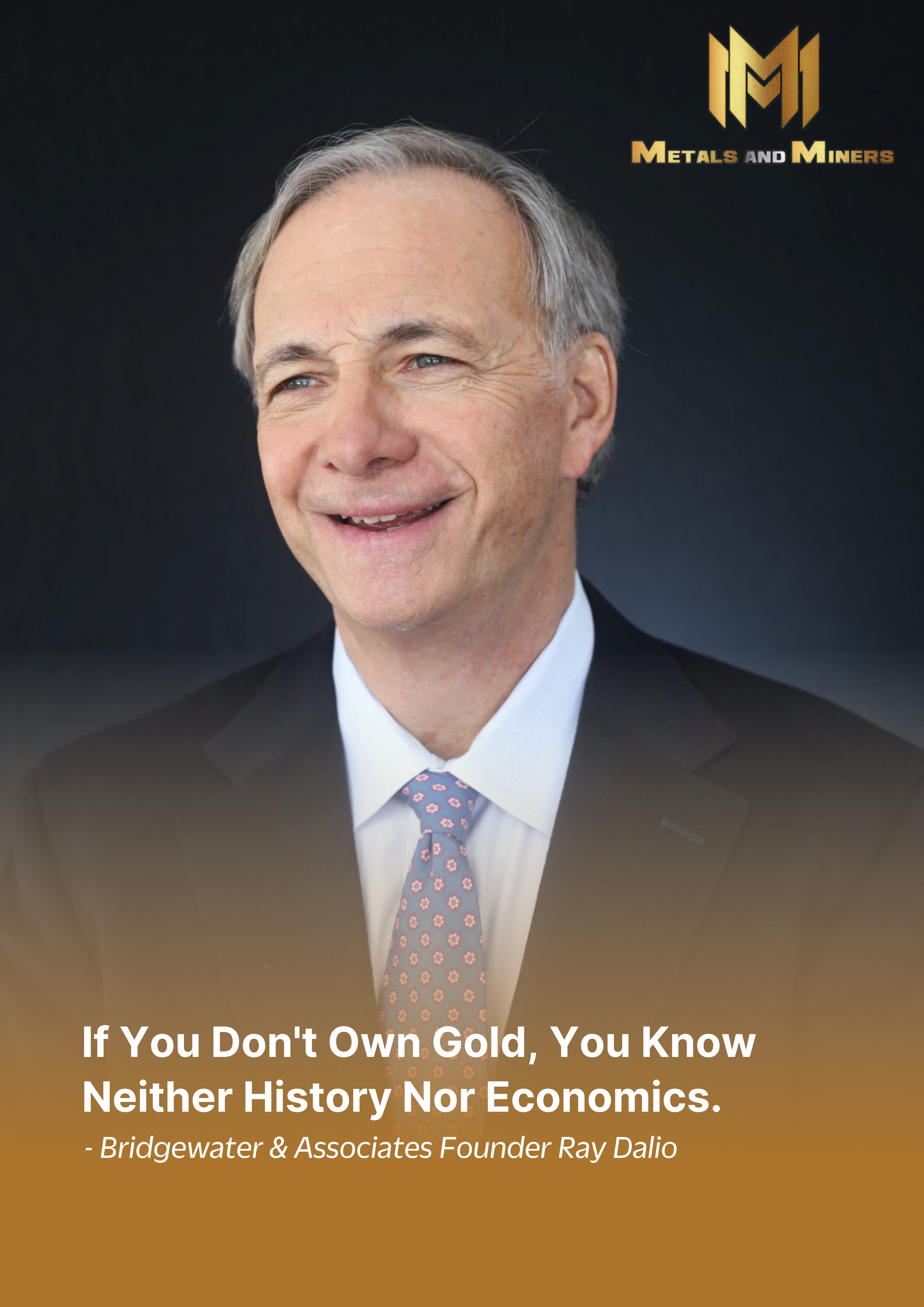
METALS AND MINERS
If You Don't Own Gold, You Know Neither History Nor Economics.
- Bridgewater & Associates Founder Ray Dalio

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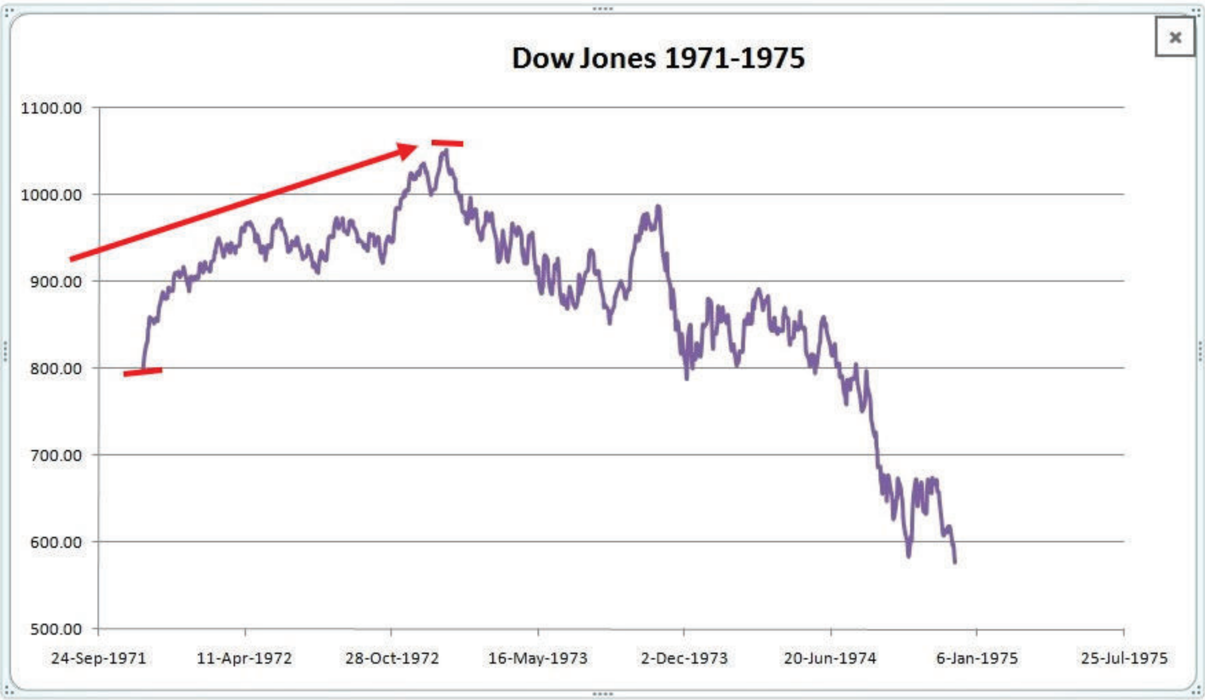
Bridgewater & Associates Founder Ray Dalio

Ray Dalio, a highly respected American billionaire investor, hedge fund manager, and philanthropist, holds a significant position in the financial industry. In 1975, he founded Bridgewater Associates, which today is the largest hedge fund in the world. Ray is renowned for his investment philosophy, macroeconomic analysis, and understanding of history, which he has honed over more than **50 years** of experience and research. Throughout his career, Dalio has successfully navigated various geopolitical, economic and financial events, business cycles, and central bank actions to achieve world class returns for his clients. He pays great tribute to his study of history, patterns and cycles as to why he has been able to achieve this great level of success. Recognizing the importance of understanding history to gain insight into present and future situations became a crucial aspect of his approach.

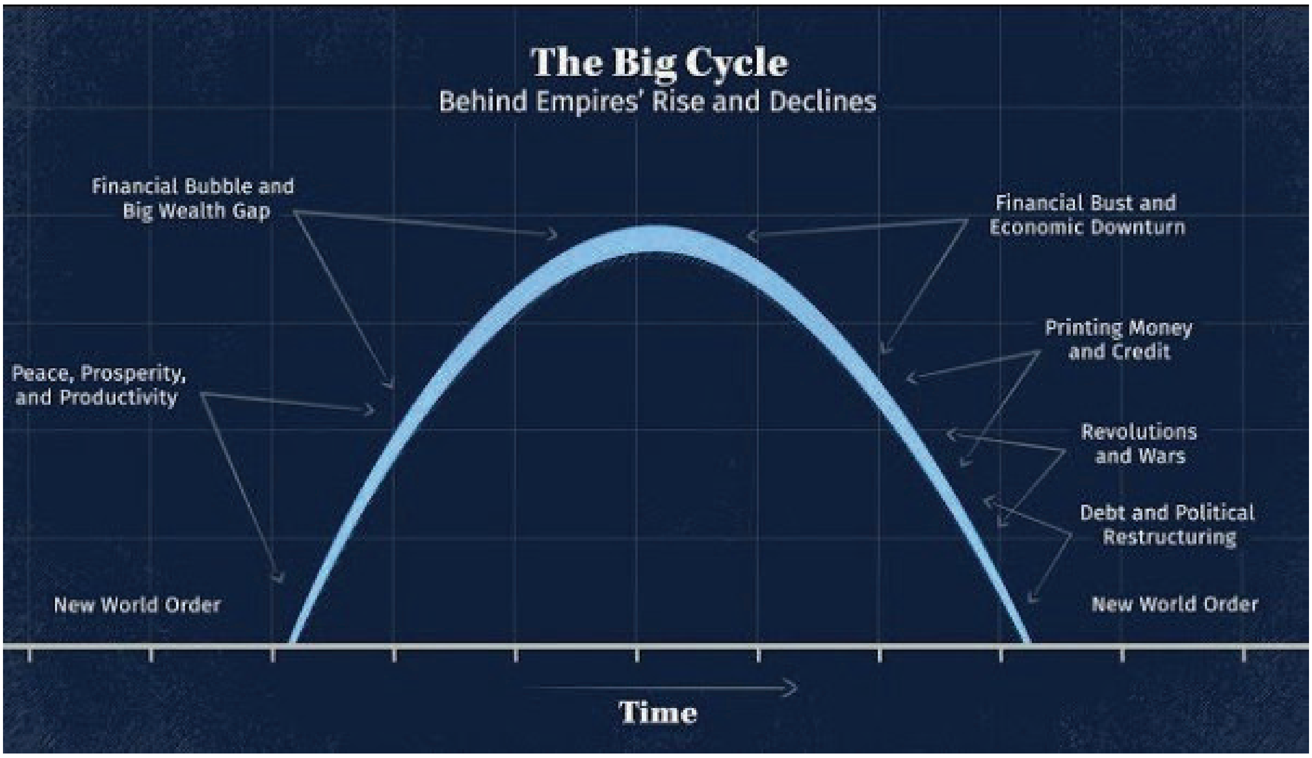
During the early stages of his professional journey, Dalio encountered some challenging experiences that taught him valuable lessons. He realized that many of the major surprises he encountered were not unique to his lifetime but had actually occurred multiple times in history. One such instance took place on **August 15, 1971,** when he was working as a clerk on the New York Stock Exchange floor. It was a moment when the United States defaulted on its commitment to allow people to exchange paper dollars for gold. Dalio anticipated that this event would trigger a significant crisis and subsequently lead to a decline in stock prices. However, contrary to his expectations, the Dow Jones Industrial Average (DJIA) actually rose considerably during that period. The chart provided by Credit Writedowns illustrates this increase in the DJIA. Dalio's lack of understanding at the time regarding the positive market response stemmed from his limited experience with significant currency devaluations that had occurred in the past.



Upon examining historical events, Dalio discovered a remarkable parallel that occurred on **March 5, 1933.** It was a moment when President Roosevelt defaulted on the promise to allow the exchange of paper money for gold. Interestingly, stocks also experienced an upward surge during that period. This observation prompted Dalio to dive even deeper into the underlying reasons behind this phenomenon. He discovered that the creation of more money led to its devaluation, subsequently driving up the prices of various assets. This pivotal realization propelled Dalio to embark on a continuous study of market fluctuations, economic cycles, money creation and the rise and fall of nations.

One notable example of Ray's application of this knowledge was his analysis of the debt bubble in the **1920s,** which ultimately culminated in the financial collapse of **1929-33.** By understanding the mechanics behind these historical events, he was able to successfully anticipate and capitalize on the 2008 financial crisis. This invaluable lesson taught him the importance of adopting a long-term perspective and comprehending the underlying mechanisms that drive historical patterns and impact markets and assets.

Through his studies, Dalio also recognized that major shifts in the “Big Economic Cycle” occur when excessive debt creation leads to the bursting of debt bubbles and subsequent economic contractions. These contractions, in turn, prompt central banks to engage in substantial money printing and debt purchasing, which is where we have been for the last few decades. A Big Economic Cycle lasts for about **75-100 years** and Ray’s research suggests the current cycle is nearing its end. This current cycle kicked off at the close of World War II, with the Bretton Woods agreement. This was a rebuilding of the monetary world order and international economic system. Dalio's comprehensive understanding of these dynamics has played a pivotal role in his investment strategies and outlook on the broader economic landscape.



Ray suggests that we are presently situated in the middle phase of what he refers to as the short-term debt cycle, commonly known as the business cycle, not to be confused with the previously discussed Big Economic Cycle. These business cycles, which typically span around **7 years** with some variability, have occurred approximately **12.5 times** since the establishment of the new monetary world order in 1945. As we find ourselves in the midst of the 13th cycle, it is at this juncture that the central bank is tightening monetary policy to combat inflation, which always precedes periods of debt and economic contractions. Dalio anticipates this massive debt expansion and economic contraction to transpire within the next 18 months.

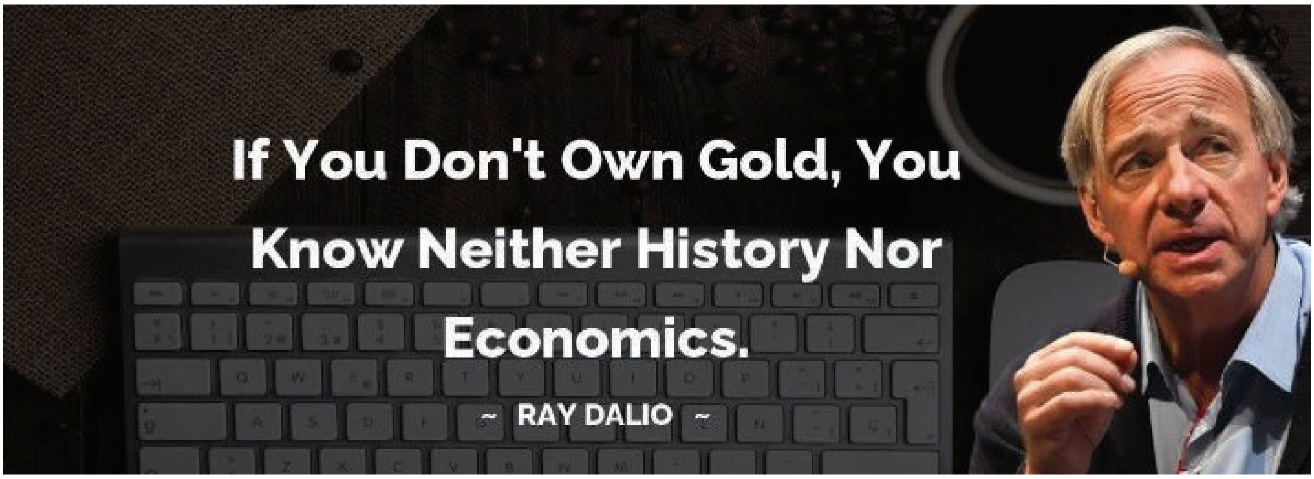
Moreover, Dalio contends that we are currently in the late and perilous phase of the long-term debt cycle. The levels of debt assets and liabilities have soared to such heights that it has become challenging to offer lender-creditors a sufficiently high interest rate in relation to inflation, ensuring their willingness to hold such debt as an asset. If there aren't enough buyers of the government debt, then the price the government must pay for those willing to hold the debt will increase, adding further debts to the massively growing pile.

Striking a balance is complex, as excessively high interest rates can significantly burden the borrower-debtor. Ray believes that the escalating growth of unsustainable debt suggests an impending critical turning point that will reshape the financial landscape. In other words, it appears increasingly likely to Ray Dalio that at some point in the near future, a restructuring of debt, finance, and the economy will occur, leading to substantial changes in the financial order, which will dramatically impact everyone. Unfortunately, it is business as usual for the majority of people and these radical changes will catch them by surprise and unprepared. Over the last few years, we have heard of the "Great Reset," and this may be exactly what Ray is anticipating.

According to Dalio, due to the substantial deficits, the U.S. Treasury will be compelled to issue a significant amount of debt moving forward, likely surpassing the available demand for it. At this juncture, the cost of the government issuing debt will escalate, leading to a rise in interest rates. This is exactly what is unfolding in the current scenario, as the yield on the **30-year** Treasury bond has surged by over **22%** from **April to August 2023.** With these elements at play, there's a very strong probability that rates will continue to rise, resulting in further expansion of the U.S. debt. This trend can be viewed in the following CNBC chart.

Should this continue to play out this way, Ray believes it will result in either considerably higher interest rates or extensive money printing by the Federal Reserve to purchase these bonds, consequentlydevaluing the currency. According to Ray Dalio, the conditions surrounding debt and finance will worsen,potentially to a significant degree, and within the next **18 months.** This very astute, wise andexperienced financial expert is sounding the alarm. Are we paying attention?

In **1975,** Ray Dalio established Bridgewater Associates from his apartment in New York City. Through theyears, he transformed it into one of the most prosperous investment firms in the United States, renowned for its systematic investment approach and its focus on economic principles and market cycles. Bridgewater currently manages over $150 billion in assets for institutional clients, including pension funds, endowments, and sovereign wealth funds. Over the past **28 years,** Bridgewater has achieved an impressive average annual return of approximately **11.5%,** a remarkable accomplishment given the substantial asset base they oversee. Recognized as one of the 50 most influential individuals globally, Ray Dalio's net worth now exceeds $20 billion, establishing him as one of the wealthiest individuals in the United States. Ray's investment philosophy is heavily shaped by his belief in comprehending and navigating economic cycles. He emphasizes the significance of diversification, risk management, and preparedness for various economic scenarios. Ray has been trying to inform the public that now is the time to prepare for the next economic scenario we will encounter as it will be historic and likely damaging to those who do not take the necessary precautions.



This is one of Dalio's more notable quotes. He is highlighting the critical importance of gold ownership as a safeguard against economic and geopolitical uncertainties, and the fluctuations in market cycles. Ray understands the role gold plays, especially during tumultuous periods where assets deflate and money rotates towards safety. Gold is safety, as it has maintained its value and purchasing power capabilities for thousands of years. Ray gets it, and our futures depend on understanding this as well.

In recent interviews, Dalio has extensively discussed the current economic challenges we are facing. According to Ray, the increasing aggressiveness of central banks in implementing policies that devalue currencies is leading to a notable "paradigm shift" in the investing landscape. Here is a concise overview of Ray's perspective on gold:

Interviewer: What is your take on the impact of interest rate increases and current debt levels, in the wake of several bank collapses we saw earlier this year 2023?

Dalio: American households and businesses could suffer a brutal credit crunch that slashes asset prices and tanks the economy. The Federal Reserve might exacerbate the current problem if it accelerates its bond sales to cool the economy and curb inflation. The flood of bonds into the open market could crowd out the supply of private debt, resulting in tighter credit conditions for consumers and companies. Since the amount of bonds sold has to equal the amount bought, it seems most likely that will happen via a big contraction in private credit, which will lead to a lot less buying of goods, services, and financial assets, and hence price declines in financial assets and an economic contraction.

Interviewer: Will this make it harder for U.S. consumers to access new forms of credit and what will that mean for the economy?

Dalio: It could soon become harder or more expensive for Americans to take out loans, mortgages, and other types of debt. The result could be less spending and investing, which would drag down the prices of stocks and other assets, and plunge the economy into a recession.

Interviewer: What is your opinion on gold?

Dalio: If you don't own gold, you know neither history nor economics.

Interviewer: Do you recommend that investors own gold today?

Dalio: Yes, of course.

Interviewer: Why? A lot of people think it's not of course. In fact, it doesn't make sense to own gold.

Dalio: Well, first of all, the best way to structure a portfolio is to have the right kind of balance in your portfolio, and some amount of gold. Gold serves a purpose. It is first of all, a diversifier against other assets. You know, we have this risk on, risk off thing. We also have a monetary system. The Bretton Woods monetary system began after World War II, and it had the dollar as the world's reserve currency. There's a risk there. There's a lot of dollar denominated debt and so on. If somebody felt they didn't want to hold that, and so you could have exposures to that. So, it's a diversifying asset that is sensible, and that's the main reason to have gold in the portfolio.

Interviewer: What is your take on equity ownership levels and returns moving forward?

Dalio: Investors have been pushed into stocks and other assets that have equity-like returns. As a result, too many people are holding these types of securities and are likely to face diminishing returns. I think these are unlikely to be good real returning investments and that those that will most likely do best will be those that do well when the value of money is being depreciated and domestic and international conflicts are significant, such as gold. Additionally, for reasons I will explain in the near future, most investors are underweighted in such assets, meaning that if they just wanted to have a better-balanced portfolio to reduce risk, they would have more of this sort of asset. For this reason, I believe that it would be both risk-reducing and return-enhancing to consider adding gold to one's portfolio.

Interviewer: Will the investing mindset of the last 20 plus years work moving forward?

Dalio: Investors are going to need to change their mindset about what will work after the longest bull market run in Wall Street history. In paradigm shifts, most people get caught overextended doing something overly popular and get really hurt. On the other hand, if you're astute enough to understand these shifts, you can navigate them well or at least protect yourself against them.

Interviewer: How will the central banks move forward with policy considering the surge in government and corporate debt over the last few decades?

Dalio: To me, it seems obvious that central banks have to help the debtors relative to the creditors. At the same time, it appears to me that the forces of easing behind this paradigm (i.e., interest rate cuts and quantitative easing) will have diminishing effects. For these reasons, I believe that monetization's of debt and currency depreciations will eventually pick up, which will reduce the value of money and real returns for creditors and test how far creditors will let central banks go in providing negative real returns before moving into other assets.

Interviewer: In your opinion, what allocation level of gold is necessary in this economic environment?

Dalio: Every investor should have a minimum of 10-15% overlay of gold in their portfolio.

Ray Dalio perceives a transformative shift in the upcoming economic and financial landscape, one that will reshape investment dynamics and gravely impact those not paying attention. He sees previously successful investment avenues, such as technology stocks, not yielding the same results going forward. Conversely, assets that have been less promising in recent times, like gold, are poised to perform much better in the future.

According to Dalio, the Federal Reserve will likely need to step in and purchase substantial amounts of debt due to a scarcity of global buyers. He anticipates an inevitable depreciation and devaluation of the U.S. dollar. In light of these developments, gold's prospects are very bullish.

As individuals worldwide witness the erosion of their asset values, the inclination to safeguard accumulated savings and wealth will drive interest in storing wealth in gold. For millennia, gold has stood the test of time, demonstrating its resilience across every phase of historical market cycles. It has consistently maintained its value and purchasing power, especially amidst the devaluation of currencies. Since 2000, gold has witnessed a remarkable appreciation of over 600% as seen in the chart by Goldprice.org. During this time, massive quantities of new currency have been created, devaluing the dollar along the way. Gold has proven it holds its value.

Throughout the centuries, gold has played a pivotal role in international trade and finance, as evidenced by global central banks' recent trend of acquiring record amounts of gold. In fact, their accumulation of gold in **2022** hasn't been this substantial **since 1967.** The absence of counterparty risk associated with gold makes it particularly appealing in a world where risks loom large everywhere you look. For this reason, we should be following their lead and becoming our own central bank, acquiring a solid gold overlay to diversify our investments and protect against currency devaluations.

Throughout time, gold has consistently proven itself as the ultimate sanctuary asset during periods of turmoil. Ray Dalio, a renowned authority on history, market cycles, and investing, fully recognizes thisand that is precisely why he advocates for everyone to have a **10-15% gold** overlay on their portfolio at this time.

His resolute opinion, **"if you don't own gold, you know neither history nor economics,"** carries significant weight. Gold assumes a crucial role in a well-rounded portfolio, particularly in times marked by burgeoning debt, currency devaluations, and the bursting of asset bubbles. Ray harbors deep concerns regarding excessive exposure to dollar-denominated assets in the present environment due to the substantial counterparty risk it entails.

On the contrary, gold presents a solution to mitigate such risks, as it is devoid of any counterparty exposures. Its historical inverse correlation to currency devaluation and market downturns bolsters its appeal. In times of turmoil, gold maintains its strength as a haven for safeguarding life savings. Consequently, a shift towards gold is strongly expected, as individuals seek to preserve the value of their savings and wealth, while other assets weaken.

The current deteriorating economic landscape further solidifies Dalio's strong endorsement of gold. Ray's advocated gold overlay of at least **10-15%,** underscores his anticipation of impending economic strains impacting assets tethered to counterparty risks. It's extremely prudent to heed Ray's counsel and promptly secure this level of gold exposure. Delaying action risks being caught off guard by sudden market pitfalls. Waiting until currency depreciation occurs raises the danger of chasing the acquisition of scarce gold amidst increased demand and higher prices. In other words, don't wait until the market collapses, the currency depreciates or until everyone else is doing it.

Taking proactive steps now to establish your essential gold allocation provides assurance that you have your life raft in place. Your life's savings and wealth benefits from gold's dual advantages of risk reduction and return enhancement. Ray Dalio, an expert in business cycles, history, and the rise and fall of nations, speaks from his expertise. As the founder of the world's largest hedge fund, he warns of the impending challenges we will be facing. The economy's precarious state, characterized by substantial debts, raises deep concerns as global support for these debts' wanes.

According to Ray, there just is not enough buyers of the level of debt our government will be issuing to cover their obligations and this is a major problem. In the coming months, the Federal Reserve faces limited choices as their debt issuance escalates, none of which bode well for the economy, markets, or the dollar. Immediately safeguarding and protecting yourself and your life savings with gold is the wise response to this unfolding situation.