

US Debt and Gold

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As everyone knows the total outstanding federal debt has now exceeded \$40 Trillion. What is not so widely appreciated is that it is growing at \$1 Trillion every 100 days (soon to be 95 days and then 90 etc due to the compounding effect). Meanwhile total US tax take is \$5.6 Trillion whilst total US spending is running at \$7.5 Trillion (not including the war in Iran).

With US T-Bonds now yielding 5% across the curve with 30yr at 5.6%, it means the rollover cost (40 x 5%) is now over \$2 Trillion which is 35% of the entire US tax take. Furthermore, it is compounding out of control (if it is not already out of control) & that assumes Bond Yields stay around 5%. If Trump attacks Iran after the mid-term elections and Iran retaliates by destroying the Oil facilities in say UAE or Bahrain (two countries not friendly to Iran) then Oil potentially goes straight to \$120 a barrel maybe \$150 or higher (who knows) - at which point T-Bond yields at the long end head through 6% on their way to 7% (witness the recent near perfect inverse correlation).

This then pushes the Rollover cost of the debt closer to \$2.8 Trillion which is 50% of the entire US Tax take. At some point (maybe we are already here) Bond Investors realise that the US is heading towards insolvency and back off buying T-Bonds in a major way - & maybe that, as much as higher Oil prices is the root cause of this Bond market sell off.

Q: In this scenario, what can Trump do?

A: Not a lot as this is baked in the cake.

*He could raise taxes (but he wants more tax cuts and nothing he could do would even scratch the surface) -

*He could cut spending (but he wants to increase spending especially on the Military by \$500bn) so this is not really a runner in any meaningful way.

Bessent claims the US can grow its way out of this, but the numbers are simply too large for this to be possible. Fortunately for Investors, Trump has provided the answer - In an interview with Time Magazine he claimed that " *certain levels of inflation will pay off this debt very rapidly*"

i.e. Trump is simply going to print the debt away. This is why Bitcoin has suddenly jumped 25% plus recently - meanwhile the proper time-tested inflation proof assets (such as Gold and Silver) weighed down in the short term due to the view that Gold has suffered due to rising bond yields as it pays no interest - this is a false narrative. Bitcoin pays no interest either and in the last five years interest rates have risen from 1% to 5% whilst Gold has risen from \$1,200 an ounce to \$4,200 an ounce.

Under this scenario, Gold and Silver rise exponentially whilst 30 year T-Bonds becomes semi worthless pieces of paper.

This note is not investment advice - it is an observation on the current technical, seasonal and market conditions - Any investor looking to Invest in the *Charteris Gold & Precious Metal Fund* or the *Charteris Global Macro Fund* need to do their **own Due Diligence**

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Important Information

The views expressed in this document represents the views of the author at the time of preparation and should not be interpreted as investment advice

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