THROWING THE BABY OUT WITH THE BATH-WATER

WHY METAL FALLS?

After much contemplation, these are my thoughts as of today, the 17th June: Metals have fallen very hard in value, why?
These initial market price reactions to the Federal Reserve official statements on Wednesday, evening 16th June 2021 seem somewhat contradictory to the actual macro-economic fundamentals supporting their remarks and comments, especially when considering the metal prices.

Throwing the Baby Out With the Bath-Water
PRICE SELL OFF'S IN METAL
By David Mitchell - June 17th 2021

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METALS HAVE FALLEN VERY HARD IN VALUE, WHY?

These initial market price reactions (4% to 5% falls) to the Federal Reserve official statements on Wednesday evening 16th June 2021 seem somewhat contradictory to the actual macro-economic fundamentals supporting their remarks and comments, especially when considering the metal prices,

The Federal Reserve on Wednesday held interest rates at near-zero but optimism over the progression of the U.S. economic recovery spurred more Fed officials to pencil in rate hikes by the end of 2023.

The Fed also reiterated for now its commitment to its asset purchase program, which is absorbing about $120 billion a month in assets.

"Progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy, but risks to the economic outlook remain," the Federal Open Market Committee said in a statement.

The Fed statement reiterated that for now the central bank will continue to purchase at least $120 billion a month in agency mortgage-backed securities and U.S. Treasuries as part of its quantitative easing program.

The decision to hold interest rates at near-zero was unanimous among the voting members of the FOMC.

So let me spell it out very clearly as far as I see it :

- **If there is inflation in the system** and it is deep rooted and causing serious problems then they will raise interest rates towards the end of 2023 (2 years from now!), which simply means that the Central Banks will not react until it's too late and inflation is confirmed to be very deep-rooted. In fact, historically speaking, Central Banks have always been behind the curve with inflation and raising rates.

So, with this in mind **metals should be higher and not lower**, because this is official confirmation that inflation is not transitory.

- **Can they raise interest rates ?** We have the largest global debt crisis in monetary history with the USA under Biden pushing for their annual deficit to surpass 17% of their country's GDP this year. Next year that number is set to still be over 8%.

So, if they raise rates then the cost of funding this debt mountain will rise dramatically further compounding the growth of the debt mountain, and with property & equity markets valued at incredible value multiples based on zero percent interest rates and economic perfection the whole house of cards could certainly crumble.

So, with this in mind **metals should be higher and not lower**, because we have a global debt crisis and they have backed themselves into an impossible corner.

- **If there is deflation in the system**, then there is no requirement for raising rates; and in fact, QE (money printing) alongside government largesse will not stop. It could in fact be increased to counter the effects of deflation in the face of a global debt crisis.

So, with this in mind **metals should be higher and not lower**, because we have a global debt crisis and deflation is the death knell to the present monetary system as servicing the debt will become crippling within a deflationary event, alongside the governments reaction to such monetary developments with massive government monetary debasement and infrastructure spending will push metals and commodities higher and not lower.

THEY HAVE TRULY BACKED THEMSELVES INTO AN IMPOSSIBLE CORNER.