Issue #13

FULL FAITH AND CREDIT

DEC, 2020

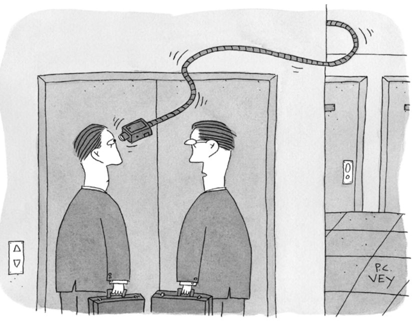
GOLD'S DOWN? JUST BUY THE DIP.

Just because you're paranoid doesn't mean they're *not out* to get you. This is the reality for the President, who commanded groundbreaking efforts to circumvent the normal vaccine approvals process and who's *Operation Warp Speed* helped get a miraculous vaccine designed, approved and soon to be distributed (a process that historically takes five to seven years) in less than nine months. Unfortunately, he will get none of the benefit. Had Trump's greatest achievement in office been announced just one week earlier he would find himself serving four more years. Instead he's watching Biden and the new administration stealing the credit.

On Monday, November 9th, in what can only be considered "ironic" timing for President Trump only six days after the election, Pfizer announced the results of their latest trial which proved that their vaccine is more than 94% effective. The news was quickly followed up with reports that the Moderna vaccine which uses the same mRNA platform as Pfizer was 95% effective in their clinical trials. Making matters even more *ironic* is that Trump's nemesis Dr Fauci, who before the election was adamant that a vaccine would not be available before March or April of next year, is now saying that the results are a "big deal" and that the United States could be ready to administer "as many as 25 million doses before the end of the year."

In response to the miraculous vaccine news the Dow Jones rocketed 1600 points higher, US crude spiked 11%, and the price of gold dropped $100, all in a matter of hours. What makes it all the more ironic for Trump, no doubt, is that he had predicted a Joe Biden win would mean the stock market would collapse. Instead the market had it's best November since 1928, rising a whopping 11% for the month. The move toward risk globally has been sensational. Investors, armed with tremendous liquidity provided by the central banks have rushed back into the market. The surprising move has witnessed a reversal in the predictions from every major bank. Wall Street had been calling for market declines of 20% to 30% on any Biden win earlier in the year. Not surprisingly, now that Biden has been deemed the winner, the paper pushers who say "never sell" have flip flopped toward bullish optimism. Instead of continuing to highlight all of the headwinds that are facing investors in the coming years they are fanning the flames of euphoria and calling for another 20% market rise in 2021.

This one momentous month sums up the irony of it all for Trump. Until recently Trump was the fair haired boy that Wall Street supported. The fickle market for now seems to have moved on to a new "stocks only go higher" story and why Biden is great for stocks. Don't get sucked in. We expect Trump's promises of economic turmoil to come true and why, given the approach of the new administration, the next several years for investors will be downright ugly. Trump and his daily tweets about the stock market converted the entire market into day traders. While many have learned the new habit and are now addicted to the easy gains, a reckoning is coming which will punish those caught up in this last euphoric equity wave. Unfortunately for the President his last laugh will have to wait another four years.



"I'm sure they're not targeting you personally."

CartoonStock.com

While one can point to any number of reasons that cost Trump the election, the biggest mistake it seems was the collateral damage from the health crisis and one of "branding." Before the pandemic Donald Trump's calling card was that he was the *stock market* President. During his time in office Trump tweeted hundreds of times about the "incredible success" of the stock market. It was the scoreboard measuring his Presidency, the calling card the "king of branding" had chosen, and it was effective. Under Trump the markets exploded higher. Heading into Valentine's Day, and with the stock market roaring to historic highs Trump enjoyed his highest ratings while in office. But then calamity struck and the China virus overwhelmed our shores. In this one moment Trump lost the powerful metric he had spent his first three years touting. Markets collapsed and Trump lost control of the story to

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Jerome Powell. The Federal Reserve swooped in during the crisis, were declared the heroes, and with a magic bullet of trillions of dollars of new liquidity stole the narrative, and thereby the election. Make no mistake about it, the Fed wanted Trump out. They got their wish and it came with the bonus of incredible vaccine news.

A new near term decision has been made by Wall Street. Trump is no longer necessary for the stock market to continue higher. Who needs Trump anyway when you've got the Federal Reserve? This shift in the mindset of the market has been of particular focus at *Full Faith and Credit* throughout the summer. We highlighted in multiple editions that prior to the pandemic Trump's approval ratings had gone hand in glove with the stock market. Once the markets collapsed, the benefit to Trump was lost as the S&P launched higher. While markets soared to all-time highs, Trump's ratings went sideways and further lower. Monitoring this one metric allowed our research team to accurately predict Biden's win while virtually every other newsletter in our space was predicting a certain Trump victory.

Who needs Trump when we have the Fed?

Trump's genius was in understanding that *"it's the stock market, stupid"* that matters the most to a President. For the first three years of his tenure he worked diligently to craft the story that "he alone" was the stock market's muse. When Trump lost control of the stock market narrative in March to his arch nemesis Jerome Powell, he effectively lost the election. In the end he learned the lesson that investors have continually been taught over the last several decades, "Don't fight the Fed."

Trump now faces what appears to be an impossible challenge to an election rife with voting machine errors, thousands of phony votes, and obvious signs of vote rigging. The Federal Reserve and Joe Biden have stolen the bull narrative completely. It wasn't only news of the vaccine that fueled the market frenzy in November. The icing on the cake for Wall Street was Biden's announcement of Janet Yellen as his choice for Treasury Secretary. Once announced the Dow Jones launched to all-time highs hitting 30,000 points. As it has all occurred, and rather than be in position to claim the vaccine news and market euphoria as his own, Trump's strategy has been to lie in wait like a lion poised for attack once the legal process has been thoroughly exhausted. It's an unfortunate situation that distracts from Trump's achievements over the past four years. Rather than taking his victory lap as the hero, with stocks soaring and a miracle cure that will get the world back to normal, Trump has resigned to the basement where he accused Biden of hiding for so long. It's uncomfortable territory for the President and one that's kept him on the defensive rather than front and center where he is most effective. The king of branding has lost control of story. The *Daily Beast's* headline summed it all up, *Trump Fumes That Biden Will Get The Praise He Craves For A COVID Vaccine.*

Trump's great prediction of market disaster has thus far been avoided. Rather than collapse as Trump warned, the market has rarely seen a better month. It's "risk on ‘' everywhere. The incredible move higher makes November the greatest performing month ever for equities since 1928. The bullish trend has witnessed massive capital flow into risk assets. More than $77 billion has been plowed into the U.S.-listed equity exchange-traded funds in November, on course for a record. That flow has helped keep the three major American stock gauges at their all-time highs at the end of a November in which unemployment claims unexpectedly jumped, incomes fell, and the coronavirus infection-rate accelerated. The market has looked through all of the bad news providing the Biden victory with what appears like a worldwide stamp of approval.

Democrats are quickly falling apart.

Winston Churchill famously pointed out that *"history is written by the victor."* Biden and his band of cohorts are running a solid early victory lap. While Trump is focused on the election he believes was stolen, Fauci and Powell are getting all the credit for the sun that's rising. Hope springs eternal once again as Fauci flip flops on what's possible and when. Ironically, Trump promised he would have the vaccine ready this year against the arguments of the scientists who claimed it was all impossible. Now, just one week after the election it turns out that Trump was 100% right and a vaccine will be available to millions this year. Unfortunately the man who deserves the lionshare of the credit is not likely to receive any of his just do. Worse still, history may not look kindly on this moment as Trump continues to fight a losing battle being painted as obstruction. Fueled by

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paranoia Trump has lost all control of the story. As a result much of his base have resigned themselves to the new reality, "they finally got him."

A LONG TERM GOLD BULL HAS BEEN AWOKEN:

The recent equity momentum where markets soared 12% in November has witnessed the traditional safe havens of taking it on the chin. Gold and silver each dropped over five percent in November. Since hitting price highs of $2072 per ounce in August, the price of gold has fallen to $1780 per ounce and is down 13% in the last four months. Silver has fallen even harder during this span from highs of $29.06 in August to $22.64 at the end of November. The downturn is causing some alarm for newcomers looking at precious metals and gold and wondering if the run in gold and silver is over.

A mentor of mine once told me, "if you ever find yourself having trouble seeing the light at the end of the tunnel, don't lose faith. Instead, turn around so you can see how small the light is behind you. Then you will realize how far you have come." This advice is wisdom at its finest, and applicable to the long term thinkers and investors we serve. Physical gold is not a trade and its performance is formidable and comforting when measured over time.

Physical gold is not a *trade.*

First, a look at the light behind us. In the last twenty seven months' since the first book, *Gold Is A Better Way* was released, the price of gold has risen from $1192 to $1780 per ounce. This is an increase of 50% in just a little over two years. One year ago, in our November 2019 edition, we predicted that the U.S. Dollar was headed for a long, and central bank coordinated, decline. On the date of that publication the price of gold was $1504. This means that gold is up 19% in the last one year even after its recent pullback. Silver is up 49% since *Gold Is A Better Way* hit bookstores.

For the moment it's all about... *momentum*

Everything is of course relative, and in order to get a real gauge on how far we have truly come we must compare the price of gold to the other options. This is where gold shines brightest. When comparing gold to the equity markets since the book was published gold is destroying the most overvalued stock markets in human history. Gold is up 50% versus the Dow Jones positive 18%, gold is beating the S&P 500 by a score of 52% to 28%, and trails the incredibly high flying Nasdaq by only 4% in the last 27 months. These comparisons between gold and silver and the equity markets come at a time when the markets have never been higher or more euphoric. When comparing gold to bonds, during this same span, gold has also been a big outperformer winning by nearly double. TLT, the iShares ETF that tracks the performance of Treasuries, tells us that bond values have increased 30% from a share price of 122 to 158 since August of 2018 up only a little more than half the increase in gold. What smart money innately understands is the world has changed. The ever expanding state of central bank balance sheets make gold *both* a bullish asset, and a safe haven, at the very same time. Anyone wondering if the move higher in gold is over is really missing the story. The gold price surge isn't over. It hasn't even started yet.

Why has gold dropped recently? There are multiple reasons. Many short term gold investors have been profit taking due to the huge increase over the past six months. The delayed second CARES package and lame duck administration also make short term fiscal stimulus all the less likely removing a leg of support pushing gold. The main driver, however, has been vaccine optimism that has removed some of the "bearish", store of value, reasons to own gold in the short term. For the moment it's all about...*momentum*. Stocks are surging to never before seen heights. The market is euphoric and "looking through" what is bound to be terrible short term news to focus on the long term reality that life will get back to normal once vaccines are distributed. The flow into risk has meant a flow out of gold and explains the recent pullback. Lastly, the market expects the only near term bail out will come from the Fed at the December meeting and are moving to front run that action. The response to more QE over the last decade has always been to buy more stocks. Some analysts expect the Federal Reserve to double their monthly asset purchases from $120 billion a month to $240 billion per month in an effort to fund the gigantic deficit spending underway. More free candy from the Fed has driven the capital flow into equities for the last decade. Who cares if we have deep structural issues? The dismissal of that reality is

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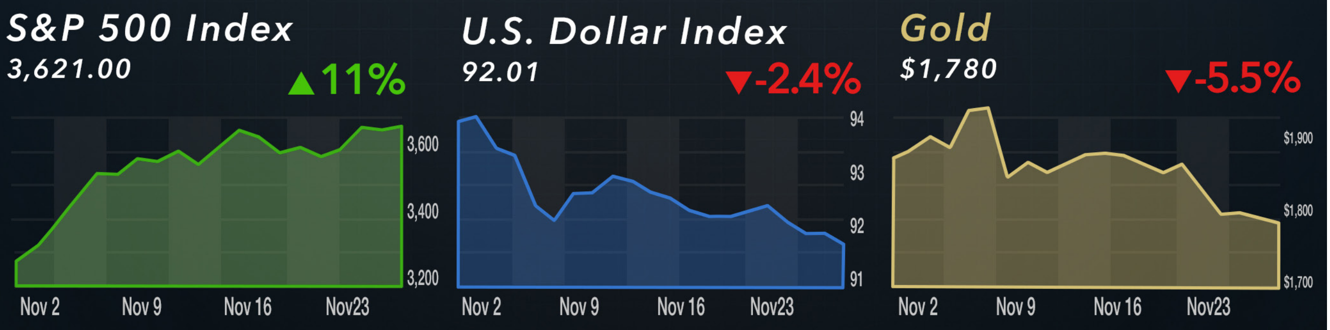
exactly why when the next sell-off comes, it could come rapidly and with a tremendous downward thrust. There are no fundamentals supporting ridiculous stock prices, only the Fed.

A *return to normal* over the medium term is actually the problem, and why we may find that Dow Jones at 30,000 points signals the top of the market and provides Trump with his “I told you so” moment. Going back to normal means going back to an economy that was fueled by debt and dramatically overvalued stocks. In the short term we’ve been able to overlook the fundamentals because well... it’s free money! In the long term, however, the stock market tends to find it’s normal equilibrium. That *normal* level is dramatically lower than where we find ourselves today. The wisest investors understand this and why the story has never been worse for long term stock investors or better for investors in gold.

Looking for evidence? Watch what Warren Bufett is doing. He is buying gold, moving capital into foreign markets and selling U.S. banks. Clearly Buffett sees a weaker dollar on the horizon. For newcomers his philosophy is easy to understand. Buffet likes to sell high and buy low. Anyone interested in evaluating what defines high or low need only follow the simple metric Buffett uses. It’s famously become known as *Warren Buffet Indicator* and measures the total cash in the market relative to GDP. This historical average for this long term indicator is between 90 and 100. Today this indicator is ringing ear piercing alarm bells. The market Cap to GDP ratio stands at an unfathomably all-time high of 179%. For comparison, the euphoric Dot Com bubble at its peak saw the indicator only hit highs of 152%. The roaring 1920’s witnessed this indicator hitting highs of 141%. This means the current market is 30% to 40% *more overvalued* than the most famously overvalued markets in history. This one indicator reveals all we need to know. Markets have risen to nosebleed valuations because of the massive liquidity injections from the Fed’s balance sheet expansion and the stimulus packages passed by Congress. Cash is sloshing around the system and finding its way to equities. The end result is one completely detangled from any fundamentals. The market *only cares* about more and more stimulus. There is no other fundamental driving this market, and why when things *return to normal*, our economy is in big big trouble. Mohamed El-Erian, the famous economist and head of Allianz, sounded the alarm on the brewing bond market risks. Corporate balance sheets are the problem facing the real economy and the catalyst that the sharp economist-believes could plunge the most vul-

WEAK DOLLAR POLICY

In the weeks following the Presidential Election the markets have gone full “risk on.” Trump’s assertion that the stock market would collapse with a Biden win have proven the exact opposite in the short term. November marks the greatest since 1928. The Dow Jones Industrial Average and the S&P 500 are on track to register the best November percentage gain since 1928, as tracked by the Dow Jones Market Data Group rising 12.86% and 11.27%, respectively. The Nasdaq Composite is on pace to rise 11.86%, the best November since 2001. Ironically it was the weak dollar, which Trump so eagerly craved during his spat with the Federal Reserve, that drove markets higher. The non correlated dollar/ gold move is a bullish indicator for gold prices.



SOURCE: www.marketwatch.com

nerable companies into default in the coming months. This is a concerning take from one of the more bullish economists over the past decade.

The world economy is on a very narrow bike path and why there has never been a better story for gold, period. Should we tilt to the left and find we get more stimulus, more balance sheet expansion, and more money printing, which is the plan under the Biden administration, it could be net positive for the overall index but will *be very bullish* higher gold, silver and other commodities. Should the bike veer off the path to the right because Congress block attempts for fiscal stimulus, thereby forcing the market to survive on its own merits, we will see a return to normal valuations that ensure a significant stock market sell-off, which *in turn is bullish* for higher gold prices as investors flee to stocks in favor of safe havens.

When the dollar *strengthens* it takes *less dollars* to buy the same amount of gold

There is another indicator screaming a massively bullish signal for gold right now. Gold is losing value at the exact same time that the dollar is weakening. Typically gold prices drop *because* the dollar gets stronger. This is why gold can be most easily thought of as the "anti-dollar." The simplest way to understand this correlation is to recognize that while we are no longer on a gold standard, gold is still the standard by which our currency is measured since gold is priced in dollars. When the dollar *strengthens* it takes *less dollars* to buy the same amount of gold and prices drop. Conversely, when the dollar *weakens* it takes *more dollars* to buy the same amount of gold and prices rise. At least that's how it goes over time. What's been fascinating to watch over the last few months has been how the dollar has dropped alongside falling gold prices. This sets up as a very bullish indicator for gold in the short term for three reasons.

The first is that a much further drop in the dollar is possible. The floor of 92 on the DXY has been firmly established. The DXY hit these levels in 2017, and are pinned at this level today. Should the DXY drop below these levels the next true support level comes at around 89. A quick 3% decline in the DXY is a real possibility. Should the Georgia run-offs turn the Senate blue we could see declines in the dollar far greater than this. Recent history shows what happens when the dollar drops very quickly. In July, when the DXY dropped from 97 to 93, the price of gold rose $300 from $1770 to $2070 amounting to a 17% increase in roughly one month. Another significant fall for the dollar below the current floor should see gold prices launch higher and likely above previous all-time highs.

The second, and perhaps even more bullish reason is that there has been a rotation away from gold and into equities as the dollar has weakened. Keep in mind that much of the trading that occurs today is from algorithmic trading that sets correlations. This is why we often see significant moves in one asset correlate with the exact opposite moves in other assets ***(see our Trade Alert sent to subscribers on November 24th).*** This tells us that over the past week the algorithms have changed. The quants, which had tied gold to the DXY, are removing that connection. As the DXY continued to decline from 92.6, to the floor of 92, the price of gold also continued to drop, closing the month at $1780 per ounce. This sets up nicely for those concerned about a future drop is equities. If there is a big drop in stocks, and that drop causes the DXY to increase as investors flood back into cash, we expect that gold prices won't be as negatively impacted by the move. In fact, we expect any sell off in equities will see an increase to the gold price as capital flows will now more quickly rotate for the safe haven gold provides.

What happens if the dollar *falls hard* from here?

Donald Trump accurately pinpointed that the stock market needs a weakening dollar to go higher. Ironically Trump got his wish. The dollar has dropped dramatically from 102.85 on March 20th, to the 92 level today, a whopping 10% drop. As a result stocks have exploded higher. The bad news for the President was that he didn't get the credit for the stock boom, Powell did. Had it been the other way around Trump would have won a second term. But what happens if the dollar falls hard from here? Will stocks continue even higher? We expect not. In fact, one of the most bullish reasons to own gold is that should the dollar continue collapsing in the short term, we could see a violent move downward in equities. This is really the biggest reason for concern for those subscribing to the Melt-Up theory, and why the third, and most bullish reason to buy gold at these levels; the increasing possibility that stocks and the dollar drop at the same time.

One year ago, in our November 2019 Issue, *When Pigs Fly*, we predicted

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that the dollar was due for a long and painful decline when the DXY stood at 98.5. We doubled down on that expectation in our ***Trade of the Century*** released in October. We believed the dollar index was poised to drop from a strike price of 95 to well below 93 perhaps as low as 85 (currently the DXY sits at 92 and our trade is up 50%). The biggest concern limiting our certainty around the trade was the potential of an equity market collapse. When investors liquidate stocks they move into dollars. It's why so many big stock downturns also cause the price of gold to drop initially as well. We noted this in March when the markets collapsed and gold dropped from $1520 to $1380 alongside. We saw a huge opportunity then to purchase gold options on the cheap and turned the gains into a 6 bagger in less than 6 months. We are seeing similar opportunities once again.

When we see gold prices drop *while the dollar weakens* as well, it tells us that the dollar has much further to drop in the short term. Despite the rising health pandemic and it's growing death toll, the euphoric bull market looks unstoppable in the near term. When the headwind of an equity sell-off is removed, momentum pushing the dollar lower can pick up tremendous speed. If, on the other hand, this is the top and stocks witness a massive sell-off we expect a big rotation into gold. Should this occur gold could hit the $2500 level very quickly.

For the long term thinkers the solution is clear. Massive deficit spending and more money printing are the new normal. This is undisputed. The only question is which assets these government actions will impact the most. Our certainty comes from the belief that these actions are going to devalue currencies and drive gold well above $5000 per ounce in the next three to five years. The fiscal impulse, which we take a deeper dive into in this report, is coming in a new momentum we haven't experienced in 45 years. The last time the impulse was this strong was in 1974. At that time the price of gold was $100. Note that only six years later the price of gold was $800. We expect similar 8X returns in the coming decade and why we have been calling for a $10,000 gold price by decade's end since gold was $1250 per ounce. What most people are not prepared for is the hand-off that is coming from "monetary" to "fiscal" stimulus.

More money printing is the *new normal*

It's all about the *flow of capital* and why there is no need to worry about the recent pullback in gold prices. In fact, use it to your advantage. Buy the dip. Yes, the Wall Street *market mantra* that worked so well over the last decade for paper assets, now applies to gold. If gold drops, don't ask why. Just buy more. That's the advice I am following. In September, when the price of gold dropped to under $1900 I bought a major tranche of physical gold. On Monday November 9th, when the incredible vaccine news was announced, and gold dropped from $1970 to $1870, I bought another major tranche. When gold hit $1800 just before Thanksgiving I went long on gold options. This pullback doesn't get me worried, it gets me excited. My best advice is don't miss this opportunity. Buy the dip.

GOLD IS A BETTER WAY | INDICATORS

CHOOSE YOUR INDICATOR

Warren Buffet Indicator	Cape Shiller P/E Ratio	Debt to GDP Ratio
As of 11/30/2020	As of 11/30/2020	As of 11/30/2020
179.18%	**32PE**	**125%**
Significantly Overvalued	Significantly Overvalued	We're Screwed

FROM THE EDITOR

THE FISCAL *THRUST*

As we put 2020 in hindsight and focus our attention into the longer future it is not difficult for the average person to understand that things are changing. Unfortunately this doesn't help the average investor. For the last forty years we have endured a heavy dose of monetary loosening which has led to a forty year bull run in stocks and bonds. It's a period of time with remarkably lower and lower inflation. During this period we have watched interest rates come down from highs of 20% to 0% today. When policy action is this heavily tilted in favor of *lending and borrowing*, we find that it helps lift financial assets in favor of the real economy. It is for this reason that investors will find themselves so offside in the coming decade. We have become accustomed to our financial boats being pulled by the current of lower and lower interest rates. While efforts to keep rates low will continue to be the main policies of the central banks, the *new current* that will drive markets over the next several decades will be the massive pull from fiscal policy. The new shift is something most investors can't comprehend because very few remember what it feels like when fiscal policies pull the boat. Before evaluating how these policies will be enacted it is useful to understand the difference between *fiscal* and *monetary policy.*

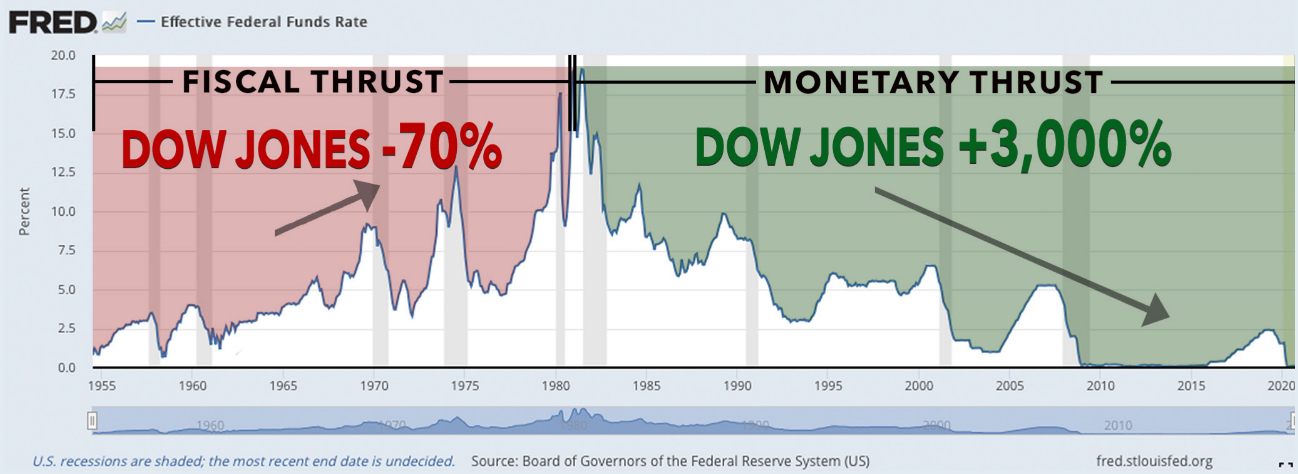
Monetary policy is performed by the central bank. The tools employed include setting short term interest rates and controlling the size of the balance sheet through asset purchases and sales. In short, monetary policies impact interest rates and the overall supply of credit. The can best be described by one word, *lending.* Fiscal policies on the other hand are performed by Congress and controlled by the Treasury. Fiscal policy refers to government spending and tax policies. Fiscal policies are best described by one word, *spending.*

In some ways monetary policy is much more linear and easier to understand than fiscal policies. When monetary policies loosen, financial assets perform well. When monetary policy tightens financial assets struggle. Because fiscal policies have multiple inputs, tax collection and government expenditures, the net impact can be less obvious. Trump administration cut the corporate tax rate from 35% to 21%.

For example, Trump's 2016 tax cut was a fiscal policy focused on the tax side of the equation. The reduced tax allowed corporations to retain more of their earnings as profits. The Trump administration cut the corporate tax rate from 35% to 21%. It was that fiscal policy more than any other that helped the equity markets

FED FUNDS RATE

A long term chart of the Fed Funds rate identifies in simple visual terms the differences between fiscal and monetary policies. Notice that in the decades before 1980 it was fiscal policy that drove the United States economy. The Dow Jones lost 70% of it's real value from 1964 to 1980. Over the past forty years, and led by monetary policy the Dow Jones has returned nearly 30X. The fiscal thrust in the coming years will be very inflationary and will negatively impact financial assets and favor tangible real commodities.



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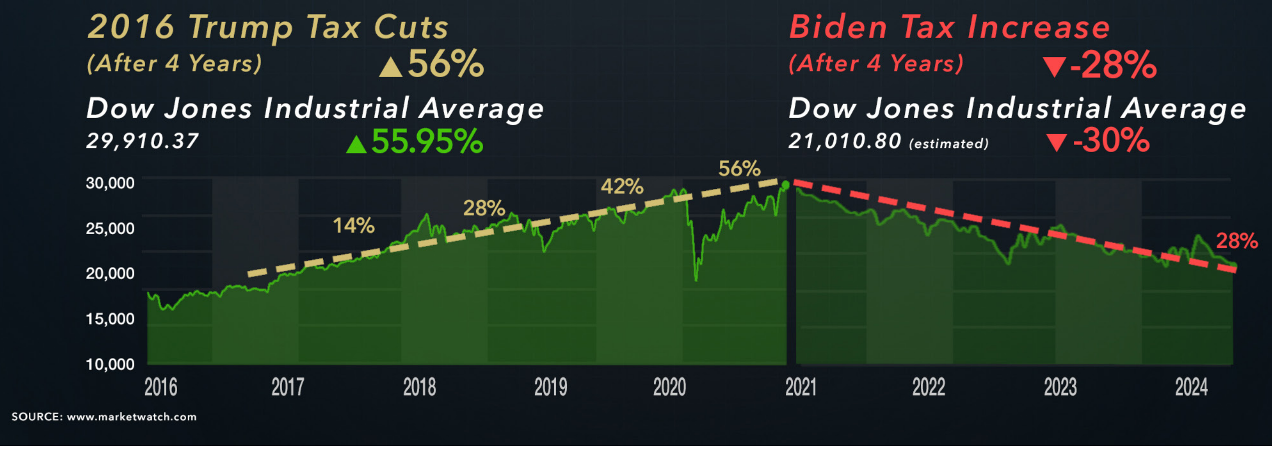
THE DOWNHILL DRAG

One of the easiest to comprehend shifts occurs in relation to fiscal policy. Notice that the simple reduction in the corporate tax rate allowed Wall Street to keep 14% more per year in profits. The opposite impact of a higher corporate tax rate will likely cause what Trump refers to as a "headwinds" for the stock market and why Trump predicts collapse under Biden's tax plan.



explode higher over the past four years. Corporations have been able to return an additional 14% annually to their shareholders without having to *increase* sales or revenues. If you think about tax policy like a hill, the lowering of taxes by 14% allowed corporations to run downhill on a 14% decline year over year. Oddly enough, in exactly the last four years from 11/25/16 through 11/25/20 the Dow Jones is up 55.95%. This is virtually the same number one gets when adding up an additional 14% annually. You see how impactful fiscal policy can be? This is especially true when the additional tax savings all flow to financial assets which is exactly what has occurred over the last four years. Virtually every dollar of tax savings was passed on to *investors* rather than reinvested in Cap X expenditures which support the real economy.

How will the tax policies of the new administration compare? Investors must be very aware of the fact that one of Biden's first items on the agenda is to raise the corporate tax rate back to 28%. This one act, if passed, would immediately hit corporate bottom lines and be a net drag of 7% annually. If you add up the Biden tax increases over four years we come to a negative 28%. If life was simple and linear this would mean after four years the Dow Jones would end up around 21,000 points and investors would lose 28% of their invested dollars.

But this is just the first of many hurdles that Wall Street will need to overcome in a Biden administration. In addition to the increase of 7% annually, Biden's plan also requires a "minimum tax for all corporations," effectively eliminating the loophole that allowed many corporations like Amazon to offset deductions that allowed them to pay *zero percent* in federal taxes. This mandatory tax on Wall Street will have significant impacts not only on the profit side of the equation but may also diminish investment as incentives are eliminated.

Biden also wants to enact a $15 universal minimum wage across the country. This is *double* the average minimum wage today of $7.25. If you were already worried about retail, restaurants, hospitality, farming, and other service industries that rely on minimum wage workers, how about factoring in the doubling of costs across this entire subset of the economy?

This one two combination of higher taxes and higher wages alone will handicap Wall Street. The easy gains of the last four years under a Trump plan and that tilted the field lower 14%, will now become an incline Wall Street firms will need to overcome over the next four years should Congress enact Biden's plans. Investors must be aware that these changes are coming should Congress enact Biden's plans. Investors must be aware that these changes are coming should Congress turn blue and why the Georgia run-offs are so critical for investors and to the repositioning of the portfolio.

The biggest challenge, however, for investors won't come from the declining corporate profits. The third main component of the Biden tax plan *determines how* taxes are applied to individuals. In the run-up to the election Biden said, "we don't need a tax code that rewards wealth more than it rewards work." Biden drew a bright line at $400,000 as the minimum income that would be subject to his tax hike. High income households will see a significant increase in their income taxes. Biden also wants to do away with the 20% business tax credit that so many small businesses and higher income families have benefited from in the last four years. Lastly Biden intends to alter the way the capital gains taxes accrue forcing a higher penalty on passive income. ***This means the wealthy will pay more tax.***

American infrastructure ranks 13th *in the world*.

Biden wants to raise the child tax credit from $2000 to $3000 a child. Through the current Child and Dependent Care Tax Credit families can receive a $1050 per child. Biden is looking to increase this tax credit nearly four times to $4000. He is also proposing a first time home buyers credit of $15,000. ***This means the poor will pay less tax.***

The impact of these changes is that it will *alter the behavior* of Americans. When the wealthy keep more of their own money by paying less tax, they *invest* the additional capital. When lower income earners have more money due to incentives and higher wages, they *spend more.* Give a wealthy man an extra $10,000 he will save it. Give a poor man an extra $10,000 he will spend it.

Perhaps most importantly on the income side of the equation, is the reality that student debt is a huge problem and forgiveness is coming, and in a big way. The idea makes too much sense, for anyone other than the investor class that is. The argument is not hard to grasp. The best way to stimulate the economy is to put more money into the pockets of those who will spend it. Student debt has reached gargantuan levels of over $1.7 trillion. This is something we cover in greater depth in *The Great Devaluation.* We all know that more and more stimulus is the future. While that fiscal policy would be a huge driver for the real economy, it will put massive pain on pension funds and institutional money which hold a large portion of student debt on their books. The millennial youth movement guarantees a debt jubilee for student debt is in the cards, the only real question is how fast can these cards be turned over? Imagine unleashing that kind of buying power into the market?

Now that we have looked at the tax side of the equation, let's now look at the government spending side of things. The one thing virtually everyone agrees about is the need for a large infrastructure spending bill. According to the World Economic Forum, American infrastructure ranks 13th, and is behind even France and the United Kingdom, whose economies have been far worse than ours over the past decade. Nobody disagrees that we need to overhaul our highways, bridges, and high speed internet capacities. The only disagreement is "how do we pay for it?"

"How do we *pay* for it?"

Rest assured that the same Republicans that supported the largest fiscal deficits in human history over the last four years will suddenly find the "sound money God." They will fight tooth and nail and will scream of the disease that comes from an exploding national debt anytime the Democrats want to increase budget deficits. The predictable hypocrisy will be enough to make anyone paying attention, sick to their stomach. These sound money men and women have universally voted for and approved deficits of over $1 trillion each of the last few years. This will unquestionably change now that they've lost the presidency and find themselves in the minority. Despite the Republican efforts to curtail deficits we can expect significant increases in the total annual deficits in the coming years.

The last agenda item, which will also have the most pushback in Congress, is the *Green New Deal*. The most expensive infrastructure program ever conceived. What makes the whole initiative too troublesome to consider for our capitalist society is that the fossil fuels of coal and gas are dramatically cheaper than the expected costs from the inputs necessary to climate change.

THE BIG IDEA

Attempting to sort it all out is challenging. The term ***Fiscal Thrust*** has been used by economists and measures the changes in government spending plus the changes in taxes from quarter to quarter. While an increase in expenditures is stimulative, a cut in government spending is conversely contractive. While a cut in taxes is stimulative, a tax increase is contractive. The net number represents a metric one can follow to understand the trajectory. When government expenditures increase at the same time that tax collections decrease or stay the same, we see a fiscal impulse that in turn sparks inflation.

Over the past few decades we have seen very little inflation as the taxes collected have increased along with increasing government expenditures. This is largely due to that reality that higher equity valuations mostly impact corporations and the wealthy, and these two groups account for 69% of all tax revenues collected. In short, when Wall Street is doing well the government collects more tax revenue which then allows for additional expenditures that have less impact on inflation.

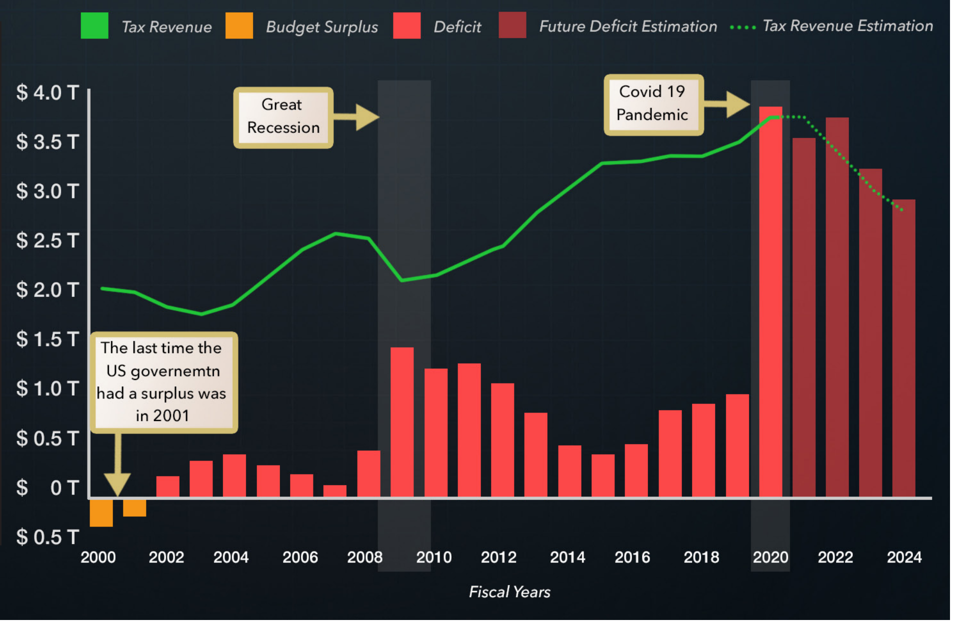
What the new administration is proposing are explosive government expenditures that will effectively be covered by Wall Street and the top 1% who will pay more in taxes. But what happens when Wall Street sees declining revenues and profits due to higher taxes and input costs? What happens to Wall Street as well when the highest earners who receive the lionshare of their income from passive investments, see their passive income drop because stocks are falling? In these scenarios we can expect tax revenues to drop and that the combination of lower earnings and higher taxes will force the fiscal thrust higher and in turn be quite inflationary. The result will be that the investor class, after a great 40 year run, are about to give it all back.

The conclusion of *The Great Devaluation* is that the 2020's will see the greatest transfer of wealth in human history as money gets transferred from the wealthy to the poor. This simple process is how it occurs. In the end Donald Trump was likely right when he says that 401ks and IRAs will collapse under the Biden plan. The reason why is clear.

But few things in economics are linear or simple. There is an opposing reality to all of the new expenditures. The *real economy* will begin to pick up and the velocity of money will in turn increase. That is the future reality, and that means one thing.

TAX REVENUE & FEDERAL DEFICIT OVER TIME

From 2012 to 2019, as equity markets rose over 125%, rises in deficit spending coincided with rising tax collections. The resulting "monetary thrust" kept a lid on inflation. In the coming years the opposite will occur. Deficit spending is expected to increase while tax collections are expected to flatten. The "fiscal thrust" will see significant inflationary pressures not seen since 1974 and pose what Trump identified as "headwinds" for the markets under the Biden administration.



FROM THE EDITOR

A commodity boom is upon us as inflation begins to pick up. It's all reminiscent of the 1970's.

While there is no simple, positive or negative, short-term relationship between budget deficits and inflation (e.g., deficits may be induced or enlarged by a recession which also tends to curtail inflation), persistent high budget deficits exert strong upward pressure on money growth. This was the lesson of the 1970's, a linkage illuminated during the September 5, 1979 testimony of Paul Volcker, Chairman of the Federal Reserve Board, before the Rouse Budget Committee.

Representative Simon: *"There are those who say there is no relationship between money supply and the money supply policies of the Fed and our deficits. How do you describe it and what kind of relationship is there between that increase in the money supply and the deficits?"*

Mr. Volcker: *"The degree to which the budgetary deficit puts pressure on the Federal Reserve, puts pressure on the credit markets and through the credit markets pressure on the Federal Reserve to increase the money supply, depends a great deal on what else is going on. And the relationship becomes much more difficult in a boom period than in a recession period. But all things equal, over a period of time, the deficit means at the very least that credit markets will be tighter than they otherwise would have been with a constant Federal Reserve money—supply target and that the money-supply target will have to be increased, which in turn has inflationary repercussion."*

The comparison between the trend 50 years ago and today is one we would do well to understand. In August of 1971, President Nixon took us off the gold standard. The move was not truly codified until 1973. The inflationary period can most easily be identified in the price of gold which rose from $42 in 1971 to $800 just nine years later as the dollar was dramatically devalued and the fiscal thrust increased. The 1970's witnessed a very similar set up to what we are seeing today, money debasement coupled with a dramatic increase in the fiscal thrust.

There was also a "social regulation" revival that occurred in the 1970's coming from the civil rights and anti-war movements. Changes in the composition and growth of the federal budget and its components were not the only inflationary manifestations of what has been termed "social activism." The same emphasis on social welfare and on the consumer, rather than on real growth and the producer, gave rise to a new wave of "social regulation" in the mid— 1960s and the early l970s. The same momentum is evident once again today.

A commodity *boom* is upon us!

The impetus then came from consumer groups, environmentalists, labor unions, civil rights advocates and diverse public interest groups, who felt that the traditional regulatory agencies were not achieving "social goals," such as product safety, clean air and water, equal employment opportunities, safer and healthier working conditions. In response to these public pressures, twenty new "social regulation' agencies were created in the 1970's. Among these, the most important ones are the Consumer Product Safety Commission, the Environmental Protection Agency, the Equal Employment Opportunity Commission, and the Occupational Safety and Health Administration. These new agencies charged with social regulation were among the most prominent "growth industries" of the l970s; their full—time staff increased from 17,324 in fiscal 1970 to 69,258 in fiscal 1979 (86 percent of the federal government's total regulatory staff).

The tendency of the new "social activism" to pursue socially desirable goals without any proper regard for economic implications, without due consideration of benefit—cost relationships, is a similar trend today. New regulatory standards surrounding climate change and detailed prescriptions of specific technological solutions requiring less fossil fuels and more green energy solutions will significantly raise both marginal compliance costs as well as input costs. The wind, solar and rare earths required for the new green energy movement are considerably more cost prohibitive. Consequently, the new social regulation of the 2020's will be highly inflationary.

We expect the fiscal thrust to be the story of the 2020's and will lead to a commodity supercycle. Our research team has been hard at work compiling our next Special Report which we expect to release in February detailing exactly how to play the coming commodity boom. The crisis *inflationary moment* is upon us.

THE BIG IDEA

CRISIS MOMENT / $10,000 GOLD PRICE

Reserve currencies, like every living thing, have a beginning, a middle and an end. What we have discovered is that monetary systems over the past six centuries have very closely followed the life cycle of the saeculum.Over the past 570 years there have been six global reserve currencies.

From 1450 to 1530, Portugal and the silver *real branco*, In the reign of King Manuel (1495-1521) the name of the currency was simplified to the *"real",* and signified the minting of real coins, not from silver, but from copper. After diluting the currency, reserve currency status was surrendered to Spain. Spain used a two coin, gold (Escudo) and Silver (Spanish Real) system. Spain's power (1530 - 1640) came from her navigational technology and ability to open trade routes with Africa, Asia and the New World.

Spain's mantle was then passed to the Dutch (1640-1720). Their currency, a gold coin called the *Guilder*, derived from the Ducth word gulden meaning "golden" saw its global power derived from their multinational corporation, Dutch East India Company. The firm was the largest of its kind in history, had over 50,000 employees, a private army of over 10,000 forces. The Bank of Amsterdam used ledger entries to create currency called the dutch "florin." To call it by its modern name, the florin was fiat money. The Bank reacted in a manner that may also seem familiar to modern observers. Responding to the outbreak of war between the Dutch Republic and Britain (the Fourth Anglo-Dutch War), the Bank embarked on a policy of aggressive open-market purchases. The Dutch supremacy was lost due war and rising debts.

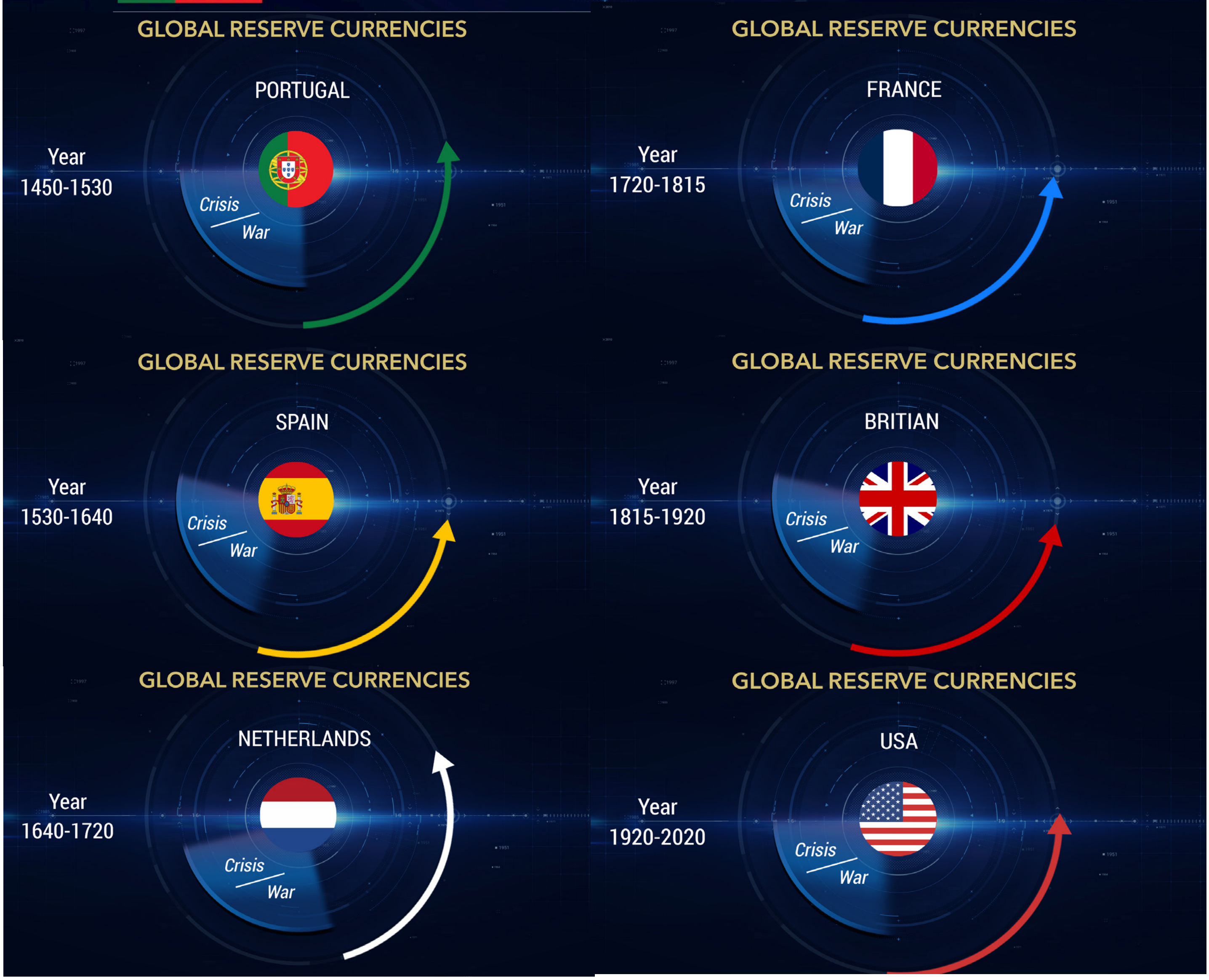
The exorbitant privilege was soon taken over by the French . French were terrible stewards of the global currency powers and accrued a massive amount of debt that ultimately sparked the French Revolution.

The British pound followed the franc, The United Kingdom's pound sterling was the primary reserve currency of much of the world in the 19th century and first half of the 20th century.. In 1919, Britain was finally forced to abandon the gold standard, which decimated the bank accounts of international merchants who traded in pounds. By then, the dollar had replaced the pound as the world's leading reserve.However, by the end of the 20th century, the United States dollar was considered the world's dominant reserve currency.

World War One wiped out the superpowers of Europe and transferred reserve currency status to the U.S.Dollar. Although this wouldn't officially be established until 1944 and the signing of Bretton Woods, we can be sure as early as 1934 that the U.S Dollar reigned supreme. Any uncertainty as to that reality was erased when President Roosevelt, with no pushback from the rest of the world, devalued gold from $20 to $36. This was accomplished through Executive Order and without any formal assistance from Congress.

A few important takeaways as we consider the future of the dollar as the reserve currency of the world. The average length of time and power for each currency over this span has equalled 95 years. The dollar has held that position for roughly 100 years. More importantly, the dollar currently suffers from the malady that crippled each of the former world reserve currencies, debt. Whether the next transfer of power results from war, or through the overwhelming inflation imminent from our rising debts and money supply manipulation, or rather because America's internal political system seeds doubt amongst our trade partners around the world, one cannot ignore the crisis moment at hand and the previous outcomes for every participant prior. Every great nation eventually falls to their unpayable debts. Debt in this way is like a virus that attacks a weak system and makes it vulnerable. What makes you think this time is different?

FROM THE EDITOR

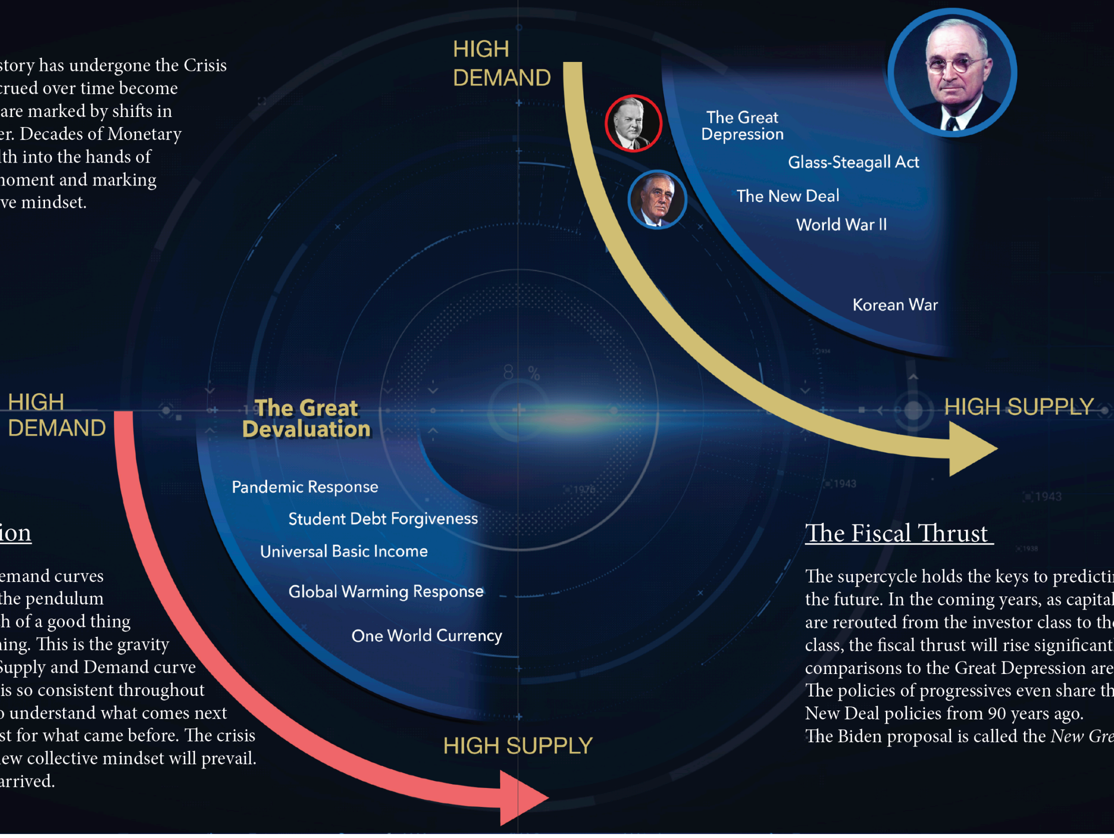


THE BIG IDEA

SOCIAL ORDER SUPPLY AND DEMAND

The Crisis Moment

Every major economy in history has undergone the Crisis moment when the debts accrued over time become unpayable. These moments are marked by shifts in the Demand for Social Order. Decades of Monetary thrust have pushed the wealth into the hands of the few, creating the crisis moment and marking the turning point in collective mindset.



The Great Devaluation

In the end the supply and demand curves are pulled by the gravity of the pendulum and the reality that too much of a good thing ultimately becomes a bad thing. This is the gravity that pulls the Social Order Supply and Demand curve forward and why it's power is so consistent throughout history. For those looking to understand what comes next we need only look to the past for what came before. The crisis moment is upon us, and a new collective mindset will prevail. The Great Devaluation has arrived.

The Fiscal Thrust

The supercycle holds the keys to predicting the future. In the coming years, as capital flows are rerouted from the investor class to the working class, the fiscal thrust will rise significantly. The comparisons to the Great Depression are warranted. The policies of progressives even share their name with New Deal policies from 90 years ago. The Biden proposal is called the *New Green Deal.*

THE BIG IDEA

PYRRHIC VICTORY?

Are you familiar with the story of the famous king who taught us that *winning* can actually result in the opposite? His name was King Pyrrhus of the Hellenic Peninsula (modern day Greece), and who, in a war against Carthage in 281 BC, famously won a series of battles and took horrendous casualties in the process. After one of his costly victories, Pyrrhus famously declared, "One more victory like that and we're finished." This type of outcome has since become known as a "Pyrrhic victory," one that takes a devastating toll on the victor and negates any sense of achievement and damages the long term process.

Sometimes we lose the battle and then win the war. The problem is that few set out to *intentionally* lose. Intentionally losing can be hard to support, especially when looking at the world linearly. Or when we judge a short term outcome rather than the long term benefits. Nobody wants to lose. Every battle *must* be fought to win. That's the normal flow of political life. We won't win every battle, but we try. Interestingly, and often only *after the fact*, do we come to realize that a losing battle was the very reason the war was won. Trump's loss in the general election could actually be the thing that wins Trump and the Republican party the war.

Donald Trump received 73 million votes and *lost* the election. This is a total vote number that exceeds the greatest number of votes ever recorded by a Repubican Presidential nominee, beating his own record established in 2016 of 63 million votes. Any doubt on the continuing star power that Trump exerts over the Republican party has been answered. Trump is hugely popular. It's a reality that will keep existing Republicans in check and one Democrats must acknowledge if they stand any chance over the next two years.

This election was promised to be a rout, a *deep repudiation* of Trumpism. Biden winning, while perhaps questionable in actual count, is even more so in what it promises for the new direction. The media, which Trump understandably calls fake news, had us believing this was going to be a runaway landslide, one that would support the "desires of the people" who were calling for significant progressive change. A vote for Biden was meant to signify that the world was onboard with socialism, larger fiscal deficits, greater entitlements, higher wages, deeper climate change initiatives, higher taxes on the wealthy, and ultimately Modern Monetary Theory. Can we draw any of these conclusions?

Before the election we were sold the idea that a blue wave was en route, the force of which would like a tidal wave, wipe away any conservative obstacle. A blue wave would have signified a supported change in mindset and the agenda of the people. But the promised tidal wave never appeared. Rather than a repudiation across the Republican party line, the Democrats fell short, gaining only one net seat in the Senate, and gave up a shocking 12 seats in the House. This loss in the House of Representatives was an even worse beating than the net number indicates. The Democrats were universally predicted to *pick up* an additional 8-10 seats in the House of Representatives, *not lose* 12.

What does this say about the real desires of the people? The new math measuring the movement of socialism and what it stands for was not anywhere near the level it needs to be to enact any deep policy change. The extreme left agenda has certainly been knocked down several pegs.

The *onus* is on the Democrats to govern.

The real question is what can Democrats actually achieve if in fact they have won the Presidency? This will be *the critical question* moving forward. Assuming Trump has lost the election now the onus is on the Democrats to govern. Because the policy issues proposed by the left have not received the necessary support from voters it will be extremely challenging to implement the aggressive changes they seek. In fact, the depth of support garnered by Trump, in the face of horrific polling and negative circumstances leading into the election, should have Democratic Congressmen and Senators *very* concerned.

This problem is not lost on the left. The Democrats are quickly falling apart in the aftermath of the election and are blaming one another for their overall lack of success. "We need to

FROM THE EDITOR

not ever use the word 'socialist' or 'socialism' ever again. … We lost good members because of that," Rep. Abigail Spanberger (D-Va.), who narrowly won her reelection bid, said, "If we are classifying Tuesday as a success … we will get f---ing torn apart in 2022." Moderate Senator, Joe Manchin posted on Twitter, "Defund the police? Defund my butt. I am a proud West Virginia Democrat. We want to protect American's jobs & healthcare. We do not have some crazy socialiist agenda, and we do not believe in defunding the police."

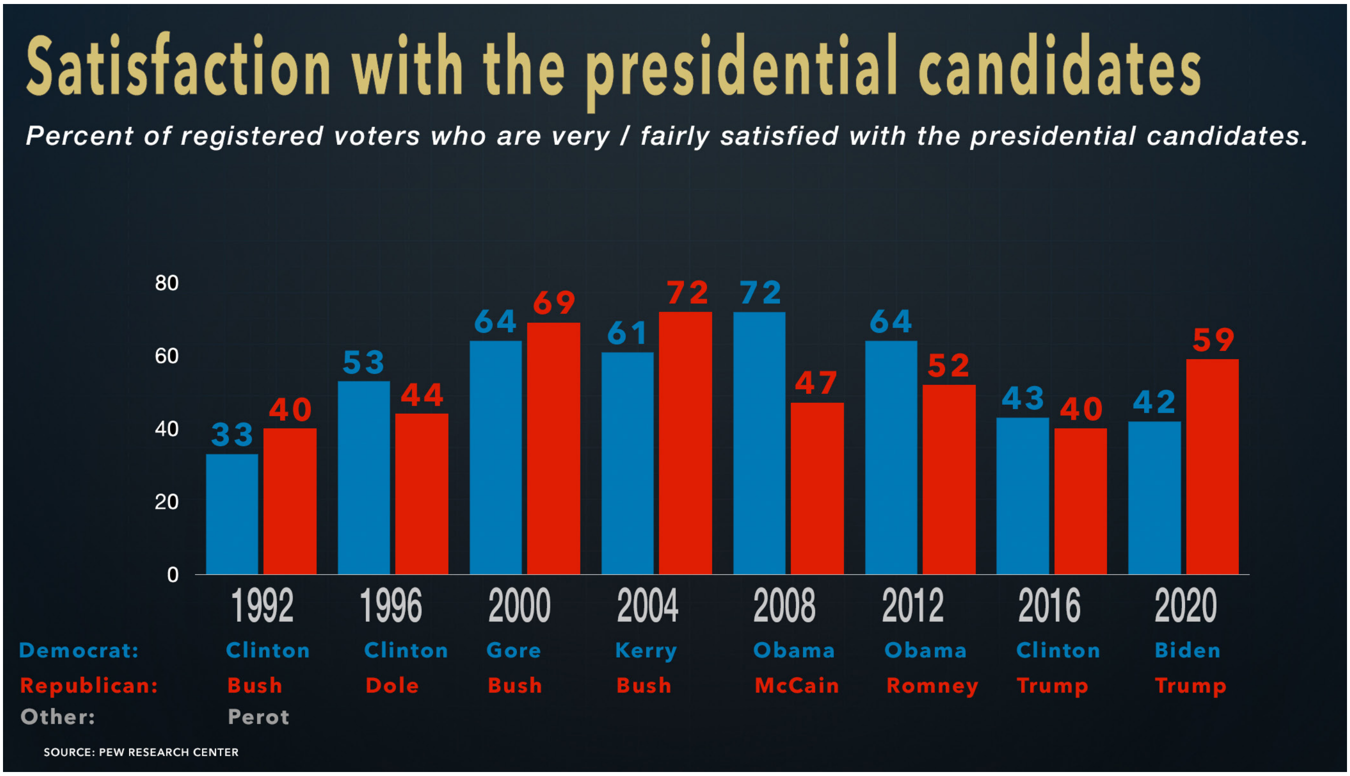
All one needed to see to understand the division within the party was the glaring photo image that Alexandria Occasio Cortez (AOC), the former bartender now serving as Congresswoman for New York's 14th District, posted on Twitter in response to Manchin's tweet. She can be seen glaring while Manchin claps in support of something President Trump was saying during his State of The Union address. Cortez is shooting daggers with her eyes as she sits behind at Manchin. The image spoke a thousand words, went viral, and happens to be the perfect manifestation for the challenge the Democrats face within.

The image shows how far apart the party is in *principle* from one another. The energy and enthusiasm of the youthful, progressive, and diversified far left which turned out to be the driving force behind the record turnout in this year's election, is juxtaposed against the Democrat "older establishment white man", who immediately after benefitting from the movement of the young millennial voter, now intends to put these extreme voices "back in their box." The division internally is clear. Now that the election is won, the old guard Democrats are signaling, "Don't worry Wall Street, Don't worry oil companies'" Don't worry insurance companies...We are headed back to a Biden/ Obama normal not a Bernie Sanders *new extreme.*

The old guard better wake up quick. The young progressive voices are unlikely to be silenced. They have deep support across a major portion of the party. The infighting will hurt the ability of the Democrats to govern. The two impulses within the party are too far apart and why Republicans will most likely continue to have the upper hand. While the GOP may have lost their front man, they are fortified in other ways due to their strong performance across the down ballot. In addition to their outperformance in the Senate and the House, Republicans across the country saw great success in the state legislative elections.

The Republicans are also more unified in principle. They universally want to block anything the Democrats want. We witnessed this during Obama's time in office. Mitch McConnell and his Senate majority were able to block any and all policy efforts from the left because the Republicans

THE BIG IDEA



continued to vote along party lines. Anyone expecting McConnell to change his spots now doesn't understand the man or the party. It's wishful thinking to assume the Democrats can be anywhere near that consistent, even should they take both seats in Georgia. While a Senate majority is vitally important for the Democrats to pass any impactful legislation, it's no guarantee that a majority would be enough to pass a corporate tax increase and capital gains tax investors fear. The unified momentum simply isn't there amongst the party.

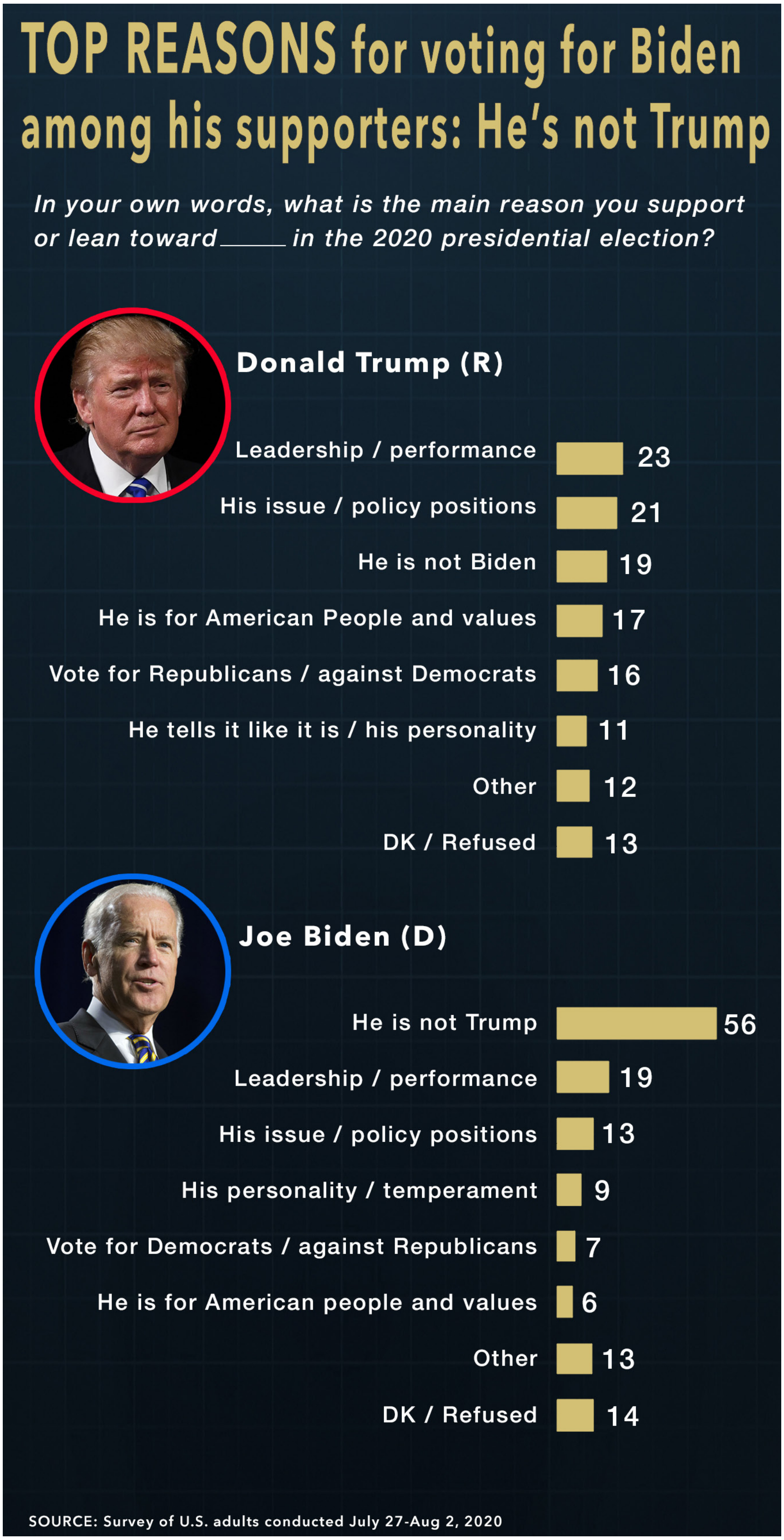
A deeper look under the hood of the election clarifies the point. Biden wasn't victorious *because* of a movement in what people wanted . Quite the opposite. Biden won by soliciting the fear of Trump and focusing on what people didn't *want*. Over 77 million votes were cast on the Biden side, these votes, however, weren't as much for Biden, they were votes against Trump. The goal for those voting for Biden was to remove Trump from office. Fear is a great motivator and this election was won on fear. This can be seen in the Pew Research study about the perceptions of the voters. Despite winning the election, only 42% of registered democrats were very satisfied with the option put forward by the progressive party. Biden has the lowest ratings of any Democratic presidential nominee in nearly thirty years. This is a clear indicator that while Democrats came out in historic fashion to support the ticket, it wasn't motivated by the progressive message. The voters who voted for Joe did so because they wanted to get rid of Mr. Trump.

This is not a surprise. This was the Democrats' strategy. Joe Biden won the nomination, not because of policy, but because his plan would be seen as the least offensive choice to Trump. One that could grab the undecided and moderate voter. But there can be no success from moderation. Biden won the election because too many voters were simply tired of the drama. Tired of the bullying, and tired of the man. More than half of the Democratic vote came from voters who cared mostly about getting rid of Donald Trump. Only 9% were motivated by Biden's proposed policies.

This signals the Democrats have a big long term problem. They know what they are against, but what are they for? The party ranges from moderates like Joe Manchin to the far left of the party in AOC. Unlike the Republicans who can be virtually counted on to vote along party lines, the Dems have no such track record and lack the leadership within the party to assume they'll vote as one. Anyone expecting aggressive "progressive" policies will be disappointed. Should Georgia go blue it won't necessarily mean the far left agenda will succeed because there is little agreement on what the new policies should be.

The reality is that roughly 73 million people turned out to vote for Donald Trump. While not enough to win, it's the most votes by a wide margin ever received by a Republican Presidential candidate. Trump may be gone but Trumpism is very much intact. It's very unlikely that any Republicans will turn purple and cross the aisle given the depth of support.

The one area that may find agreement is the pandemic. Soon enough the virus will take center stage. If deaths significantly rise heading into Christmas as can be anticipated, the political fortitudes will likely give way to emergency cooperation. In this way the best way for things to get accomplished is for things to get even worse. Barring a massive surge in coronavirus deaths we expect that Congress will be too divided to get much of anything accomplished over the next two years.



THE BIG IDEA

GEORGIA ON MY MIND?

Over 10,000 new readers have been added to the *Full Faith and Credit* newsletter over the last several weeks. The "Gold Story" is going to be a major player in the coming years. Our growing readership is firsthand evidence that investors crave great information on the weakening US dollar. It helps that our theory for the dollar decline has been spot on since we began the *Full Faith and Credit* newsletter and why the demand for our specific brand of information is growing so rapidly. We are thankful for every one of our new readers, and urge anyone truly interested in understanding the story to review our archives. Our newsletter isn't a periodical discussing news of the day, ours is an ongoing story. The better we understand the story the more we can take advantage of opportunities when they present themselves.

Last month, in addition to the long term *Gradually and Suddenly Report* where we revealed the case for why the world is transitioning from monetary to fiscal policies and how that mindset shift will cause a massive devaluation of currencies over time, we also released our *Special Election Report* which included our thoughts on how to play the short term. Short term "Event Trading" requires a chess like approach to the future and a deep forward look into the coming sequence.

Here is the order of events we predicted in our *Special Election* report.

1. Cases would rise into the election. ✓
2. This would result in a Biden win and increase the odds of a blue wave. ✓
3. The election would be challenged. ✓
4. A new administration would eventually be accepted. ✓
5. Once the Presidential challenge was complete we would witness equity markets that would rise rather than fall due to the fiscal impulse of the new Congress. ✓
6. Cases, hospitalizations and deaths would rise dramatically heading into Christmas. ✓
7. Rising cases would give the Federal Reserve the cover they need to expand the balance sheet in a big way before the new administration is seated in their last Fed meeting on December 16th. **(Pending)**
8. An "Obama 2.0" new administration would be chosen to facilitate the transition. ✓
9. This fiscal impulse from the new Congress would be at its peak heading into January 21st and the new Congress, in the heat of a crisis, would pass a massive spending bill in its first days in office. **(Pending)**
10. The dollar would see a deep downturn as the reality of the new direction took hold of the market.

As we review our thesis we first recognize the missing ingredients. One thing we did not factor in was the availability of multiple and highly effective vaccines before the end of the year. While that reality has presented a phenomenal entry point for beaten down gold prices, it's also been provided a tailwind for our dollar short, since the euphoric stock market is looking through much of the short term stress. The vaccine news is a big "shot in the arm" for equity bulls. That bullish impulse helps our dollar short. Incidentally, the DXY has dropped from 94.5 down to 92 in the last eight weeks since the release of our *Special Election Report*. Those who took advantage of our short term trade recommendation are in more than a 50% profit at this time.

The last remaining piece to make our puzzle complete is the "blue wave" theory, which is paramount to a big fiscal stimulus package getting passed quickly, and which in turn is essential to the upside of our dollar short term in the near term. Democrats were unable to secure the necessary Senate majority in the October elections. This was a slight surprise but the game is not over. With the Biden win, the Democrats only now need to control 50 seats in the Senate. Should the Senate be tied 50-50, the tie breaking vote would be from Vice President Kamala Harris. Everything, therefore, comes down to the run-off elections in Georgia, where not *one* but *two* Senate seats are up for grabs.

We predicted Georgia was going blue from the outset. Our *Special Election Report* had underdog Jon Ossoff overcoming the heavy favorite, David Perdue. Perdue won the seat by an 8% margin in 2016 and the oddsmakers had him as -160 heading into November 3rd. We were less optimistic. Our money was on Ossoff. Neither candidate received the necessary 50% minimum vote and a runoff election is now scheduled for January 5th. Ossoff's odds are better

FROM THE EDITOR

this time around. The bigger unknown is how the second race will turn out.

As it stands the two seats in Georgia become the most important prize for both parties and why over $250 million will be spent in the few weeks leading into the vote. This makes Georgia ground zero for politics. As of this writing the races are too close to call with a dead heat projected for Ossoff v. Perdue. The second race features Sen. Kelly Loeffler against Democrat nominee Raffeal Warnock. Leoffler currently leads by 4 points with recent polls form FiveThirtyEight show her ahead, 50% to 46%. One big monkey wrench that could gum up the works for the Republican hopeful is that she, just like Trump, may have caught the coronavirus and be forced to quarantine at the worst time. First she tested positive, but then another test was inconclusive, and then she tested negative. In any case, she went into self-isolation, which might put a damper on her ability to campaign ahead of the Jan. 5 runoff election. It also could have further implications, because she had been hitting the campaign trail with her Senate colleague David Perdue, the other GOP incumbent hoping to be sent back to Washington.

Georgia is *ground zero* for politics.

Insider Advantage Chairman Matt Towery said the following; "The two Republican campaigns have decided to run in tandem and as a result, any mistake by one campaign may impact both. Warnock will be the centerpiece of attempting to drive African American vote higher than it was in the General Election, which is essential for a win for both Ossoff and him."

Georgia turned blue for the first time since 1992, but the trend in Georgia has been heading Democratic over the last decade. Mitt Romney won the state by 7.82% in 2012. Trump won Georgia by 5.1% in 2016, and then in 2020 Trump grabbed only 49.3% of the vote. Meanwhile the Senate has not had a Democrat in office in dating back to Zell Miller, whose term ended in 2005. Georgia has been an easy victory for the red team for over 15 years. Wrestling not one but two seats is a herculean task.

What is very difficult to handicap is how the absence of Trump *on the ticket* will impact the final results. A few things to consider. Trump is the wind in the sails of the Republican party. Should he wish, he could have a positive or negative impact on this race. One question that is currently undecided is, which direction he will choose. Trump could very well get out on the campaign trail, hold big rallies and throw his support behind the two GOP candidates. This action would undoubtedly help the GOP. But will Trump do that? We tend to think otherwise. In the end we believe Trump's frustration with the Georgia election process, especially "Hapless Governor Kemp" and his "goldmine" of fraud may limit his full support. Some Trump supporters have already threatened to boycott the runoff election because of Republican Governor Kemp's lack of a vocal response to perceived election issues.

Given the frustration and lack of support the President is currently feeling from some of the party, Trump may decide it is better for him to be patient and wait another four years. He may find that he likes his new role better. Trump is a giant star. His post election media life will bring the firepower necessary to create the next Fox News. Don't forget, one of his best friends and closest confidants is Chris Ruddy, the owner of the far right media outlet, Newsmax, where we anticipate will become the new home for Donald Trump. A blue Senate gives Trump a much bigger rock to throw from his new media perch. As we see it Trump benefits more personally from the Democrats taking the Senate than he does at this point from their winning. In Trump's mind a blue wave means a blue crash and means everything he has predicted comes true.

Georgia *turned blue* for the first time since 1992

Even should Trump surprise us and throw his full support behind the Republican ticket, the big question is how will voter turnout be impacted without his name on the ballot. If the existing GOP establishment is any indicator Republican voter momentum could be lacking. A recent poll from InsiderAdvantage highlights that Gov. Brian Kemp's current approval rating appears to have dropped significantly. It shows that only 37% of the likely voters surveyed approved of the job the governor was doing during his time in office with 44% disapproving and 19% saying they were not sure. This trend is not the GOP's friend. One thing in favor of the Republicans is at this stage, Loeffler seems like a far more polished candidate than Warnock and why the betting odds currently give the Democrats a slim 29% chance of winning both seats.

The same energy that brought out

THE BIG IDEA

Democratic voters en masse for the undercard in the Presidential election will also be missing on the other side. Voters didn't turn out to vote for Biden, they turned out to vote against Trump. That's the powerful punch Trump carries. Voters either love him or hate him. The lack of emotion without Trump on the ballot could also diminish the energy on the other side.

The energy therefore will need to come from an outside source. We expect the same formula Democrats used to take down the President will also be employed against Republicans in Georgia. What's that formula? A major dose of bad coronavirus news. This is the Democrats prescription for generating the necessary energy to win in Georgia and why we anticipate a heavy helping of media attention highlighting the damage from Covid cases. The Democrats control the media and we can anticipate seeing headlines and breaking news stories about hospitalizations and deaths are spiraling out of control in Georgia on the rise heading into Christmas. The politics won't likely help. On Tuesday President Donald Trump's task force warned that Georgia is "in the early stages of full resurgence" and urged state leaders to take aggressive new steps to mitigate the pandemic. Governor Kemp replied with "I don't see any reasons to take additional steps right now." The implications of what's coming should not be lost on Republicans hoping to keep the Senate red. The left media groups are in full force and will use the pandemic to paint the Republicans as the culprits.

The Lincoln Project, a group of former Republican operatives, whose aggressive negative attack ads against Trump in the lead up to the election damaged the President, have continued their abusive tactics and are creating attack ads against ads Perdue and Loeffler that label them Trump supporters and covid deniers. The Hollywood Reporter released a big article identifying Hollywood celebrities decent into Georgia politics. According to the Reporter Hollywood activists are joining in to keep that Blue Wave flowing:

"This is one of the first years I've gotten phone calls not just from the celebrities, but for managers, from producers, from radio owners, from studio owners," says Black Voters Matter co-founder LaTosha Brown. "We never get a phone call from a studio owner. You're like, 'What?'" John Legend and Kerry Washington are joining virtual text and phone bank Zooms, along with doing radio interviews in key counties and working with the campaigns; Jon Cryer and Grey's Anatomy showrunner Krista Vernoff have matched donations to the candidates and Georgia grassroots organizations via Twitter; and To All The Boys I've Loved Before author Jenny Han is hosting student-centered events aimed at registering Georgia teens ahead of the election.

The greater this pandemic is perceived heading into the first week of the new year could very well determine whether the Senate remains red or turns blue. We believe the media attention will put further juice behind the Democrat effort and could very likely lead to the Senate turning blue. If it does expect gold prices to surge in the aftermath. A blue victory in the Peach State will likely launch gold into the stratosphere. We also suspect that very soon after this contest is over the news surrounding the crisis will suddenly get much better.

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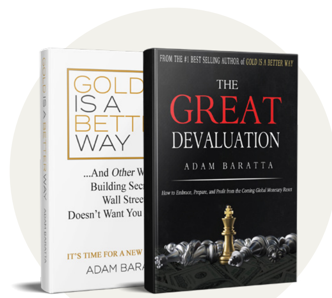

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