SPECIAL REPORT

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PREPARED BY
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How to Profit From Inflation

Five Investments That Make Inflation Pay YOU

The COVID-19 pandemic and economic lockdowns were two of the strangest developments in modern history.

Never before had the U.S. *chosen* to shut down its economy *voluntarily*. Never before had the government abandoned the founding principles of its constitution (the right to move about and do as you please) in the name of a pandemic. And never before had so many Americans willingly abandoned their rights.

It was a very confusing and strange time to be alive. However, out of all this craziness and uncertainty, one thing became crystal clear…

That going forward, policymakers would deal with every single problem by *printing money*.

A shut-down economy leading to an economic depression?

Print money.

An exploding bond market causing the fastest 30% stock market decline in history?

Print money.

Corrupt politicians refusing to reopen the economy even though the pandemic has passed?

Print money.

CHIEF MARKET STRATEGIST

Graham Summers, MBA is a world-renowned expert in central bank policy with over 20 years of experience in market analysis and investment strategy. Having analyzed over 1,000 businesses and countless investments during some of the most volatile periods in capitalism, his investment strategies encompass six different asset classes ranging from emerging markets to currencies to real estate.

A best-seller author and acclaimed communicator, Graham's cutting-edge business and research insights have been featured in several media outlets around the world including CNN Money, Fox Business, Rolling Stone Magazine, Crain's New York Business, MoneyTalk Radio, and The Huffington Post among many others.

Going into the pandemic, the U.S. already had some $23 trillion in debt outstanding. And the Trump administration was setting records by running $1 trillion deficits — *despite* the fact the economy was growing.

This money printing/debt issuance went into overdrive once the economy was shutdown.

In 2020 alone, the U.S. added over $3 trillion in debt, courtesy of a $2 trillion stimulus program (the CARES act) as well as other social spending programs.

The Federal Government wasn't the only one going bananas with money printing and debt. The U.S. central bank, called the Federal Reserve or "the Fed" for short, went absolutely NUCLEAR with its policy response.

The Fed was created in 1913. Throughout its 107-year existence up until 2020, the Fed NEVER bought any assets aside from U.S. Treasuries (U.S. sovereign debt) and residential mortgage-backed securities (bundles of mortgages packaged together into single debt securities). **And it only began buying both of those in 2008 during the Great Financial Crisis.**

This all changed with COVID-19.

On Sunday March 22, 2020, the Fed staged an emergency meeting in which it announced it would begin buying every asset under the sun.

The Fed stated it would:

- Make its QE program "unlimited" meaning it would simply print money and buy assets ad infinitum.

- Increase the scope of its QE program from simply buying U.S. Treasuries and mortgage-backed securities to include:

    - Corporate debt (debt issued by corporations).
    - Corporate debt-related ETFs (stock funds linked to corporate debt).
    - Municipal debt (debt issued by states, counties, and cities).

- Expand its money market QE to also include a "wider range of securities" including certificates of deposit (CDs).

- Expand its commercial paper QE program.

- Introduce a new QE program to buy any asset-backed security (ABS) *including student debt*.

- Soon begin a bailout program for small- and medium-sized business.

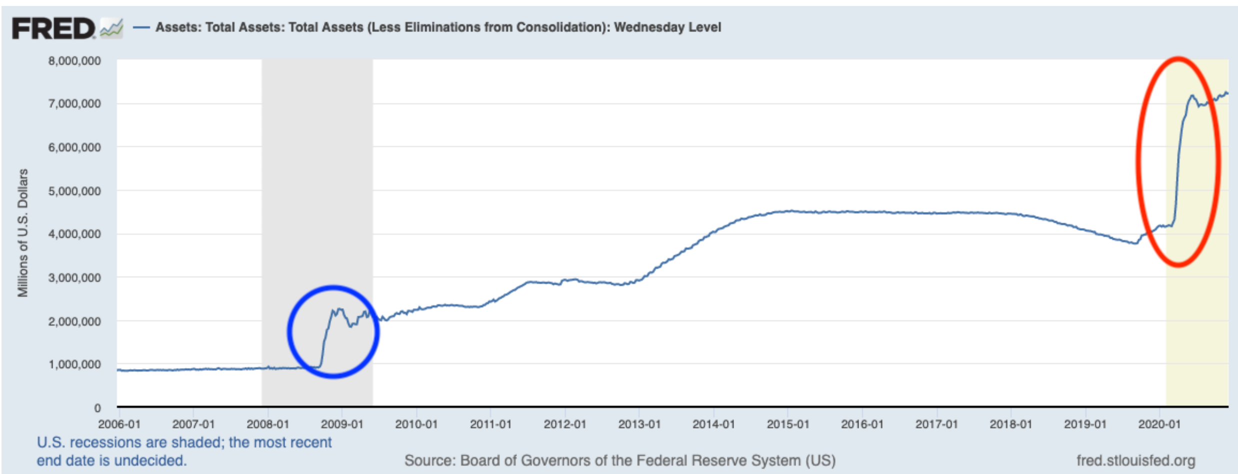
- Will lower the interest rate on its repo programs from 0.15% to LITERAL ZERO (meaning NO interest charged).

The Fed's policy response was not only EXTREME — it was *unprecedented*.

It was extreme in the sense that the Fed had never never printed so much money so rapidly. Between 2008 and 2016, the Fed printed roughly $3.0 trillion in new money. It printed that same amount in just SEVEN months in 2020.

Indeed, at the peak of its monetary madness fighting the Great Financial Crisis of 2008, the Fed was printing $80 billion per month. At one point in 2020, the Fed was printing **$150 billion PER DAY.**

To present you with a visual of just how insane this was, look at the Fed's historical balance sheet growth in the image below. The blue circle shows how much "money" the Fed printed to fight the Great Financial Crisis of 2008. Now, compare that to the red oval, which indicates how much "money" the Fed printed to fight the COVID-19 lockdowns.



As I stated before, the Fed' policy response, was EXTREME, and it continues to this day. As I write this, the Fed is running a $120 billion per month QE program, which amounts to $1.4 TRILLION in money printing every 12 months.

And the Fed isn't the only one spending obscene amounts of money.

I mentioned before that the Federal Government under the Trump administration issued a $2.2 trillion stimulus package, the CARES Act in March 2020. This was this the largest stimulus package in history. Indeed, it was so massive that that in three months in 2020, the U.S. increased its deficit **by more than it had during the <u>past five recessions combined</u> ('73, '75, '82, early '90s and Great Financial Crisis).**

The Federal Government followed this up with a *second* stimulus package, the CARES Act 2, worth $900 billion in December 2020. So already the Federal Government had provided roughly the same amount of money printing ($3 trillion) as the Fed in 2020.

But Uncle Sam wasn't done yet. The Biden administration introduced yet *another* stimulus package, The American Rescue Plan Act of 2021, worth $1.9 trillion in March 2021.

On top of this, the Biden administration has also introduced a $1.2 trillion infrastructure program of which less than HALF of the intended funds will be used for infrastructure spending. And Congress hopes to lump a $3.5 trillion reconciliation package on top of this.

So, all told, we're talking about U.S. policymakers spending $11 trillion in fiscal stimulus plus $4 trillion in Federal Reserve interventions, or $15 trillion total, all in less than 18 months.

This is a staggering amount of money. For perspective, **it's 68% of U.S. GDP.** It's also equal to the entire annual economic output of China!

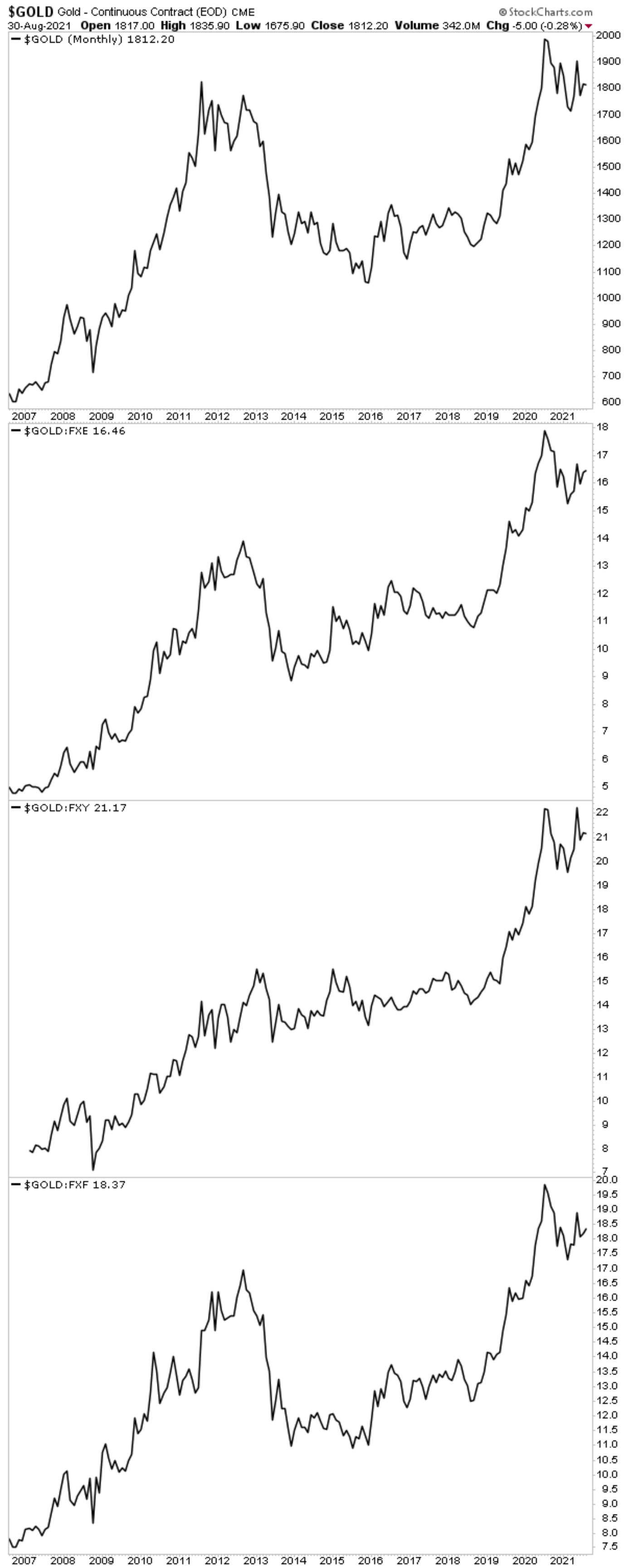
All of this money printing is going to unleash an inflationary storm.

The signs are already there.

Commodities, which are considered to be inflationary hedges, have just broken out of a 13-year BEAR market.

Most important in this sector are *agricultural* commodities. The Fed's own research has shown that the single best predictor of future inflation is food inflation. Well, take a look at what agricultural commodities are doing.

And then there's gold, which recently rose to new all-time highs in every major currency.


$GOLD Gold - Continuous Contract (EOD) CME
©StockCharts.com
30-Aug-2021 Open 1817.00 High 1835.90 Low 1675.90 Close 1812.20 Volume 342.0M Chg -5.00 (-0.28%)
$GOLD (Monthly) 1812.20
$GOLD:FXE 16.46
$GOLD:FXY 21.17
$GOLD:FXF 18.37
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Bottomline: The Fed and Federal Government together have finally unleashed inflation. And as was proved in the '70s, the ONLY thing that can stop inflation once it enters the financial system is for the Fed to tighten monetary conditions.

However, the Fed has repeatedly stated, it has no intention of raising interest rates or tapering its QE program until 2022 or 2023. And bear in mind, inflation is already here now, with the Fed's official inflation number at 5% and REAL inflation well over 8%.

The implications of this are as follows:

1) Commodities have entered a new bull market. This will result in commodity prices and commodity-related stocks soaring.

2) Gold will eventually go to new all-time highs.

3) Stocks will bubble up before eventually crashing and losing 50% of their market value.

4) Real estate will bubble up until rates rise to accommodate inflation, bursting the bubble.

With that in mind, smart investors are positioning their portfolios to profit from inflation.

Below are my five inflation plays of choice. All of them have the potential for triple digit gains. However, bear in mind, we are talking about a **long-term secular bull market** in these assets.

Put another way, these are NOT trades, these are long-term investments that should be held for years. And throughout this bull market, there will be plenty of significant pullbacks. So, you will need to stomach quite a bit of volatility.

Play #1: The Gold Mining ETF (GDX)

Our first gold mining play is the **VanEck Vectors Gold Miners ETF (GDX).**

GDX is a diversified play on the entire mining sector.

At $10 Billion this is one of the largest ETFs on the market. And it gives you exposure to 55 mining plays ranging in size from multi-billion dollar mining giants like Newmont Mining to smaller plays like Westgold Minerals.

All told, the companies that comprise GDX own a whopping 25 million ounces of gold. With gold around $1800 an ounce, you're talking about $45 billion worth of Gold at market value.

However, GDX's entire market cap is less just $15 billion. Put another way, the stock market is **currently valuing GDX's gold assets at just $600 per ounce!**

The value here is incredible, and due to its diversification, GDX should be the backbone of your exposure to the mining sector.

However, I want to stress that this play, like all mining plays, *IS* volatile. It is not unusual for GDX to swing 5% in a single day. A 10% move in a single week is common.

So be prepared to weather some volatility here. This is a "buy and hold" play that will feature short-term bumps for MAJOR long-term gains.

Indeed, based on where gold is going, GDX could potentially rise 100% in the next 24 months.

Action to Take: Buy the Gold Mining ETF (GDX).

Play #2: The Gold Mining Junior ETF (GDXJ)

Our second gold mining play is the **VanEck Vectors Junior Gold Miners ETF (GDXJ).**

GDXJ is quite like GDX, except it focuses on *junior* gold miners (mining companies with market capitalizations of $250 million or less).

Individually, gold mining juniors are HIGHLY risky investments. Many of them are "pie in the sky" companies where there is no guarantee that they will be able to deliver on their potential reserves.

On top of this, gold mining juniors are often based in politically unstable regions where it's not uncommon for civil unrest to disturb operations, and lead to serious losses of capital.

This is why I prefer GDXJ instead of individual junior plays.

GDXJ is a large ($5 billion in net asset value) ETF that gives you broad exposure to the junior mining sector. All told, GDXJ has holdings in some **97 junior mining plays.**

This diversification provides greater stability. Because it is so broadly invested, no single individual mining company can result in your capital being completely wiped out. Put simply, in terms of risk, this is about as risk averse as you can get in the junior mining sector.

But don't let the diversification fool you. GDXJ is built like a hot rod with the potential for rapid and massive gains. During the last bull market in Gold**, GDXJ rose an astonished 100% in a single year**.

Put simply, GDXJ is like the **VanEck Vectors Gold Miners ETF on steroids**.

However, these massive moves come at a cost. GDXJ is *EXTREMELY volatile*. It is not uncommon for GDXJ to move **10% in a single day.**

So, make sure you're prepared to weather some SERIOUS volatility here.

However, the potential gains more than make up for this. Based on where gold is going, GDXJ could potentially rise over 200% in the next 24 months.

Action to Take: Buy the Gold Mining Juniors ETF (GDXJ).

Play #3: Royal Gold (RGLD)

Our third gold mining play is Royal Gold (RGLD).

RGLD is a gold royalty company. What this means is that RGLD supplies capital to gold miners in exchange for a percentage of those companies' gold sales.

The beauty of this arrangement is that RGLD experiences little of the operational risk/costs associating with mining. As a result of this, RGLD has lower costs and higher margins that most miners…and most S&P 500 companies: in 2020, RGLD's gross margins were 45% and its operating margins were 36%. To put this into perspective, by these metrics, RGLD is more profitable than Apple (AAPL).

As of mid-year 2021, RGLD has 29 producing properties with another 6 properties in development. And thanks to its low costs and higher profit margins, RGLD pays out a nice dividend that it has increased for the last 17 years. As I write this, RGLD's dividend is 1.1%.

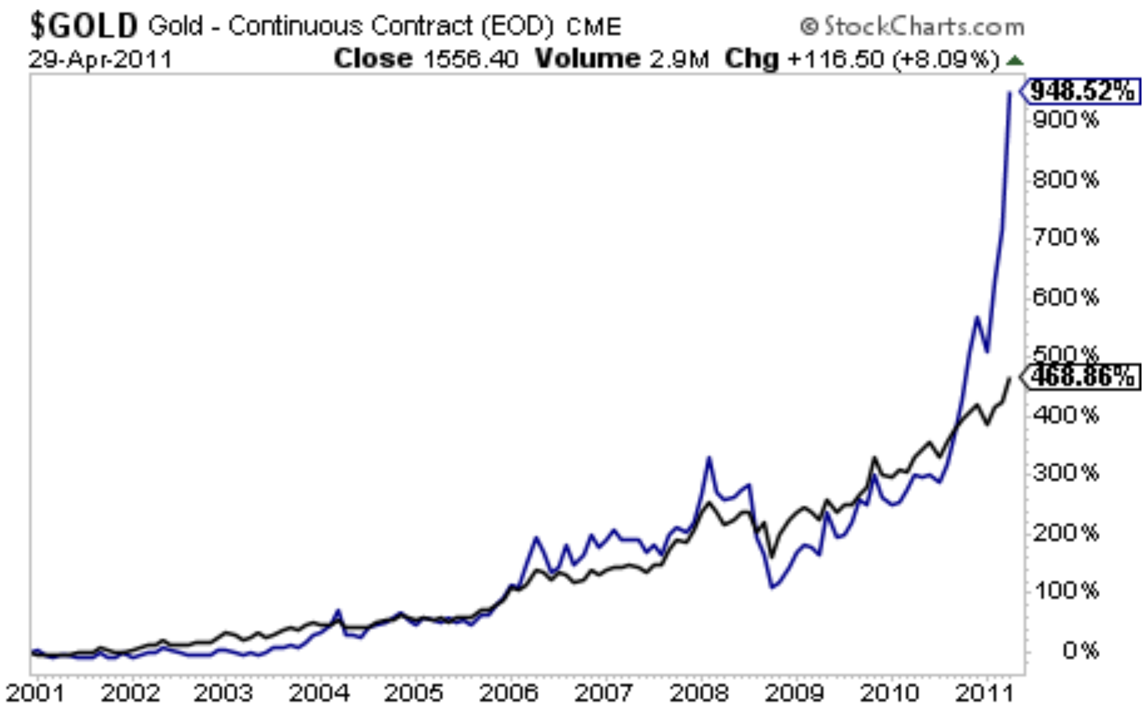
Don't let that safety fool you though. Based on where Gold is going, RGLD could potentially double in the next 24 months.

Action to Take: Buy Royal Gold (RGLD).

Play #4: Wheaton Precious Metals (WPM)

During periods of high inflation, silver dramatically outperforms gold.

Consider that during the first leg up for precious metals' bull market (2001-2011) Gold rose 468% while Silver rose an **astounding 948%.**



For that reason, we *need* to have some exposure to silver during the next bull market in precious metals.

Our first silver play is **Wheaton Precious Metals (WPM)**

WPM is a precious metal "streaming" company. What this means is that rather than mining for precious metals itself, WPM arranges to buy silver and gold from mining companies at a set price.

Here's how it works. Metals ore is often polymetallic.

What this means is that you will find multiple metals in the ore. In the case of copper ore, there are usually small amounts of gold and silver also present.

WPM offers to buy this gold or silver from these companies at a set price, usually in two installments (one large payment upfront with additional "delivery" payments when the mining firm delivers the gold or silver).

In this setup, the copper miner gets additional capital for operations, and WPM gets exposure to a relatively steady stream of gold or silver production with minimal investments.

In the very simplest of terms, WPM gets all of the upside potential to precious metals mining (owning gold and silver that can both rise rapidly in value) with virtually none of the risk (WPM doesn't actually own a mine and so is not exposed to high operating costs, capital requirements or the like).

It's as close as you can get to a "risk-free" investment in silver.

WPM has this sort of agreement in place with 23 actively producing mines and eight development stage projects. It is the single largest metals streaming company in the world.

However, the potential gains more than make up for this. Based on where silver is going, WPM could potentially rise 115% in the next 24 months.

Action to Take: Buy Wheaton Precious Metals (WPM).

Play #5: SSR Mining (SSRM)

Our final play is SSR Mining (SSRM).

SSRM is a traditional precious metals producer with four actively producing properties located in the US, Canada, Turkey, and Argentina. Three of these properties are gold producers, the fourth produces Silver.

Bear in mind, these are just the producing properties. SSRM has another five properties in the pipeline: two in development and two more in exploration.

Do not let the exploratory aspect of this company fool you; SSRI is an extremely profitable company.

In 2021, SSRI expects to produce between 720,000 ounces and 800,000 ounces of gold equivalent. It's not producing at a loss either. SSRM produced $450 million in operating profits in 2020.

Despite this, the market is pricing SSRM at an absurdly low valuation. As I write this, SSRM has an Enterprise Value/ EBITDA ratio below 6. This is absurd given the resources and upside potential of a discovery here: SSRI has nine million ounces in gold equivalents and believes it has another 27 million ounces in measured and inferred resources available.

Based on where Silver is going, SSRM could potentially rise 200% in the next 24 months.

Action to Take: Buy SSR Mining (SSRM).

Based on where gold and silver are heading due to inflation, these plays offer us the potential for triple digit gains. I suggest taking a portfolio approach to them, spreading capital across all of them instead of piling into just one.

However, if you *have* to pick just one or two plays, I would focus on the ETFs (GDX and GDXJ). However, those plays as well as the rest will be volatile. It is not unusual to see them move as much as 10% in a single week. So be prepared to stomach some volatility as the next bull market unfolds.

This concludes this report. Thank you for reading.

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