

Zanetti Monday Missive 2021.09.20 The Noble Lie

“What the hell is going on out there?!” Vince Lombardi, Thanksgiving Day 1962, as the Detroit Lions were pummeling the Green Bay Packers

Hello Everyone,

Coach Lombardi could have just as easily used that quote today to describe today's markets. Not much makes sense.

Let's look at what has happened over the past 5-6 weeks.

- Joe Biden asked the Saudis to open their oil spigots to bring the price of gas down. They no-so-politely told him to pound sand.
- Afghanistan fell.
 - Remember, the petro-dollar deal is predicated on two things:
 - ***OPEC will trade oil in dollars only.*** (This ensures a constant demand for dollars across the globe. If you want energy, you need dollars first.)
 - ***In exchange, the US will use its military to defend OPEC.*** (And, in particular, Saudi Arabia.)
 - Now, (if you have time) please get out a map of the Middle East.
 - Note that Afghanistan, Iran, Iraq, Pakistan, Turkey, Syria, Lebanon, and Yemen are all hostile toward the US and the Saudis.
 - Doesn't Saudi Arabia look surrounded to you? Do you believe they might feel insecure? Might

they be questioning the protection part of the petro-dollar deal? With those questions in mind....

- Late last month, the Saudis signed a defense cooperation agreement with the Russians. (Wait. I thought we were supposed to do this.) <https://www.rferl.org/a/saudi-russia-arms-weapons-/31425164.html>
- The US responded by starting to divulge Saudi complicity for 9-11. (Tit for tat?) <https://www.cnn.com/2021/09/11/politics/fbi-releases-first-9-11-document-after-biden-order/index.html>
- And now the US is pulling its Patriot Air Defense systems from the Arabian Peninsula. <https://www.militarytimes.com/news/pentagon-congress/2021/09/13/us-pulls-missile-defenses-in-saudi-arabia-amid-yemen-attacks/>

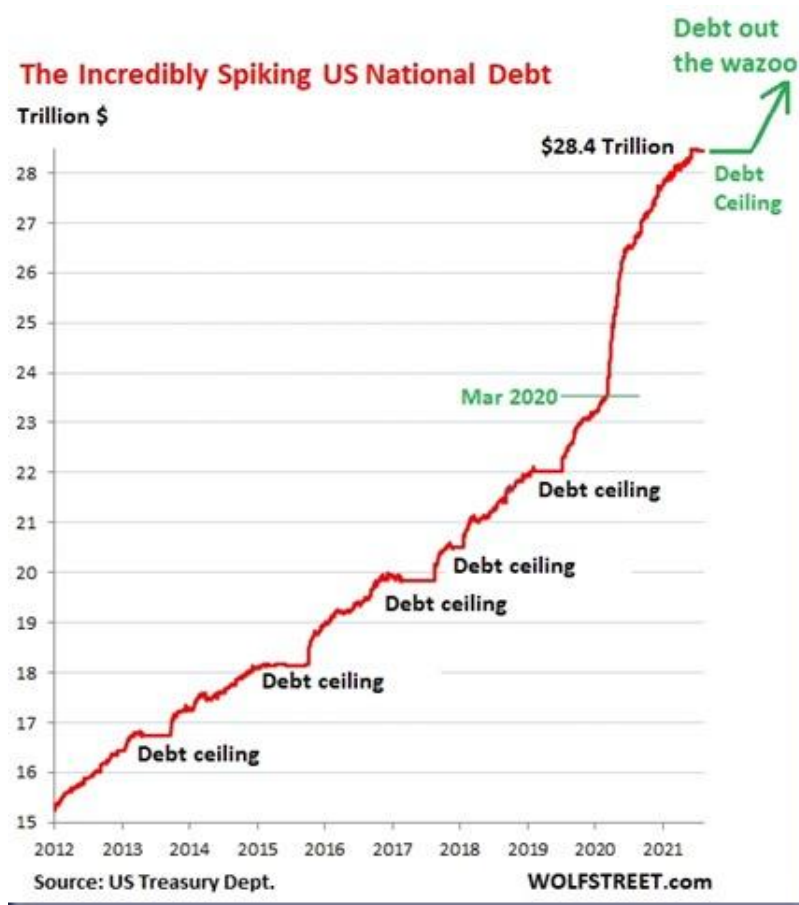
You do not have to be a military intelligence expert to put two and two together here. The petrodollar deal is disintegrating at an alarming rate. When does it become official?

My concern is what had been a slow transition out of petrodollars could now become a race to the exits.

And if:

- Demand for dollars falls (as the world shifts to buying oil in their native currencies of yuan, euros, yen, pounds, Swiss francs, etc.)
- While supply of dollars rises---as we print, print, print. (See chart below.)

- Then downward pressure on the dollar will increase. Our currency will devalue. Prices will rise. Inflation will accelerate.



So, if little ol' Greg from Albuquerque sees this, you would think others would be seeing it as well. So...

- Why hasn't anything happened yet?
- Why did the dollar strengthen last week?
- Why aren't gold and silver rising?

I believe there is an "all hands on deck" effort to protect the dollar.

I get that. No American wants the dollar to crater. I certainly don't.

But our politicians also don't want to reign in our spending. It is hard to get reelected by promising to cut benefits/programs.

Thus, I believe our fiscal and monetary officials are involved in what I call the noble lie.

That means a "heavy hand" on precious metals must be maintained, because a rising gold price is an alarm bell about the viability of our currency.

Thus, there are interventions. You must dig to find them. But they are there. That discussion is beyond the scope of today's missive...and gets into the arcane world of derivatives, high-frequency trading tactics, algorithms, and purposely deceptive "official" comments.

Regardless, please know nothing is natural or "real" about today's markets.

The remedy for artificial markets is to be invested in real things. And that is how you are invested. Eventually artificiality dissolves. Be right. Sit tight. Truth wins.

Signed, Your You-Can't-Solve-A-Spending-And-Debt-Problem-With-More-Spending-And-Debt Financial Advisor,

Greg

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