



[Jonny Haycock: 00:05.2] Good afternoon. It's Jonny Haycock, from VON GREYERZ. It's an honour to have Alasdair Macleod back on for another edition of Gold Sessions. It's hard to know where to start, Alasdair. There is so much going on in the world, and I'm trying to be disciplined, to sort of frame the discussion for 20-25 minutes to sort of three areas.

[Jonny Haycock: 00:29.5] But when I think about the last time we spoke, which was just before Christmas, which feels like an age away, gold and silver prices have rocketed up and events geopolitically have taken, centre stage.

[Jonny Haycock: 00:45.7] But I want to try and focus on three areas. The bond market, the acceleration, Dollarisation, and then get into the plumbing of what's going on in the gold and silver markets - specifically - if that's all right.

[Alasdair Macleod: 00:58.8] Yeah, perfect.

[Jonny Haycock: 01:00.7] Well, let's just start with the bond market. Whilst everyone had their eyes on Davos, last week, I have to say my focus was on what was going on in Japan and the long end of The JGBs, the 40-year at 4%.

[Jonny Haycock: 01:17.8] And I know, you've written a lot about the debt market. Could you just give us your insights into what you think, investors should be really very closely paying attention to now, in the bond market today?

[Alasdair Macleod: 01:31.1] Yeah, I think the overall background, Jonny, is one of bond markets as a whole being less stable than they were perhaps, yesterday or the month before or the year before. And so I think what we're seeing is... We're seeing cracks in the bond market facade beginning to sort of run, if you like, through the whole system.

[Alasdair Macleod: 01:55.1] And, these cracks are sort of getting quite wide in some areas, where they should be getting wide. The situation in Japan is really extraordinary. The Japanese government and the central bank are thoroughly Keynesian in their approach.

[Alasdair Macleod: 02:14.5] In other words, they believe in using credit to stimulate the economy all the time. And the result is that in a nation of savers, you have this extraordinary situation where the government has been able to get away in the central bank, obviously, to get away with, printing an awful lot of yen credit, if you like.

[Alasdair Macleod: 02:38.3] For what purpose? Really, for not really very much purpose, but the thing that's allowed them to do it is the high savings rate. Because savers, when they receive these extra yen, tend to save a goodly portion of them, which means that doesn't go into consumption, which means that prices are generally more subdued than they would be, say in Europe, or UK or dare I say - America - And the consequence of that is that they've been getting away with it, if you like, with this crazy, crazy system for so long that now that they've got a debt to GDP, which is estimated about 230%, something like that, we now find that actually the underlying inflation rate has been understated.

[Alasdair Macleod: 03:31.6] I mean, we do know that the government, for example, has subsidised a lot of transportation costs and things like that, which has had the effect of suppressing. And the apparent rate of inflation, it's actually quite a bit higher than where it is officially anyway.

[Alasdair Macleod: 03:48.7] So, I think this is something, that's beginning to fall apart. And if you look at the balance sheet of the jJGB. Sorry, not the JGB! the bank of Japan because they've got something like 60% of the 10 year JGB's on their balance sheet.

[Alasdair Macleod: 04:09.6] And bearing in mind that yields risen from negative figures at the time of COVID to currently we're looking what... 2.3%? Something like that. I mean, the losses that are hidden on the Bank of Japan's balance sheet is just absolutely astronomic.

[Alasdair Macleod: 04:31.7] Now, everybody says oh this is not a problem because they can always print their way out of trouble. But hold on a minute. Print their way out of trouble from here? I don't think so. So, what you have, I think, is the cracks are beginning to appear around the world, and Japan is one of the places where this is happening.

[Alasdair Macleod: 04:52.3] And of course, this then morphs into problems for other bond markets. I mean the Japanese institutions have been buying U.S. treasuries collectively the pension funds and insurance companies, the largest foreign hold of U.S. Treasuries.



[Alasdair Macleod: 05:12.7] As their bond yields rise, in relative terms, U.S. reasury yields become less attractive. So, that is a problem? On top of that, of course, you've got the carry trade, which uses very very low Japanese borrowing costs in order to leverage up into the higher yields, say, I mean, even of UST bills.

[Alasdair Macleod: 05:38.0] So all that is, if you like, threatened, all that begins to unravel as the problems in the Japanese bond market evolve.

[Jonny Haycock: 05:48.0] So, should we expect yield curve control, then Treasury? And institutions that have had all these savings and money, invested in international assets - particularly US assets, that that money gets repatriated back home to high-yielding JGBs, and then could that be the canary in the coal mine to actually crack the US Stock market?

[Alasdair Macleod: 06:12.4] Well, I think it is. I mean, if not directly, then indirectly when it comes to yield curve control, I don't think that can be done in these circumstances at all. What effectively we have is what used to be called in the gilt market a buyer's strike, which, really, I think is a pretty bad way of putting it.

[Alasdair Macleod: 06:36.2] But effectively, there's no demand at current yields on the long end. And this hasn't been tested. If you go away from Japan going into U.S. Treasuries, it hasn't been tested along the U.S. Treasury yield curve because all the funding has been done short term.

[Alasdair Macleod: 06:57.2] The gilt market is slightly better off in So far, as we've got a longer maturity profile so we don't have to roll quite so much debt over year to year. And for some reason, hedge funds are very happy to buy gilts to the extent that even the bank of England gets a bit sort of wary about all this interest coming from U.S. hedge funds and sort of thinking, well, if they turn Sellers, we've got a problem.

[Alasdair Macleod: 07:26.6] Yeah, he's dead. Right. So you can see that there are all sorts of things which are just basically wrong in the international bond market. And as to the point, there is this very genuine fear that as the JGB market, the Japanese government bond market destabilises, this is going to have a knock-on effect on everybody.

[Jonny Haycock: 07:50.7] Yeah, yeah, yeah. And, so you know, you'd agree that maybe Japan is possibly the canary in the coal mine. I mean, we've talked about the UK clearly that is, you know, soaked in debt, similar with France but, but Japan seems to be the, the market where we may get you know, proper cracks that could unravel elsewhere.

[Jonny Haycock: 08:13.7] Would you, would you agree with that?

[Alasdair Macleod: 08:15.3] Yeah, it's certainly possible. But it's not the only source of disruption in these markets. I think that the political situation over Greenland, for example, got a number of particularly the Danes. I mean, the Danish don't have an awful lot of US Treasuries, but we're going to sell these things.

[Alasdair Macleod: 08:35.3] And I guess also that other European nations, insofar as where governments actually have any influence on this, are probably not buyers. It's interesting that most of the buying of U.S. Treasuries, I think this must be understood, is really done by US entities offshore.

[Alasdair Macleod: 08:57.0] I mean, you've got the Cayman Islands, which is the centre for The captive insurance industry. Now, a lot of US hedge funds also use the Cayman Islands for their offshore activities. So they will do their borrowing in yen to pick up the yield on US T-bills through their Cayman Island subsidiaries.

[Alasdair Macleod: 09:20.7] As well as that, as I understand it, There are American interests which have been, if you like, taking money in Luxembourg, offering a yield, which is superior to what you might get, let us say, in the bull market, and applying that to US Treasuries.

[Alasdair Macleod: 09:40.5] So again, these are basically American interests replacing quite a lot of the overseas interest which is recorded in the US Treasury's tick figures. So the position is actually quite complex. And I think where the Japanese thing will probably come in is really, as this carry trade unwinds.

[Alasdair Macleod: 10:04.5] I mean, interestingly, the new Japanese Prime Minister seems to be very, very much on side with the Americans, more so than her predecessor, who was sort of edging towards the Chinese, as it were. So, yeah, it's going to be interesting, but I think quite a lot of the problems We have at the moment, really are, originate, if you like, in America.



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[Jonny Haycock: 10:31.8] Which brings me on really to the second point, Alistair, because look, you know, since we did our last interview, you know, we've had Venezuela, you know, we've had Greenland, we've had obviously Davos and some inflammatory comments there, and it just seems that with every passing day, new tariffs, etc.

[Jonny Haycock: 10:57.8] Etc. Etc. That trust in the system is eroding. And when a system loses integrity, then is it not as simple as just money moves away?

[Jonny Haycock: 11:15.4] And the de-dollarisation, that's been in place for some time, of course, seems to be accelerating, given Trump's foreign policy and rhetoric. Is that fair?

[Alasdair Macleod: 11:29.5] I think that is fair. And there is another aspect to this and that is, essentially geopolitical, the Monroe Doctrine Basically America controlling everything in the Americas, North, South and Central, and also presumably Greenland is being brought in, if you like, by Trump.

[Alasdair Macleod: 11:49.0] And I think that's very much at the behest of the Deep State, the CIA and those various other planners, if you like, in the background. But what this does is it effectively gives a signal to the Deep South, all the rest of the world, if you like, that America's interest in them is diminishing, and therefore they will be freer, if you like, from the regime change threats and all these other things that the Americans have used to keep order and to keep their power, going around the world.

[Alasdair Macleod: 12:28.1] So, I think what that's done is it's released, I think a lot of dollars from central bank reserves all around the world, which are now surplus to requirements.

[Alasdair Macleod: 12:43.3] And at the same time, China has opened up its sips, its non dollar settlement system, to basically all comers. This was very much in the wake of Venezuela, because there are substantial investments in Venezuela made by the Chinese.

[Alasdair Macleod: 13:06.6] What Trump has done is basically he's trashed all those investments. I don't think we've heard the end of it, but I think what it's doing is it's alerting the whole of Asia in particular to America. Is no longer a worry for us.

[Alasdair Macleod: 13:21.9] Okay? They might go and bomb Iran or whatever, But I mean, you know, other than that We're now on our own, and we've got to work with China and Russia rather than worry, looking over our shoulder at America. It's. The pressure has been relieved, I think to an extent, by that very, very move, Monroe, or what some detractors are calling the Donroe Doctrine.

[Alasdair Macleod: 13:49.2] I think it actually has that effect. And I don't think we've heard the end of the Venezuela problem because of the massive investments that China has made. Venezuela, the oil out of Venezuela, is a small part of China's total consumption, but it's been stolen.

[Alasdair Macleod: 14:08.3] I mean, there's the only way to put it. So you can see that I think China is now in the position where it doesn't actually mind if the dollar collapses. Now that's a very, very big statement. It really is. I think they see it as inevitable anyway.

[Alasdair Macleod: 14:24.8] But as that feeling gathers momentum throughout, particularly the East Asian continent, I think that You'll find that selling in dollars is just going to escalate. And I think that's part of why We're seeing the gold price rising.

[Alasdair Macleod: 14:42.7] It's not so much the gold price rising, it's just people getting the hell out of the dollar.

[Jonny Haycock: 14:46.7] And you're right, I mean gold and silver are reflecting this move away from the dollar and indeed other commodities As well, of course are doing very well. This sort of paradigm shift from financial assets to hard assets, certainly at VON GREYERZ, we think It is a multi-year phenomenon.

[Jonny Haycock: 15:08.0] But I want to just get on to the last point about gold and silver specifically because you've been Excellent, Alasdair, as advising your subscribers, on gold and silver and showing them the open interest on both gold and silver and very, very regular.

[Jonny Haycock: 15:27.4] What's always struck me with silver in particular, that as it sits in between sound money and industry, it's rather unique moment. At the moment, with silver, the open interest has been remarkably low despite a soaring price.



[Jonny Haycock: 15:44.7] Is that still the case?

[Alasdair Macleod: 15:46.2] It's still the case. I mean, there's been a little bit of a pickup, if you like, an open interest in the last few trading sessions, which, when you see the price go up, you know, sort of 10% a day, several days in a row, you would expect a few punters to say, hold on a minute, we better have some of this.

[Alasdair Macleod: 16:04.3] It's very, very minimal. And I mean the thing that's fascinating about it is that essentially The problem is an industrial one, it's not a monetary one as far as silver is concerned. Down the road, that is likely to happen.

[Alasdair Macleod: 16:20.7] But at the moment, it's really big industries, big industries who have, If you like relied on deliveries out of the market, for their silver are Suddenly finding there's none there. And for some time, they've been buying, let's say futures with an idea of just taking delivery on expiry or in London buying forward contracts and again insisting on delivery rather than cancelling out another position by selling the Ford contract into the market.

[Alasdair Macleod: 16:54.8] So, this has come as a bit of a crisis and it's come at an interesting juncture because again, China is very much involved in this. China has brought in a new licensing regime for silver exports. Now, the information that we have is that so far this hasn't really kicked in too much.

[Alasdair Macleod: 17:17.8] But you can see that the objective of this is to give China, if you like, greater control over something which as a nation they feel they really do need. Silver is so, so important. China is something like the second largest miner, second or third largest miner as well as that.

[Alasdair Macleod: 17:39.0] For decades, she's been importing Doric and refining that into silver and hoarding the silver. So she has got undeclared stocks which are substantial Of that, I have absolutely no doubt. I mean it's circumstantial evidence, but on the other hand, you just draw in the dots, and you can see that this is the case.

[Alasdair Macleod: 18:01.7] I think the price exploded upwards really on the back of Donald Trump's trying to, if you like, tariff China. Which led to China saying, okay, that's your game, you're not getting any rare earths.

[Alasdair Macleod: 18:18.8] So that was the first thing, thing. And of course, silver is a much needed commodity, which is not a rare earth, but in that definition, but it's not that common. So it's something which it's more in China's interest onto now than to supply into the market in order to keep prices low so that her industrial entities making photovoltaics, making You know, electric cars and all the rest of it, you know, sort of are competitive.

[Alasdair Macleod: 18:52.1] That is no longer the situation. And it happened at a time when Indian demand has taken off because the Indian government, which you know, while it's been sort of building, you know, coal fired power stations and doing all these horrid things has been if you like offsetting it to a degree by encouraging major corporations like Reliance Industries to make photovoltaic cells, and they're being subsidised to an extent to do it.

[Alasdair Macleod: 19:23.5] So I mean the investment that Reliance Industries, and I'm sure there are others have made in production are just absolutely astronomic. But where do they get the Zoma? And I think that they have been one of the gangs, if you like that have been standing for delivery in financial markets.

[Alasdair Macleod: 19:41.1] It's a fascinating situation, and it's a problem that is not going away. And I think we could easily see silver being squeezed up even further but not producing sellers, if anything producing buyers on the squeeze.

[Alasdair Macleod: 19:58.1] In other words, the squeeze is not over. It's got quite a way to go.

[Jonny Haycock: 20:02.0] And we have to remember, of course that if inflation adjusts the price back to where we were in 1980, when peaked at \$50, I think the numbers are you have to get, you get to \$200 quite comfortably just to get back to that inflation adjusted level.

[Jonny Haycock: 20:18.9] So, despite the move, there is a hell of a long way to go. And that's before you start thinking about the gold silver ratio, which we spend a lot of time at vongres thinking about at the moment, in response to clients wondering, should we be selling a little bit of silver and reallocating back into gold.

[Jonny Haycock: 20:37.2] But our message is, look, the gold silver ratio has collapsed from 100 to 50. But you go back over a long period of time, you can easily see, well Back in 2011, it got to 30 And beyond that, you get down to 15.



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[Jonny Haycock: 20:54.9] So our message is just hold onto it. It's got a lot further to go.

[Alasdair Macleod: 21:00.3] Yeah, no, I'd agree with that. And I think there is a general point behind this, which very few people understand, and that is the consequence of fiat currencies has been to suppress the real value of base metals, the metals used in industry.

[Alasdair Macleod: 21:17.7] Now copper is another example. You see how the copper price has behaved. It has actually risen quite sharply. Obviously not much as much as silver and some of the platinum group metals. But nonetheless, if you look at the value of these base metals in gold, Then you can see that the price of a basket, if you like, has fallen by roughly 80% from that long term average.

[Alasdair Macleod: 21:46.4] Now, monetary theory tells us that actually the purchasing power of gold is stable over long periods of time. So with it, with everything else, all The other base metals being 20% if you like, at 20% of their long-term value, You can see that even in gold terms the values of these metals, they're going to change upwards very, very substantially.

[Alasdair Macleod: 22:13.0] So you've got the basis of a substantial bull market if you like, in base metals. The result of their suppression basically by fiat currencies, With the fiat currencies going down against gold as well.

[Alasdair Macleod: 22:30.7] I mean, the place to be if you really want to diversify out of gold is in some of these base metals. And I think this sort of squeeze is really being reflected in particularly silver, and also the platinum group metals. We're seeing it a bit in copper as well.

[Alasdair Macleod: 22:49.0] And I think it's generally a very, very bullish story for commodities because It's not just base metals, it goes wider into raw materials and also agri products and all the rest of it. The knock-on effect of that Of course, is that we will have unexpected inflation in 2026.

[Alasdair Macleod: 23:10.4] I would think probably from about the middle of the year you will see prices starting to rise very substantially. I think this is something which is not expected. Nobody's talking about it. All they're talking about is, Well, Trump's going to get interest rates down.

[Alasdair Macleod: 23:26.5] So this is wonderful. Come on!

[Jonny Haycock: 23:31.5] And if what you say is right, and I think you absolutely are right, Alastair, then something that you and I have talked about before, that your traditional portfolio, the 60/40 portfolio is just not set up for - this at all.

[Jonny Haycock: 23:48.8] And there's going to be quite a shock to Come as that inflation comes through. Portfolios just aren't protected for it.

[Alasdair Macleod: 23:57.0] Interesting point, actually, because This 60/40 thing is something that was rarely dreamt up by regulators.

[Alasdair Macleod: 24:06.8] But, if you actually think in terms of risk, where is the risk? Well, the risk is being in credit.

[Jonny Haycock: 24:13.8] Yeah, absolutely.

[Alasdair Macleod: 24:15.5] It doesn't matter whether it's bonds, equities, or an IOU from someone else, whatever. It really doesn't matter. The thing is that the way in which You control your risk is you get into real money, which legally is gold and historically, silver.

[Alasdair Macleod: 24:33.5] So what else do you do? That is the zero. That is the zero-risk position. And I think that more and more people are going to wake up to this in the coming months. I think it's going to be as soon as that. I mean, I really do.

[Jonny Haycock: 24:47.8] I couldn't agree more, Alasdair. I mean, 2026 is already shaping up to be quite a year. And, we've got another 11 months to go. But listen, we're out of time. I want to keep this snappy as ever. Thank you so much for your insights.

[Jonny Haycock: 25:04.0] We love... We love your work, and we're very grateful to you for being an advisor to VON GREYERZ. And, I look forward to seeing you very soon. Thanks so much.

[Alasdair Macleod: 25:11.7] Well, it's very much my pleasure. Thank you for having me on, Jonny.