



COURSE OF THE EXCHANGE



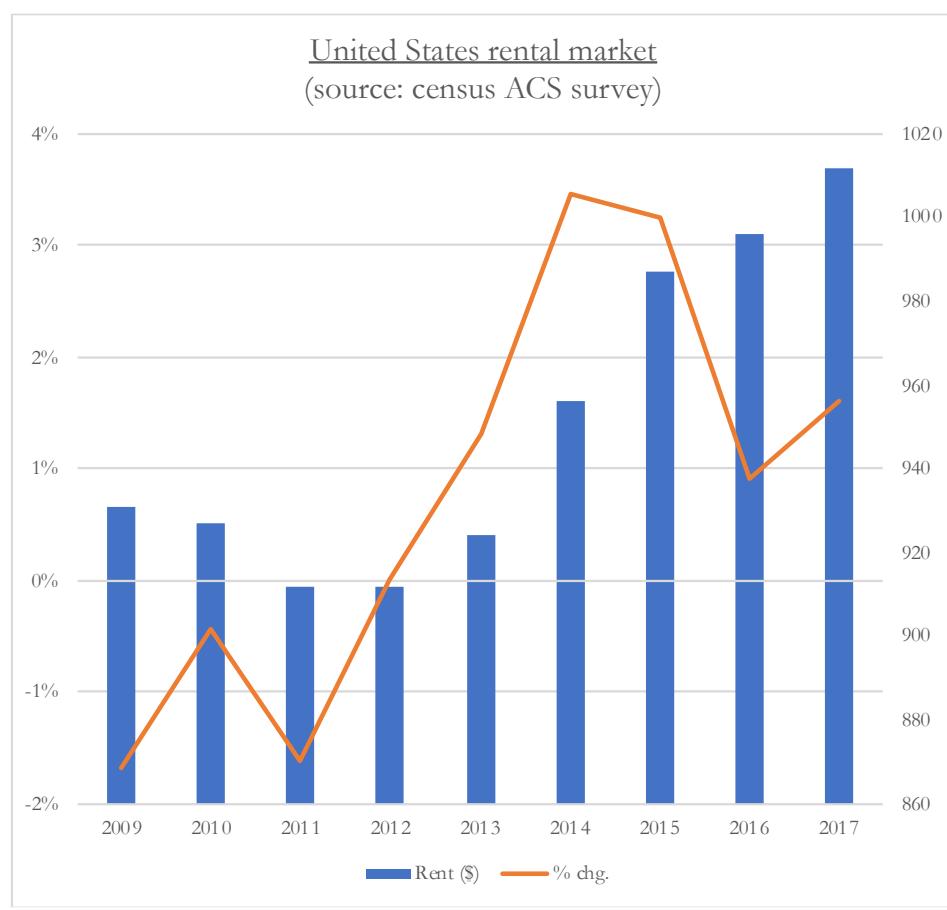
Property collapse, deflation and contraction

Developments in metals



Property collapse, deflation and contraction

Continuing themes of *deflation* developed in January's missive. Property prices across the world, from Sydney to Los Angeles are falling. For those who have invested in property to earn rental income, this will spell disaster.



Roughly one-third of Americans rent their properties currently and charging/paying rent is considered more and more acceptable. When acquiring a new property for their portfolio, landlords typically 'deposit' up to 20% of a house's capital cost with the remainder being financed through a long-term, fixed-rate loan.

Due to the nature of this loan, there's a *lower bound* to the rental income that the landlord can charge without incurring a loss. If *median rents* fall below this *lower bound*, then the landlord will be compelled to sell their

property for obvious reasons.

The chart above displays median rental payments as well as the *rate of increase* of those rental payments. From 2008 to 2011, during the Great Financial Crisis, nominal rental payment *growth* stagnated but from 2011 to 2014, it soared to 3%. **The rate of nominal rent growth of growth, be that interest/bond or rent/property, corresponds to the nominal fiat interest rate level.**

From the 1960s to 1980s, growth of growth of rent/interest payments were high, even if levels of themselves were low. Interest rates rose sharply over that period. From the 1980s to present, growth of growth of rental/interest payments has been low... and turned negative recently. Growth of growth is already falling and growth itself is will do the same. Remember, 'growth' isn't being used as some positive word here but of something malign!

With this in view, we can understand how dollar interest rates 'will become negative,' as Swiss franc rates did recently, even if we can't quite understand that/how fiat isn't money. Philosophical expansions of 'permanently negative interest rates' are meaningless next to the same for fiat.

'The global economy' – that fantasy based on fiat – is about 'to collapse.'



Developments in metals

Copper has joined silver by moving into backwardation. The spot/three-month basis has collapsed from +0.63% since end January to -0.73% currently. The gold/copper ratio collapsed from 6,906 to 6,351 over the same period. What does this all mean?

The dollar is 'going to be devalued'... and such action is 'bullish' not only for gold and silver's 'price' but also copper's.

3rd March 2019.