

Ominous Military & Financial 'Nuclear Threats' Could Erupt In 2023

Description

[by Egon Von Greyerz via GoldSwitzerland.com,](#)

The world is today confronted with two nuclear threats of a proportion never previously seen in history.

These threats are facing us at a time when the world economy is about to turn and decline precipitously not just for years but probably decades.

The obvious nuclear threat is the war between the US and Russia which currently is playing out in Ukraine.



The other nuclear threat is the financial weapons of mass destruction in the form of debt and derivatives amounting to probably US\$ 2.5 quadrillion.

If we are lucky, the geopolitical event can be avoided but I doubt that the explosion/implosion of the Western financial timebomb can be stopped.

More about these risks later in the article.

There is also a summary of my market views for 2023 and onwards at the end of the article.

CURIOSITY AND RISK

With a business life of over 52 years in banking, commerce and investments, I am fortunate to still learn every day and learning is really the joy of life. But the more you learn, the more you realise how little you really know.

Being a constant and curious learner means that life is never dull.

As Einstein said:

“The important thing is not to stop questioning.

Curiosity has its own reason for existing.”

There has been another important constancy in my life which is understanding and protecting RISK.

I learnt early on in my commercial life that it is critical to identify risk and endeavour to protect the downside. If you can achieve that, the upside normally takes care of itself.

Sometimes the risk is so clear that you want to stand on the barricades and shout. But sadly most investors are driven by greed and seldom see when markets become high risk.

The end of the 1980s was such an obvious period, especially in the property market. Stocks crashed in 1987 but if you are not leveraged, stock crashes normally don't wipe you out. But in commercial property the leverage can kill a lot of investors and sadly did in the early 1990s.

The end of the 1990s was another period of very high risk in the tech sector. I was involved with a tech business in the UK and told the founder in late 1999 that we must sell the business for cash. This was the time when tech businesses were valued at 10x sales. Virtually none of them made a profit. So we managed to sell the business in 2000. We actually got shares as payment but were allowed to sell them immediately which we did. Thereafter the Nasdaq crashed by 80% and many businesses went bankrupt.

At those particular moments of extreme overvaluation, you do not have to be clever in order to get out and take profit. Super profits should always be realised when the valuation of businesses doesn't make sense and the prospects don't look good.

RISK OF MAJOR ESCALATION OF WAR

So let's get back to the massive risks that are hanging over the world currently.

In my estimation this is not a war between Russia and Ukraine but between the US and Russia. Russia found it unacceptable that the Minsk agreement of 2014 was not kept to. Instead, the bombing of the Donbas area continued, allegedly encouraged by the US. As Ukraine intensified the bombing, Russia invaded in Feb 2022.

I won't go into the details here of who is at fault etc. But what is clear is that the US Neocons have a major interest for this war to escalate. For them Ukraine is just a pawn and the real enemy is Russia. Why would the US otherwise lead the initiative to sanction Russia and send weapons and money to Ukraine but send no peace keepers to Russia?

Let us just remind ourselves that ordinary people never want war. The American people doesn't want

war, nor do the Russians or Ukrainians. It is without fail always the leaders who want war. And in most countries, even in the so called democratic USA, the leaders have total power when it comes to starting a war.

Most of Europe is heavily dependent on Russian oil and gas. Still Europe is shooting itself in the foot by agreeing to the sanctions initiated by the US. The consequences are disastrous for Europe and especially Germany which was the economic engine of Europe. Germany is now finished as an economic power. Time will prove this.

The global economic downturn started before the Ukrainian war but the situation has now severely deteriorated with the European economy weakening rapidly. Still, Europe is digging its own grave by sending more weapons and more money to Ukraine much of which being reported to end up in the wrong hands.

The Ukrainian leader Zelensky is skilfully inciting the West to escalate the war in order to achieve total NATO involvement.

The risk of a major escalation of the war is considerable. Russia's main aim is for the Minsk agreement to be honoured whilst the US Neocons want to weaken Russia in a direct conflict. Major wars are often triggered by a minor event or a false flag.

The Neocons know that a defeat for the US in this conflict would be the end of the US dollar, hegemony and economy. At the same time, Russia is determined not to lose the war, whatever it takes. This is the kind of background that has a high risk of ending badly.

THE CONSEQUENCES ARE UNTHINKABLE

Since there is not a single Statesman in the West, dark forces behind the scenes are pulling the strings. This makes the situation particularly dangerous.

The risk of a nuclear war in such a situation is incalculable but still very real.

There are 13,000 nuclear warheads in the world and less than a handful of these would wipe out most of the West and a dozen, a major part of the world.

Let's hope that the West comes to its senses. If not, the consequences are unthinkable.

FINANCIAL WEAPONS OF MASS DESTRUCTION

The other nuclear cloud which is financial will fortunately not end the world if it detonates but inflict a major global setback that could last many years, maybe decades.

I have in [numerable articles and interviews](#) outlined that the global debt expansion will end badly.

This can be illustrated in a number of pictures so let us look at two self explanatory graphs.

The first one shows how global debt has grown 75X from \$4 trillion to \$300T since Nixon closed the

gold window in 1971.



The graph also shows that the world could reach debt levels of maybe \$3 quadrillion by 2030. That sounds like a sensational figure but the explanation is simple. Derivatives were around \$1.4 quadrillion over 10 years ago as reported by the Bank of International Settlement (BIS) in Basel. But with some hocus-pocus they reduced the figure to \$600 trillion to make it look better cosmetically. The BIS decided just to take just one side of a contract as the outstanding risk. But we all know, it is the gross risk that counts. When a counterparty fails, gross risk remains gross. So as far as I am concerned, the old base figure was still \$1.4Q.

Since then derivatives have grown exponentially. Major amounts of debt are now created in the derivatives market rather than in the cash market. Also, the shadow banking system of hedge funds, insurance companies and other financial business are also major issuers of derivatives. Many of these transactions are not in the BIS figures. Thus I believe it is realistic to assume that the derivatives market has grown at least in line with debt but probably a lot faster in the last 10+ years. So the gross figure is easily in excess of \$2 quadrillion today.

When the debt crisis starts in earnest which could be today or in the next 2-3 years, major defaults in derivatives will become debt as central banks print money on an unprecedented scale in a futile attempt to save the financial system. This is how debt can grow to \$3Q by 2030 as the graph illustrates.

US GDP GROWTH IS ILLUSORY

The second graph shows that **the US, the world's biggest economy, is living on both borrowed time and money.**

In 1970 total US debt was 1.5X GDP. Today is 3.6X. This means that in order to achieve a nominal growth in GDP, debt had to grow 2.5X as fast as GDP.



The conclusion is simple. Without credit and printed money there would be no real GDP growth. So the growth of the US economy is an illusion manufactured by bankers and led by the private Federal Reserve Bank. As the graph above shows, GDP can only grow if debt grows at an exponential rate.

The gap between debt and GDP growth is clearly unsustainable. Still with hysterical money printing in the next few years, in an attempt to save the US financial system, the gap is likely to widen even further before it is eroded.

There is only one way for the gap to narrow which is **an implosion of the debt through default, both sovereign and private. Such an implosion will also lead to all assets inflated by the debt – including bonds, stocks and property – also imploding.**

Temporarily the US has achieved this illusory wealth but sadly the time is now coming when the Piper must be paid.

THE END OF THE DOLLAR

The days of the dollar as reserve currency are counted. A currency that has lost 98% in the last 50 years hardly deserves the status of a reserve currency. A combination of military might, petrodollar payments and history has kept the dollar far too strong for much too long. Since there is no immediate alternative, it is possible that the dollar temporarily will remain strong for a while as the Ukrainian conflict continues. The economies of other currencies (Euro, Pound, Yen) are clearly too weak currently to be realistic reserve currency contenders.

The days of the Petrodollar are also counted.

Major moves are now taking place between the world's biggest energy producers (excluding the US) which will gradually end the Petrodollar system.

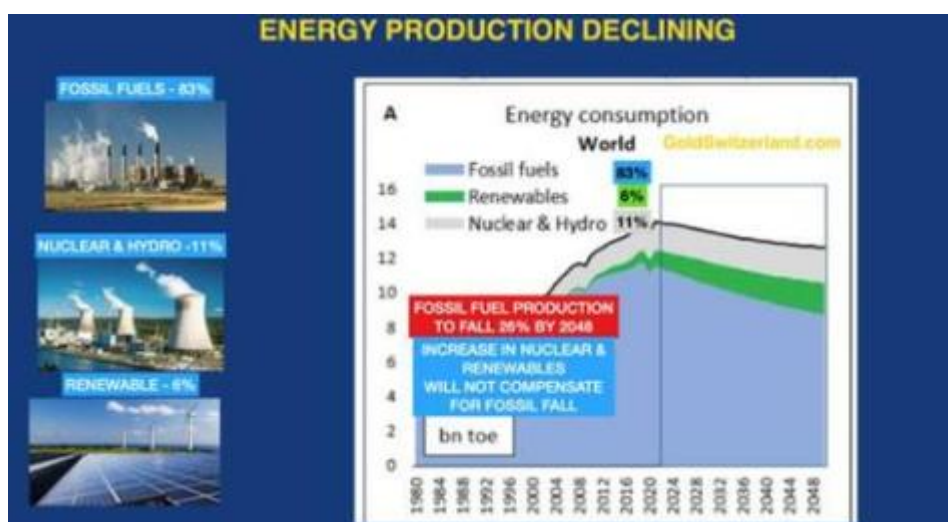
A GLOBAL RECIPE FOR DISASTER

But firstly let's understand that in spite of the climate zealots, there will be no serious alternative to fossil fuels for many decades. Fossil fuels account for 83% of global energy.

Global growth can only be achieved with energy. Since renewables today only account for 6% and are growing very slowly, there will be no serious alternative to fossil fuels for many decades.

In spite of that, **Western governments in Europe and the US have not only stopped investing in fossil fuels, but also closed down pipe lines, coal mines and nuclear power plants. This is of course sheer political and economic lunacy and a very rapid method to achieve a collapse of the world economy. Add to that the Russian sanctions and we have a global recipe for disaster.**

Without fossil fuels, the world economy will collapse. In spite of that, political pressure has slowed down fossil fuel production substantially. As the graph shows, fossil fuel production is likely to decline by 26% by 2048. Increases in nuclear and, hydro and renewables will not compensate for that fall. The effect will be a fall in global GDP and trade. But more about the energy side in another article.



Few people understand the importance of global trade. Rome conquered many countries from Europe to Asia and Africa. But during the Roman Empire, the various economies prospered due to free trade. The Romans were clearly superior thinkers compared to current Western leaders.

MAJOR SHIFT FROM WEST TO EAST

The GCC countries (Gulf Corporation Council) consist of Saudi Arabia, UAE plus a number of Gulf countries have 40% of the oil reserves in the world.

Another 40% of oil reserves belong to Russia, Iran and Venezuela all selling oil to China at a discount currently.

In addition there are the BRICS countries (Brazil, Russia, India, China and South Africa. Saudi Arabia also want to join the BRICS which represents 41% of the global population and 26% of global GDP.

Finally there is the SCO, the Shanghai Cooperation Organisation. This is a Eurasian political,

economic and security organisation headquartered in China. It covers 60% of the area of Eurasia and over 30% of global GDP.

All of these organisations and countries (BRICS, GCC, SCO) are gradually going to gain global importance as the US, and Europe decline. They will cooperate both politically, commercially and financially. As energy and oil is a common denominator for these countries, they will most likely operate with the Petroyuan as their common currency for trading.

With such a powerful constellation, minor hobbyist groups like Schwab's WEF will dwarf in significance and finally disappear as the WEF members including the political leaders lose their power and the billionaires their wealth.