Addison: All right. Okay, let's begin. Hi, welcome, it's Addison Wiggin. We're doing the second installment of **Surviving and Thriving in the Global Pandemic of 2020**. Today, with me, I have Steven Feldman who is the… He's a former partner at Goldman Sachs but he's, right now, the CEO of Gold Bullion International and it's retail partner, Hard Assets Alliance. In a moment I will ask Steven to explain how that came about. He can give you a little bit of background of what's working in the bullion markets and the innovation that he put in place which became the Hard Assets Alliance. We'll talk about that in a second but, Steven, first I just want to welcome you and say hello. So, hello.

Steven Feldman: Hello.

Addison: And then just ask you a personal question just because we're all in the same boat at this moment where we have to… we're sheltering in place. You live in New York, which is one of ground zero… I don't know. How are you dealing with it? That's my question.

Steven Feldman: Well, I'm relatively fortunate in that I live in a home where I can actually look out the window and I am relatively separate from the folks who live here. If it were to occur that one of us were to get COVID-19, we could still keep people safe. Obviously, we're all getting a little bit of cabin fever but the gratifying piece of this, at least, is that A) New Yorkers… I look out on the street, I can see that New Yorkers are complying with the social distancing for the most part. So I suspect the statistics within the next week or so will get better. Second, I'm gratified that I run a business that had girded itself, literally, since hurricane Sandy to be prepared for events like this. For us, working from home… we have not missed a beat and it's very satisfying to know that we can continue to serve our customers without, really, any meaningful hiccup.

Addison: Okay. Let's talk about the customers and what… The question I really want to ask is what is different about the Hard Assets Alliance platform and to just build some background into that, why did you lead Goldman Sachs, start up Gold Bullion International? What's the creation story of this whole project? Because I think it's a great one and I want to convey that to people but… it's better if you say it than I do. I just want to hear what your creation story is.

Steven Feldman: I came from a world of really classic financial instruments, security, stocks and bonds and it was really… This business was really built at the time of the 2008 financial crisis and came out of the idea that it was virtually impossible for an investor to buy, sell, store physical precious metals in an institutional manner. You were forced to go online and there were lots of dealers and the prices were all over the place and the messaging was sort of end of the world. We decided that we were going to try to create, or mimic, what a professional wealth management company or wire house or brokerage would do but only do that for the physical asset. We created Gold Bullion International and Gold Bullion International's original mission was really quite basic and still remains true today. Which was, we were going to allow investors to buy, sell, store, or take for delivery physical precious metals, gold,

Steven Feldman: silver, platinum, palladium, but we're mostly a gold and silver shop, as easily and as safely as they could with a stock or a bond.

First we started in the wealth management space and our customers include the largest wealth management firms on the planet. You can literally go into your brokerage account and you can use a ticker-based system to buy a kilo of gold. But we also wanted to make sure that we were servicing the individual investor, the self-advised investor who was used to using a Fidelity or used to using a Schwab or, nowadays, Robin Hood. That became HAA and HAA was a wealth driven eCommerce platform.

We created HAA to service the self directed investor in the same way they would go to Fidelity or Schwab or, today, Robin Hood and create an online physical precious metals business that was geared to wealth customers and also had a model that a wealth customer was used to. What does that mean? GBI nor HAA, we're not a dealer but we've knit together about a dozen dealers, refiners, and banks into a marketplace and they bid on each order. We're actually working for the customer, trying to get them the best price. And then we, instead of encouraging people to take their gold home and store it in a shoebox under their bed, we knit together a vaulting network where we've teamed up with Brinks, Loomis, [inaudible 00:12:50] to allow our customers to store their metal in New York, Salt Lake City, London, Zurich, Singapore. It's audited, it's insured, you can see it on your online statement, and you can take it for delivery any time you want. Taken together, we feel like we've created that for HAA and, frankly, since it started we've had pretty incredible reception and great results.

Addison: Let's talk about why that's important. We'll get back to the way that people have open accounts already could take advantage of it and, frankly, the way that they can is to fund their accounts and then use this service. But I want to talk about what's going on in the world a little bit. The financial situation we've had, these bailout plans. You and I talked a couple days ago… The news story is that there's $2 trillion coming down… I don't know people are going to print checks and send them to US citizens… that just sounds insane to me. But your assessment is that the debt level is going to rise to $4-5 trillion. Let's talk about that for a second. Your macro assessment of what the virus, infection is doing to the economy and what we can expect, say, for the next six to nine months and then how that is going to translate into the precious metals market.

Steven Feldman: That's a long question and it's going to be a longer answer. Maybe I can do this in pieces.

Addison: Okay.

Steven Feldman: Let's start out with the question of the $2 trillion fiscal stimulus. As you mentioned, the checks that will be coming and the loans to small business among a myriad of other spending programs. Coming into this year, we had already planned on a $1 trillion deficit for 2020 and that was based on the economy as we had it two months ago and the prediction about what tax receipts would be. So, we start with $1 trillion and now we're going to spend $2 trillion more than was originally planned and I doubt that's going to be the end of it. So, if you had two months economy and two extra trillion dollars of spending you're now at $3 trillion as a deficit. No one can actually expect that tax receipts are going to be the same. Certainly, much of the capital gains that people might have otherwise had have disappeared. We're going to have 10% unemployment and those people will not be earning income. There will be an evaporation of a lot of tax receipts. And that's how I get to a $4 trillion number in a deficit.

That will translate into… it has to be funded so that'll just translate into an increase in the national debt. We were starting, at the end of the year, at $23 trillion and conservatively add $4 trillion and now you're at $27 trillion in a smaller economy than last year. You might end up being 135% of GDP which would be, certainly, a record in our lifetimes. I don't recall the number for post World War II but it's got to be within spitting distance of that. That's the fiscal side of it. Would you like me to say a few things about the fed side, on the quantitative side?

Addison: Yes, I would like to… I don't want to get too deep in the weeds but I think that there's an important amount of thinking that goes into what could potentially happen post stimulus. We've been covering this idea for… 20 years now and one of my go-to problems is if you run a deficit in good times, and it's been huge, what happens when you have an actual crisis? We're in that now. It's an actual crisis. Tax receipts are going to go down and spending's going to go way up. What does that mean and what's going to be the impact on financial markets? I mean… I believe that nobody knows this answer. Everyone who's going through this right now wasn't alive during the time that we had anything like this happen.

Steven Feldman: I agree and I should pause and say let's hope that everybody stays alive because our health is more important than our balance sheet, for the moment, but we'll pretty soon have to pivot back to our balance sheet. I agree, you guys have been really on the money talking about the end game, really. Are we at the end game and what does it mean when the fed, in addition to fiscal stimulus of $2 billion and a $2 trillion and then increasing the debt $4 trillion, is also, at the same time, another $60 billion to $75 billion per day. That's per day going into quantitative easing. That's the fed buying bonds and other securities and injecting cash and liquidity into the system. That's $2 trillion a month. I don't see that letting up anytime soon, especially when we still don't know what the impact of over leveraged oil companies and mortgage payments that may not get paid this month and lease payments that may not get paid in office buildings that have mortgages. I suspect that that is going to continue for some time.

Then you take a pause and you take a look at what you have. What is that end game? You've got a very over-leveraged country with a lot of debt and you've got a gigantic balance sheet basically making money less valuable. Quite simply, supply and demand. There's a lot many more dollars out in the system, your dollars going to be worth a little bit less. It is unpredictable. Anyone that tells you they know what's going to happen from today is just either trying to sell a book or foolish or has a tremendous amount of hubris. The macro piece of this isn't all that complex in some ways. Which is, you know there's going to be a lot more dollars and you know interest rates are going to have to stay low for a long time because the federal government is going to need to pay interest on this increased amount of debt and they're not going to be able to afford higher interest. That, and then they're going to need to create some sort of inflation in order to inflate their way out of the debt position because between raising taxes and repression, repression always seems to win.

Steven Feldman: That's why, frankly, I am generally bullish on gold. I'm bullish on things that are not scarce. Excuse me, I am bullish on things that are scarce because all of the real asset, whether it be farm land or it be gold or other physical things, are likely to go up in value.

Addison: Yeah, I agree with you. But what I'm trying to get at is... it seems like it got accelerated, literally within the last six weeks, and that's unprecedented and that's a... The first word of the month I gave to March was crazy because everyone was saying, "This is crazy." And then the second word of the month, and maybe it's the word of the month for April, is unprecedented. We've seen this massive acceleration of government... I don't know, response to both the virus on the ground, shutting down business and the economy has ground to a halt, but also they're sending all this stimulus out... that is going to have an impact that no one has ever seen before.

Steven Feldman: I agree. Listen, I mentioned before that in the order of how people feel about what's going on in the world, the first thing you want to make sure is that you and yours are safe. And then, when you have that locked away you can worry about your job and your own personal fiscal position. I think the government is doing the same thing. They're saying, "Right now, A, I have to keep people safe." Well, they're a little late to the party on that. "And I have to make sure that we don't go into a depression."

The government is basically doing what every individual is doing. They're prioritizing the harms. The first thing all the humans are doing is trying to stay indoors, not to get infected. Then they'll worry about their job and they'll worry about their balance sheet. Federal government is doing the same thing. Their first priority is to keep people safe, although they're a little late to the party, a little flat footed on that in my opinion. But the second thing they have to worry about is preventing a depression. They are going to do that first. They're going to pull a Mario Draghi and they're going to have an unlimited amount of quantitative support and fiscal stimulus to make sure that we avoid a depression. Once it's clear that we're on the other side of this virus and some people can come back to work, the hospitality industry, et cetera, and people just feel generally better, they're going to take a look at what's there and they are going to have to figure out what to do next.

Now, some of this is going to be so enormous and so, as you said, so crazy, so unprecedented, that the moves are going to be quite limited. But they're not unknown. They're just not unlimited. They're not going to be able to let interest rates go up and they're going to have to architect some sort of inflation in order to inflate ourselves out of this debt. That's, historically, been very positive for gold, positive for real assets, and positive for companies that have true pricing power and earnings power.

Addison: Let's talk about savers in that environment. And I really just want to ask that question because most people listening will have saved a certain amount and they do it in different ways. They save it through the markets, they save it through, I don't know, whole life systems or insurance plans. They do a lot of different things. But when the markets go down what is the impact for savers? Even if the governments pumping money into the system... what's the impact going to be on the markets in a way that is going to be helpful for the financial arrangement that savers have put in place?

Steven Feldman: Woe is the plight of the retail saver. It has been a horrible 11 years and I feel terrible for many people who have not... have not saved enough money for retirement and you're sitting here today and you had 2008... Can I start that one over?

Addison: Yeah.

Steven Feldman: Let me start that one over.

Addison: No worries. [inaudible 00:26:16] you broke up in the middle so [inaudible 00:26:19].

Steven Feldman: Addison, the plight of the retail investor in the United States for the last 10 to 12 years has been terrible. You had the financial crisis in [inaudible 00:26:33] and maybe the saving grace is that many people, myself included, learned a few lessons from that so they were able to stay… they weren't 100% in the stock market anymore and they were holding cash and a little bit nervous. That's a bit of a saving grace. But there's no ability, even before this crisis, today's crisis, there was no ability to earn any money on your savings. You couldn't make money in your deposit account, in your CD, in a treasury bond, nothing. You were forced very far out on the risk curve. Now whatever stocks you have are down 20% plus. If you were in the oil patch it's 50%. If you want to go back into cash it's going to be a 0% return and I'm sure there'll be plenty of companies that are going to be cutting and suspending dividends going forward.

It's a bit of a tragedy and if I can riff for a second… I don't know why capitalism has to include a stock market which all the companies are levered and then the hedge funds buy those shares and they're levered. So the first time there's a broad side and companies go down… let's say they go down 10%, well they're leveraged that means 20% and then the hedge funds are leveraged 50%, so now the markets down 40%. I get it, you don't want to put too many shackles on capitalism, but at some point you would think that we would all learn from these mistakes… every 10 year crisis would be something that we would want to fix a little bit more than we've tried to. Sitting here today, there's very few good options for the personal investor. If you're older and you're not earning and you're trying to live on a fixed income that becomes really quite difficult, probably more difficult today.

And if you're an investor trying to build a nest egg, are you bold enough to go into the market that's down with all these risks in front of you? I think most people are doing nothing and try to see a day where there's a little bit more clarity.

Addison: Yeah. I think that's probably true just from the news cycle for the virus itself. We're so dominated by… executive orders and closing borders and things like that, that people are kind of frozen. But it also seems to me that the moves that are being made by the treasury, by the fed, are positive in the future. They're trying to stave off depression for the lack of a better way of saying it, now but when all that money gets starting to… starts moving through the system then-

As the money that the treasury and the fed are starting to push into the system, what's going to happen? When do we see the impact of that? I'm asking that specifically because the gold price over the last week or so has been… has been volatile at best but it hasn't started spiking yet. I'd just like to hear what you think about the money that's being put into the system and how long that would take to start reflecting in any kind of hard asset value.

Steven Feldman: That's a good question and one that I've been getting a lot lately. It's usually, "How come gold hasn't gone up higher than it has?" The answer to that is in two parts. One is what happened in 2008 and I have instructive and one is actually quite specific to the global pandemic. When a financial crisis hits, given that markets are highly leveraged, then all of a sudden liquidity becomes quite important and there's a lot of… whether it's everything from hedge funds to other levered players, have to cover their leveraged positions. They basically sell the most liquid things that they can sell and often gold goes down because it's highly liquid and can be leveraged but it's actually a liquid asset. So it went down in '08 and then after a period of time it started to go up on a very, very steady basis based on increased balance sheets and all the things that we've been discussing.

I would have expected it not to rocket up on day one while markets were going down at the same percentage that they've gone down this time. But then there's actually something pretty specific. While I don't like to predict price of gold, I can say that at least in the short run there might be an artificial reduction in the price or an artificial depressing in the price. Today investor demand does not make up more than half of the demand for physical gold. That demand is made up from jewelry, technology, and India. Right now India is in lock down. The jewelry businesses, whether it's the wholesale business or the retail business, is shut down. And the technology side, which is a smaller side, is also not deemed an essential services. You have a lot of the places where you have natural demand are out of business today.

While I suspect that you can see less demand for jewelry, you won't see zero demand, unless demand for electronics [inaudible 00:33:50] see zero demand. And I can also bet when the Indian community comes out they're going to be nervous and there's going to be more buying of gold. Frankly, the Chinese and the Indians who are the larger buyers of gold had more money in a relative basis in gold than having financial assets. So, arguably, they're hurt less but they'll still be nervous and it's going to reinforce, for them, that gold was a good investment. Something that Americans can never seem to get their head around. If anything, I feel like there's a moment where investors can create a physical gold or precious metals position and have more macro factor [inaudible 00:34:34] at their back than in their front.

Addison: Okay. Having said what you said, I want to ask a couple different questions. One, the media is reporting that… on a pretty wide scale, that if you go to buy gold there's no gold to be had. So, there's a divergence in the prices that are printed online versus what you can actually get them at. I think there's just a lot of confusion about how the market actually works versus even what journalists are saying about it. So, if you could just give us some clue as to why there's a disparity of places-

Steven Feldman: Happy to comment on that.

Addison: Yeah, I know you are.

Steven Feldman: At the risk of sounding glib, there are also very large premiums for Lysol wipes because I don't think too many supermarkets were prepared for the onslaught of demand that was going to occur. All the dealers on the planet have had years and years of experience in managing their inventories and then all of a sudden March came and everybody was drinking out of a fire house, everything that wasn't nailed down people were buying. Different things that they wanted to buy just to get exposure to the metal. You replenish your shelves with metal that is refined in places like Switzerland where refineries were shut down because they were deemed non-essential services. The mints, including the Canadian mints and US mints, which are good operations but no one would say… we're not talking about an Amazon supply chain. It takes them time to refine products and there'll be lots of back log. That's what happened in the physical market. The demand far outstripped supply and premiums, for physical over financial gold, got very high, the highest we've ever seen.

But it's a good segue to talk about the differences. I also hear, all the time, "Why is the physical price so much higher than the ETF or the futures contract?" And the fact is, they're different products. Physical gold is heavy and it sits in a vault and you can have it in your house or Brinks vault. It's nobody's obligation and you have no credit exposure, no counterpart at risk. Today, you and I can make an agreement that I'll sell you gold in a week and we can pick a price and provided I don't succumb to the virus I would have to pay you back. That's all these other financial products really are. It's just an agreement between two counter parties, maybe an investment bank or Comex or State Street or some other financial intermediary, to pay you the price of gold. But there's none of them that actually gets you the bar. If they do it's such a pain that you would never do it. It's designed for you never, ever, ever to do it.

The [inaudible 00:38:14] products. If we were having this interview in India or China I wouldn't have to explain any of this. People would say, "What's a futures contract?" They'd say, "I want gold. I want it in my house. I want to know that it's there for me in times of crisis. [inaudible 00:38:30] goes up all the time and that's what I would like to own." I know the premiums were high because supply and demand were out of whack. It's already abating. Capitalism is a wonderful thing. People see a profit opportunity so the refiners are working 24/7, we're working 24/7. We're working from home and 24/7 to create the cheapest supply for our good customer base at HAA and others.

Addison: Let's kind of wrap this up then. Where do you see all of that playing out? There's the supply chain issue, there's the financial markets which are fickle at best, and then there's the actual supply of gold and HAA or Hard Asset Alliance's… approach to creating a market that supplies the gold that people want to buy. In a way it's a three tier thing. The financial markets are crazy right now. It's hard to-

Steven Feldman: Yeah.

Addison: And then we have the economy itself which is going to be… There's going to be an issue that's probably six months from now at best. And then the ability to buy and sell gold on the platform that you've developed.

Steven Feldman: That was a complex question with many parts. [crosstalk 00:40:09]

I could actually answer it actually quite simply. Because my answer vis-a-vis how you invest, at least in the asset class, that I have my career based on, has not really changed. If we were doing this interview a year ago I would have given a very, very similar answer than I'm going to give right now.

Gold is very, very misunderstood in the United States. We're a country of optimists and hot markets and stock markets and stocks [inaudible 00:40:51] and Warren Buffet and hot money and Nasdaq and Bitcoin and weed stocks, et cetera. Yet, with all that, gold has been the best performing large asset... [inaudible 00:41:10]. Gold has been the best performing, large asset class in this century and it is very unlikely to change that order for the foreseeable future for all of the reasons that were in place a year ago which have been so incredibly exacerbated in the last four weeks.

I think there is a way to own gold, physical. You can buy it in lots of different places. We think we've created, through HAA, one of the best platforms to do it. Your gold would be safe, we work for you, it's liquid, and it's insured and it's audited. If you want to take it home, we don't recommend it, you can. I'm not going to predict the price, I'm not telling you where the markets are going to go, I'm not going to even tell you that we'll all... not going to find a different strain of COVID, but my advice hasn't changed and will not change.

Addison: All right, let me just push you a little bit further and just ask, what would you say to people who think they've already missed the opportunity to invest in gold because, or silver or precious metals in general, just because the crisis is already under way? What would you say to that? It doesn't have to be a long answer.

Steven Feldman: Sure. Listen, as I mentioned before, I suspect that the gold price [inaudible 00:42:53] being depressed by margins selling, lack of jewelry demand, in the [inaudible 00:42:59] being closed. Those are short term factors, those will pass. But it's giving, in my opinion, at least some buying opportunity or some excuse to be bold and buy today. But the debasement of the US dollar will continue and probably with more vengeance than ever. Gold will never go out of business. I can't guarantee you the price won't go down but it'll never go out of business. It won't be Woolworths or Macy's or the 25 companies that are going to go out of business in the next three weeks. You'll always have something. I'd also say that, except for maybe six months, about eight years ago, everybody who's ever bought gold is up. Six months or nine months out of 4,000 years seems like a pretty good run.

Addison: That sounds like a good way to put it. A couple days ago you and I had talked about the amount of your portfolio that you would recommend and that might just be on your personal decision. What would you say to other people? How much should you have in gold?

Steven Feldman: You know, for Americans, an average of 1% would be an astronomical number since the vast majority of Americans own zero. I'd like to answer this in two ways. I think every investor should start to build the position in the metal as part of getting to a goal of 5-10% of the portfolio. By the way, I only say 5-10% because I think it would be impossible to get Americans to do 10-20% which I think is probably the right number.

Addison: Okay.

Steven Feldman: I think people should be thinking holding less in cash more in gold. Less in some of this fixed income which has credit risk but no return. Gold has a return but it doesn't have a dividend, that's a problem. If it did I wouldn't have to have any of these conversations. But I mostly want people… we started this series, this discussion, around people at HAA who have funded their accounts but haven't [inaudible 00:45:19] bought or opened an account and haven't funded. They've taken a very, very important first step. It's unnatural for Americans to be pessimistic or to buy gold or, frankly, link the two. But I don't think buying gold is pessimistic and I applaud those people and I applaud what you guys have done vis-a-vis HAA to give people the bravery to do something a little different. To not be complacent. And to actually [inaudible 00:45:48] and it be the same and it's always going to work out.

Addison: Yeah. To take an action.

Steven Feldman: To take an action. If there was one thing that I can change, one word that I can change for all investors, is stop being complacent. Stop assuming that it's all going to work out. And stop listening to… and try to stand away for some of the narratives that you've been told for your entire time as investor. We're in unusual times but even outside of the unusual times people have to take a more active role, be more open minded. 40% of the worlds population, China and India, maybe even more than that, really are firm believers in owning gold. Most Americans think that that's primitive but yet sitting here today they're less worse off on a per capita basis. Their portfolios are down less than Americans are down. And I don't know, I'm probably older than the average person who's going to hear this, but I'm sort of getting tired of the emotional burden of the stock market. Maybe you should add some ballast. We all have life insurance, we all have property insurance, just think of it as wealth insurance.

And if it goes down, maybe everything else goes up, and so you're going to feel better. But when everything goes down and at least you have that. That could be the difference between having money to spend, having mental health. That's the thing that I think always the US investors get wrong. When the proverbial you know what hits the fan, the stock market doesn't always just go down, but then the economy turns down, and then people lose their jobs, and you're nervous about your job. Don't you want some good news [inaudible 00:47:46]. Good news usually is gold.

Addison: All right, Steve. You've done a phenomenal job today of giving us your perspective. I want to thank you just for taking the time to spend with me. I'm sending this out to readers as soon as we can get it together and I want that to be… I want it to be a good boost of confidence for people that are effectively just sheltering in place at the moment.

Steven Feldman: Listen, I appreciate the opportunity and I'm grateful for it. Stay safe.

Addison: Thank you, Steve, again. I really appreciate you stepping in on the call today. If you're listening, today, it's because you have an HAA… It's because you have an Hard Assets Alliance account and I urgently suggest that you fund the account today because in the ensuing months we'll be able to make suggestions on what trades you can make and what you should buy to follow along with the philosophy that Steve used to even create the account in the first place and then the one that we believe is the best way to do it. As you know, from the many disclaimers that we've put in place, it is the one that we trust the most so we invested in the company. When you do that you're going to be following our advice but you're also going to be following along with the philosophy that we believe is the best way to move forward.

I want to thank you and suggest that you fund your account. You can do that just by clicking on the link below. We made it prevalent and obvious so if you can't find it just let us know. I just want to thank you for taking your time today to join us and listen to our view of what's going on in the market and the gold... precious metal. I just want to thank you for joining us today and considering our point of view in the financial markets and also in what's happening with gold, silver, precious metals. Like I would say to any of my employees or any of my family, I wish you well and I hope you're doing okay. Thank you, talk to you soon.