



Jeff D. Opdyke's Global Intelligence Letter

Russia and China's Plan to Destroy the Dollar... and How to Protect Your Wealth From It

Dear *Global Intelligence Letter* subscriber,

Late autumn 2012. A sedan winds slowly through a forested landscape of spruce, alder, and birch trees dressed in a light dusting of morning snow. Gray clouds hang low and ominous in the early morning light. The driver slows, unsure of where to go.

A small wooden house appears on a side road in the forest. White smoke lifts from the chimney, quickly merging with the low clouds.

The car pulls to a stop.

"I think here," the driver offers in a thick, Eastern European accent.

The passenger looks around...nothing looks familiar. He steps out, snow crunching underfoot and shattering the silence. The car motors away.

In the window, a gray-haired man gazes out.

He watches intently as the passenger approaches the house and knocks on the door.

The location: a leafy suburb of Tallinn, Estonia.

The passenger: me.

The man in the window: a former member of the Congress of People's Deputies of the Soviet Union, once the most powerful state body in the former USSR.

He opens the door with a smile, welcomes me in, and is soon sharing Russia's plan to "start a new cold war." His words, not mine.

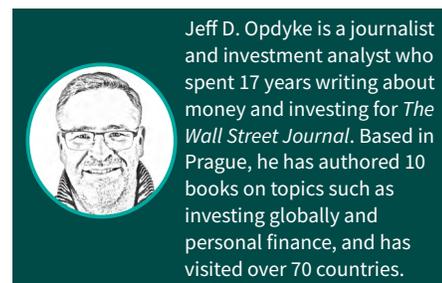
This, he tells me, will be a very different kind of cold war. It will not have the same physically destructive power as a "shoot 'em up" war, but it will harm more people—basically everyone—because the battlefield will be located everywhere money is spent.

Economic destruction will tear through countries around the globe, particularly America. It will leave in its wake poverty, rampant inflation, devaluation of the dollars in your wallet, and an entirely new global monetary order.

I know how all of that sounds...like delusional ravings or the plot of some James Bond or Jack Ryan story. Indeed, few wanted to

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believe me when I first wrote about this meeting in the woods of Estonia more than a decade ago. Few probably want to believe me now.

But know this: The event the man warned about... it is now beginning to unfold. And serious economists are finally starting to sit up and take notice.

There is some good news, though. There is still time to protect your wealth from this new cold war by investing in the financial savior of tomorrow. That's not marketing hype. It's a fact, rooted in a very long history.

I'll tell you about this savior in a moment. But first, let me explain this event and why it threatens to upend a century of status quo...

The Long Reign of King Dollar

This new cold war has one aim: To destroy the greatest weapon America has ever possessed—King Dollar.

For a century now, the dollar has stood atop the mountain of global currencies.

It has officially served as the world's "reserve currency" since the summer of 1944, when in the waning months of World War II, Allied powers gathered in Bretton Woods, New Hampshire to fundamentally reshape the world economy by establishing our buck as the currency in which all global trade would be priced.

Today, roughly 85% of global trade occurs in dollars. No matter if that's Colombia trading raw sugar with Bulgaria, the swap takes place in dollars. Bulgarian sugar buyers must convert their lev into greenbacks that they then dispatch to Colombia, where sugar mills must then convert those dollars back into Colombian pesos to pay the costs of running their business.

Moreover, 60% of global currency reserves—the money that the world's central banks keep on hand—are in U.S. dollars for various reasons ranging from international finance obligations (trade and debt repayment costs) to portfolio diversity.

All of that creates artificially high demand for the U.S. dollar. It is the primary reason the dollar maintains such strength relative to other currencies.

Without reserve status, the dollar would be valued lower relative to other world currencies

because central banks wouldn't have to hold bundles of greenbacks, and companies the world over would not have to buy dollars to facilitate trade.

This high global demand for dollars means that prices for pretty much everything in the U.S. are cheaper than they would otherwise be.

If the dollar was not the global reserve currency, we'd be paying currency-conversion costs, just like every other country. Our wallets would feel the effects at the supermarket and just about every consumer-goods retailer.

And if demand for dollars wasn't propped up, the U.S. government would never have been able to borrow as much money as it has from the world.

Today, global buyers are effectively forced to buy U.S. Treasury bonds to meet their currency-reserve needs. If that wasn't the case, the yield on Treasury bonds would have to be higher to attract global buyers. That would push up the interest rates that Americans pay on mortgages, car leases, credit cards, and other forms of debt—all of which are based on Treasury bond yields.

The dollar, then, is the most powerful financial weapon in the world. It is the key to America's wealth and power.

The benefits that the dollar bequeaths to America and Americans have long annoyed much of the world.

Indeed, back in the 1960s, Valéry Giscard d'Estaing, who would later become president of France, coined the term "exorbitant privilege" to describe the economic advantage the dollar's reserve status awards to America's economy and her consumers.

America's enemies, in particular, bristle at having to use the dollar in their own economies, and have long sought a way to undermine its global dominance.

Which takes us back to the wooden house in an Estonian forest...

The Plan to Destroy the Dollar

The man in the window was Ivar Raig.

He was born in southern Estonia in 1953, when the country was a state in the former Soviet Union. Ivar grew up a member of the

Communist Party. In time, he would serve in the highest levels of the Soviet government.

When the USSR collapsed in 1991 and Estonia gained its independence, Ivar transitioned into Estonian politics.

Perhaps the most important note about his resume is that he is a trained economist. He served in various economic roles in both the USSR and Estonia and—the really big deal—helped Estonia build its own currency, the kroon, after independence.

When he opened the door to greet me all those years ago at his forested home in Tallinn, the smell of apples and cinnamon emanated from the kitchen.

He smiled and invited me in, shocked, he told me, that an American had heard of him and would travel all the way from the U.S. just to spend time chatting with him.

As we sat in his living room, his wife appeared with coffee and a plate of apple cake she had just finished preparing for my visit.

Over the next couple of hours, Ivar shared with me all kinds of stories about the economics of modern-day Russia, as well as Estonia's emergence as one of the strongest economies in the European Union.

Then, at one point in the conversation, Ivar mentioned in passing that he was fielding at least one call a month from the Russian central bank.

I stopped him, somewhat stunned, and asked why the Russian central bank would regularly be calling an Estonian economist.

He told me it was because Russia and China were working together to build a new reserve currency, and because of his experience launching a currency, Russia wanted his input.

Ivar told me that Russia wanted to attack the dollar by releasing a new hard currency backed by gold, oil and various other commodities. He said China was onboard with the plan but was cautious and kept telling the Russians, “Not yet. Now is not the time. Be patient.”

Immediately, I knew he was telling me the truth.

A hard currency is one that's backed by one or more hard assets. There was a time when the

U.S. dollar was a hard currency—backed by gold for more than 100 years. Before Nixon ended the gold standard in 1971, countries could go to the U.S. government and swap \$35 for an ounce of gold at any time. Now, the U.S. dollar is a fiat currency, meaning it is backed by nothing more than a promise from Uncle Sam. Basically, it's an IOU.

For years before meeting Ivar, I'd been reading all these economic stories about China gobbling up so much of the world's natural resources, like copper, iron ore, and silver. The numbers always puzzled economists because there was no possible way the country could be using such a vast quantity of resources.

I blurted out to Ivar, “So *that's* why China has been buying so many hard commodities! It's building a war chest to back a hard currency.”

He smiled and shrugged.

After my meeting with Ivar, I wrote a story noting that China and Russia would one day launch a global reserve currency based on hard assets. My report mainly solicited laughs among mainstream economists.

But nobody's laughing now...

The Plan Is in Motion

Last July, headlines like the one below from *Insider* started appearing in the business sections of major publications across the world.

Russia and China are brewing up a challenge to dollar dominance by creating a new reserve currency.

A headline like this doesn't cause much angst with lots of Americans because we Americans generally don't perceive much threat from any other currency in the world, particularly from Russia or China.

After all, the Chinese yuan is tightly controlled by the Chinese government, which has a demonstrated history of manipulating the currency to further its own ends. Hardly suitable for a global reserve currency.

The ruble, meanwhile, comes from what is now a pariah nation and an economy under global sanctions because of Moscow's unprovoked attack on neighboring Ukraine.

Yet, Russia and China building a new reserve currency is not an event to blithely cast aside.

The pair are in cahoots with the three other members of the BRICS nations—Brazil, India, and South Africa.

Countries including Egypt, Turkey, Algeria, and Saudi Arabia are also talking about joining the effort.

I realize just how easily lots of people will disregard that hodge-podge of countries. But that would be a mistake for several reasons:

1. Those nine countries combined represent 28% of the global economy, and 44% of the world's population.
2. All of them are resource-rich, which means they have the capability to build a currency backed by hard assets.
3. Many are clear adversaries of the U.S. Some are apathetic, while others merely pretend to be friends of America for national security reasons.
4. Many other nations—lots of them antagonistic to America—would gladly join that collection of countries or be more than happy to store some of their national savings in a non-dollar, non-Western reserve currency.

This effort to build a new reserve currency is a direct assault on the dollar's dominance.

“This is a move to address the perceived U.S.-hegemony of the IMF [International Monetary Fund],” Chris Turner, global head of markets at financial giant ING, recently wrote in a note to investment-banking clients. “It will allow BRICS to build their own sphere of influence and unit of currency within that sphere.”

Granted, neither China nor Russia has said anything (yet) about backing this new reserve currency with hard assets, but I'm certain there's a method behind that silence.

China is a nation that plans for three generations. America is a country that plans for Friday night.

I am convinced China is biding its time while it puts into place everything it needs before it announces this new reserve currency is going to be backed by hard assets.

For years, China has been stockpiling all manner of natural resources, from iron ore to molybdenum. The country is also the world's

largest miner of gold (none of which leaves its borders) and the largest importer of gold.

Russia, meanwhile, is obese with resources including gold, copper, titanium, tin, oil, natural gas, and more.

And there are the other countries that may join this effort. They're rich with oil, uranium, platinum, palladium, copper, gold, silver, iron, nickel, zinc, and a veritable smorgasbord of natural resources that would fit very nicely into a reserve currency backed by hard assets.

Don't be surprised if China and Russia ultimately announce that the BRICS reserve currency is backed by a basket of commodities including gold, silver, oil, gas, palladium, and various industrial metals.

That means the currency would be convertible, at any time, into the equivalent value of that basket of hard assets, just as the U.S. dollar used to be convertible into gold.

Russia and China know that such a currency could draw in a vast amount of demand from countries which right now fear that vast and growing debts will collapse the U.S. dollar and the Western economic system.

We're already seeing evidence that countries around the world, including friendly nations, are increasingly worried about our debt levels.

Last year, global central banks snapped up gold at the fastest pace in more than half a century, according to the World Gold Council.

Those central banks are rightly worried that a Western debt crisis will destroy currencies all over the world, and that the only buffer is a hard asset like gold.

Not hard to see, then, that a reserve currency backed by hard assets including gold would very likely find substantial global demand.

The Inevitable U.S.-China Conflict

The plan for a new reserve currency may have been hatched in Moscow, but it's clear that Beijing is now the one calling the shots. China is fixated on overtaking America.

Even as China works with Russia and the BRICS nations to build this reserve currency, it's also trying to convince Saudi Arabia to begin selling Gulf oil in Chinese yuan instead of Uncle Sam's greenbacks.

This goal was announced at the end of last year, when Chinese President Xi Jinping embarked on a rare trip overseas to meet with Saudi leadership in Riyadh.

The Saudis have not yet agreed to this plan, but there's good reason to think they ultimately will because both sides have been negotiating this for many months now at the highest levels of government.

China's plan is to expand the flow of oil trading through the Shanghai Petroleum and Natural Gas Exchange, which launched in September 2021.

Xi is calling for Gulf Cooperation Council nations (Saudi Arabia and the rest of the Arabian Peninsula, excluding Yemen) to sell their oil in yuan through the Shanghai exchange. And Xi has influence behind his words: China currently sources about 40% of its oil imports from GCC countries.

Right now, roughly 80% of global oil sales are priced in dollars, and Saudi Arabia has exclusively traded oil for dollars since 1974. Allowing China to use the yuan instead—and having increasing amounts of global oil production flow through the Shanghai exchange—would represent an existential threat to King Dollar and begin to see countries call into question its current role as the world's reserve currency.

Trading volume would increasingly find its way to the Shanghai exchange, meaning away from U.S. and European exchanges.

Lots of countries would certainly buy their oil in Shanghai, either out of necessity or because of animosity toward a U.S. government that has shown a penchant for using the dollar as a weapon to bludgeon nations into accepting American dictates.

So, how does this end?

There is a thesis you might have heard of called the Thucydides Trap.

This is the idea that when a rising power bumps up against an existing power, one of two outcomes must occur: The existing power yields to the rising power...or war erupts.

This trap has emerged 16 times going back to ancient history, and in 12 instances war resulted.

Raise your hand if you think the U.S. will yield its most powerful force—the dollar—to China?

Right. No one thinks that.

This coming conflict may not involve guns—though it very well could, and it could be centered on Taiwan.

More likely, though, this will be a financial war. And there, China has a stacked arsenal.

Where America has debt, China has wealth—roughly \$3.5 trillion in foreign currency reserves and an amount of gold that is wildly understated.

Officially, China holds about 1,980 tons of gold, according to the World Gold Council. But that's almost certainly a lie.

In 2007, China became the world's largest miner of gold, a position it has held every year since.

Since 2000, the country has mined more than 6,800 tons of gold, and there are two facts to know about that production:

1. The Chinese government owns more than half of domestic gold production through state-owned gold miners.
2. The export of domestic gold from China is illegal.

It seems pretty clear, then, that more than 6,800 tons of gold mined in the last 20-plus years is somewhere inside China, with much of it in the government's coffers.

And then there's this little tidbit: Along with being the world's largest miner of gold, China is also the world's largest importer of gold.

That import data is trackable through Hong Kong and shows more than 6,700 tons of gold flowing into the country. Virtually nothing flows back out.

That right there is more than 13,000 tons of gold.

Uncle Sam theoretically owns a bit more than 8,000 tons at Fort Knox, but there are plausible reasons to believe that too could be a lie.

The gold that supposedly lives there was last *partially* audited in 1953 and all efforts by Congress since then to audit the gold (owned by the Federal Reserve, which is not a U.S. government agency) have been rebuffed.

Moreover, just as Hong Kong tracks gold shipments, so too does America...and those documents show that over the last 20 years or so, far more gold left American shores than came in or was mined here.

No one can say where that excess gold originated.

Is Uncle Sam draining Fort Knox?

Only the Federal Reserve knows, and it's not saying a word or allowing anyone in government to audit Fort Knox.

Finally, China owns a boatload of U.S. debt—almost \$1 trillion worth, as of last fall. That's a weapon of mass destruction far more powerful than any nuclear missile.

If China (with Russia) were to unleash a reserve currency backed by hard assets, have an oil exchange where petroleum is priced in yuan, and then suddenly dump U.S. debt...it would be cataclysmic for America.

Uncle Sam relies on other countries to buy his debt so that he can afford his bills. If China were to abandon U.S. debt, America would not find another country or countries with pockets deep enough to pick up the slack.

The dollar would collapse.

Interest rates would soar beyond the capacity of consumers, businesses, and the government to absorb the increased debt repayment costs.

Life and lifestyles in the U.S. would devolve.

The long-touted thesis is that China would be hurting itself by pursuing such a tactic because the value of its foreign currency reserves would plunge. And that's very true.

But that thesis also blindly (or willfully) overlooks one salient fact...

All the gold that China owns.

Gold and the dollar generally move in opposition, as though on a see-saw. Thus, even as China's foreign currency reserves declined, the value of its gold would soar.

China, in effect, has created the world's largest hedge fund, and it's positioned specifically for a dollar decline.

It also seems to be positioning its citizenry for a coming crisis. Since 2009, China has been urging its people to buy gold and silver, which,

logically, is where a lot of gold production and imports are likely being consumed. That's a huge and fundamental shift in messaging for a country that once imposed strict controls on gold purchases by its citizens.

Why, one must ask, would China suddenly make this significant change in financial policy and start urging its people to buy precious metals?

Has China been preparing its people for a global monetary reset?

Ultimately, what we have is this:

- China and Russia are actively and openly working to dethrone King Dollar by creating a new reserve currency that will encourage various central banks to dump dollars for a BRICS currency. And if it turns out the new currency is backed by hard assets, then the dollar is in deep trouble because many countries will gladly hold a hard asset currency over one backed by mountains of debt.
- China is out to undermine the dollar's supremacy by pushing to price oil in yuan.
- China has the world largest foreign currency reserves, and quite likely the world's largest stash of gold.
- China for more than a decade has been urging its people to buy gold.

To me, all these signs indicate that a monetary reset is afoot.

And we don't necessarily need to see a full monetary reset...

Even if just 20% to 30% of the global oil trade starts occurring in Chinese yuan, or if central banks convert just 10% to 20% of their reserves to this new BRICS currency, it would still be massively damaging to the value of the U.S. dollar.

And that's why I am urging you to act to protect yourself and your lifestyle by following in the footsteps of China and loading up on gold.

Gold as Lifestyle Protection Insurance

I've been buying gold in my personal life now for probably 15 years.

I own rare gold coins from centuries ago, and raw bullion coins from the 19th and 20th

centuries that countries once used in global trade or that consumers around the world once used as pocket change.

I own gold mining shares in my largest retirement account, and I own physical gold exchange-traded funds in a number of investment accounts.

In all, gold is easily 20% of my overall investment and savings portfolio.

Gold takes up that much space in my financial life because I have long worried that American and Western debts are assured disasters, and that the U.S. dollar is destined to lose reserve currency status.

That's simply history talking, since not a single reserve currency going back to the 13th century has survived more than about 80 to 100 years.

The dollar is about 100 years into its reign.

Meanwhile, China's hoarding of gold, and its concerted effort with Russia to undermine King Dollar on the global stage, is not something I scoff at.

Ivar Raig told me a decade ago what was coming. At the time, many people laughed. Now it's clear he was dead-on accurate.

For me, this is a moment to begin preparing. You have time, but I can't say how much. The gears of this plan are already in motion.

So, you absolutely want to own gold.

Gold is going to be part of the solution to the monetary challenges ahead because it cannot be manipulated like fiat currencies can.

To buy more guns and butter, all a nation must do today is push a button on a computer and create new currency units—be that dollars or euros—which makes every existing dollar and euro worth a bit less.

But expanding the gold supply requires real effort.

You have to find new sources of gold, then mine them, and then fabricate the ore into metal.

No one—not even the Federal Reserve—can gin up new gold bars at the push of a button.

For that reason, gold is the anti-fiat currency...an asset that answers to no overlord.

There's a reason that gold has served as the antidote to every major monetary reset in history. And the world is not so advanced in 2022 that "this time is different."

The only thing that's different today are the monetary thinkers in government and economic think tanks who claim gold is a relic.

Laughable arrogance.

While I certainly counsel people to own some physical gold in a safe at home, that's not always practical, particularly for larger quantities of gold or for those investing through a retirement account such as an IRA or a 401(k) plan.

The easiest and most convenient way to own gold—especially in brokerage and retirement accounts—is by grabbing shares of an exchange-traded fund (ETF).

There are a number of gold-centric ETFs. The biggest and most well-known is SPDR Gold Shares, more commonly known by its ticker symbol—GLD.

I am not a fan of GLD, however, and I discourage others from owning it.

GLD has a history of lending and borrowing gold through third-party custodians and sub-custodians.

That means GLD owns what are essentially IOUs from other investors rather than holding actual physical gold in its possession.

In a global crisis that sees gold shoot higher—and I think that day of sharply higher gold prices is coming—GLD could fall apart if custodial/sub-custodial agreements break down.

Just think of the ripple effect that hit banking and financial institutions all over the world when subprime mortgages started collapsing back in 2008.

In a crisis that hits GLD, owners will find out painfully that they do not own gold.

They own a paper asset and a claim on whatever dollars GLD cobbles together to make investors whole, or as whole as possible.

That is not the kind of gold exposure I want in my financial accounts.

I want an ETF that gives me a claim on physical gold, rather than a claim on corporate paper.

My Recommendation: Buy Sprott Physical Gold Trust (Symbol: PHYS) up to \$20.

Risk Profile: Higher Risk (What does this mean? Before you act, read a full breakdown of my five-level risk assessment scale by clicking [here.](#))

Stop/Exit: 55% Trailing Stop-Loss

Gold is a Higher Risk investment since it is a volatile commodity. You have to be prepared for the short-term whipsaws that can happen. But longer term, over years, gold has preserved wealth against inflation and crises.

Though Sprott Gold is based in Canada, it trades in the U.S., so you will have no trouble buying it through any U.S.-based brokerage firm. You can own these shares through a traditional brokerage account or inside an IRA. If you're operating through a company 401(k) plan, you will likely need access to a so-called brokerage window that allows you to invest beyond whatever pre-defined investment options exist inside the plan.

As its name implies, Sprott owns physical gold as its only asset. Unlike GLD, Sprott's gold is fully allocated and unencumbered, meaning the trust owns physical gold bars held in Sprott's name and never loaned or borrowed. Basically, the gold just sits inside a vault and leaves only whenever investors sell their shares of the trust.

That vault is deep underground at the Royal Canadian Mint, Canada's federal mint. Moreover, there is no sub-custodian between the bars of gold in that vault and the unit holders—me and you. The upshot is that even if Sprott tumbled into bankruptcy, the gold in the vault goes to the investors who hold shares in the trust.

Sprott Physical Gold Trust is precisely the kind of gold asset I want in my portfolio: real gold, owned outright, stored in a globally secure location backed by one of the most respectable world governments (Canada), not subject to any custodial shenanigans, and easily traded at a moment's notice.

It's the next best thing to owning physical coins and bullion at home, but without the risk of theft or loss in a natural disaster. (Disclosure: I own PHYS in two brokerage accounts. I have owned these shares for years, and I have zero intention of parting with them anytime soon.)

The cost of owning the Sprott trust is 0.45% per year, meaning every \$10,000 in PHYS costs just \$45 annually.

Now, I need to note that Sprott is characterized for tax purposes in the U.S. as a "PFIC" (pronounced: pee-fick), a Passive Foreign Investment Company. These have special tax designations and, potentially, tax advantages.

In terms of tax advantages, long-term capital gains tied to precious metals are normally taxed at a 28% rate applied to collectibles. As a PFIC, however, long-term cap-gains rates are 15% to 20%, depending on a taxpayer's income level.

To qualify for the lower capital-gains rate, a U.S. taxpayer must make what's known as a "Qualifying Electing Fund" election each year when they file their taxes. That's accomplished with IRS Form 8621. It's not complicated. But of course, you should consult your tax pro about your specific situation.

I say this regularly, but I do so because it is important to understand: The status quo is not static. It changes all the time.

What's taking place right now is a foreseeable event: The inevitable decline of the dollar's dominance. Ivar Raig foreshadowed this moment a decade ago over apple cake and coffee when he told me exactly what Russia was up to with the help of China.

Just because King Dollar has ruled the roost for five generations does not mean the status quo will continue without interruption. History would argue that a changing of the guard is likely, if not imminent.

Both China and Russia have clear reasons they want to dethrone the dollar. And numerous other countries—representing a large swath of the world economy and population when combined—have equally clear reasons why they'd want to tag-team in that effort.

We, as investors, have to be prepared for the possibility—nay, likelihood—that a monetary reset is coming. That the dollar will face competition for the throne, and that's going to cause a financial maelstrom.

In such moments, gold has always played a role in the reset that followed. Soon enough, the world will find out that gold has a very big role to play once again.

The Fall in Value of the Dollar Is Driving Our Foreign Stocks Higher

In a continuation of the theme from our cover story this month...the dollar is having a no-good, very bad time of late.

For the first nine-and-a-half months of 2022, the greenback was on a near-straight-line tear toward highs it had not seen in 20 years when measured against a basket of major global currencies. Behind the strength, as we all know, was the Federal Reserve pushing interest rates higher at the fastest pace in four decades.

As U.S. interest rates surged relative to rates in other countries, investors dumped foreign currencies to buy the buck, and that demand drove the dollar's gains. But now, as I've been saying would happen, the reversal is afoot.

Since late September, the dollar is down more than 10%. That trend is a message from global investment markets: "The Fed is nearing the end of its rope!"

Though inflation has not been tamed, and though the Fed talks a big game about driving interest rates as high as they need to go to destroy inflation, the markets are not buying it. They realize the Fed is up against a ceiling, and that if it pushes rates too far above that ceiling, then America faces a severe recession.

And, so, investors are positioning themselves for the Fed about-face to come. They're selling dollars to buy foreign currencies, knowing that when the Fed announces that it is done with its rate-hike efforts, the dollar will drop quickly. And that's good news for a big portion of our portfolio: the foreign shares we own.

At the same time as the dollar began falling off in late September, most of our foreign stocks began marching higher. They did this because of the inverse relationship between currencies.

Currencies trade in pairs—dollar/euro, euro/yen, etc.—which means that one side must rise in value as the other goes down. This characteristic of the currency market means that assets priced in foreign currencies rise in value in dollar terms as the greenback declines.

We're seeing this in our [Global Intelligence Portfolio](#) right now. Foreign companies we own

are going up in dollar terms because the dollar is going down relative to those local currencies.

Canada-based fast-food chain Pizza Pizza Royalty Trust is up 13.5% since mid-October. Part of the gain is the 3.5% jump the Canadian dollar has experienced against the greenback in that same timeframe. The rest of the gain reflects the financial strength of Pizza Pizza as its earnings continue growing, and the fact that the company in November raised its monthly dividend for the third time in 2022. The company is now paying out \$0.07 per share per month, a 6.4% annual yield based on our initial cost.

Or consider French drug giant Sanofi. Those shares are up almost 33% since late September. The euro, the currency in which Sanofi is denominated, is up nearly 13% from its lows against the dollar near that same moment. The rest of the strength is the continued growth and execution of a high-quality drugmaker.

And then there's Yara, the global fertilizer behemoth based in Norway. With those shares, we're up 29% since late September. During that period, Norway's krone is up more than 9%. The rest of the gain stems from the fact that natural gas prices, which spiked in the months after Russia invaded Ukraine, have been falling. Natural gas is a major cost component in the making of nitrogen fertilizer, so the market is betting that Yara will benefit financially.

The exception to our weak-dollar trend is Norway's Equinor, one of Europe's largest producers of natural gas. Those shares have been weak, despite the krone's rebound against the buck, because of that decline in natural gas price, which is down 20% since late November.

That means Equinor's profits won't be as large as they've been recently. Nevertheless, Equinor has a huge future ahead of it as Europe—and in particular Germany, the continent's biggest economy—continues to diversify away from dependence on Russian natural gas.

As 2023 unfolds, I expect we will see a weak-dollar tailwind continuing to push the value of our foreign shares higher.

Expert Insights



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Why This Crypto-Based Currency Is the Future of Money

By Igor Pejic

More than any other year, 2022 tested global faith in cryptocurrencies. The deep economic downturn wiped out trillions in crypto market value. Then, the meltdown of FTX, one of the world's largest crypto exchanges, gave the industry its Lehman Brothers moment.

But while these events grabbed the headlines, in their shadow another form of crypto-based money made significant strides toward powering the financial system of tomorrow: central bank digital currencies (CBDCs).

CBDCs are cryptos issued directly by central banks. A CBDC's value is the same as that of the country's sovereign money. In crypto speak, that kind of digital currency is known as a "stablecoin," since it stably tracks the value of the underlying currency, whether that's the dollar or euro or pound or whatever.

There are already many privately issued stablecoins, but the difference is that CBDCs are issued by a central bank, which has control over how the crypto network is set up and who gets to be a part of it. This is why CBDCs have the same legal authority as the bills in your physical wallet.

Yet, at the same time, CBDCs are much more than just digital representations of a dollar or a euro, because they have all the advantages of crypto's underlying technology—blockchain.

A blockchain is a permanent, unhackable digital ledger. For this reason, its transaction history is incorruptible, storage more resilient, and settlement between banks faster and cheaper.

Above all, on a blockchain, money becomes programmable. Mini-programs on the chain, called smart contracts, let the issuer define how and when money can be moved, or even how or where it can be spent.

This dynamic capability raises a host of fundamental questions.

Global societies are in the midst of building an autonomous machine economy in which some 24 billion devices will be communicating and transacting with each other by 2030.

Think of a car paying a toll autonomously or smart watches continuously selling the data they generate. For this economy to operate, people, corporations, banks, governments, and machines need to be able to transfer money seamlessly and without human intervention, which requires smart contracts.

And yet, the programmable nature of CBDCs raises profound moral and ethical questions. What will life be like in a world where a government or central bank could require that a certain proportion of your money is spent on certain products or at certain businesses, or could even "turn off" your money at will?

These are questions we need to grapple with today, since these currencies will be part of our daily reality by the end of the decade. In that sense, it is helpful to look to the first major global economy that has already rolled out a CBDC in a significant way—China.

The Emerging Leader in CBDCs

At present, 105 countries, representing 95% of global GDP, are working on CBDCs. Fifty of those projects are already in an advanced phase. The Bahamas was the first country to issue a digital version of its currency (the Sand Dollar). The East Caribbean (dCash) and Nigeria (eNaira) followed suit.

Other large countries such as India are about to start pilot programs, though major Western economies are more cautious. The European Central Bank has indicated it aims to deliver a digital euro by the mid-2020s, while America's Federal Reserve and the Bank of England are still in the research and analysis phase.

Over in China, however, its CBDC is already being widely used.

Initially called DC/EP, now known as the e-CNY, and most commonly referred to as the digital yuan, China's CBDC is accepted in 5.6 million stores. Around 100 billion digital yuan (\$14 billion) had changed hands by October 2022. This amount is not yet significant enough to impact the Chinese economy in any meaningful way, but it is sufficient to draw important conclusions on the future of CBDCs.

Let us first look at who can use the e-CNY and how.

To get access to the e-CNY, users must download an app issued by the country's central bank, the People's Bank of China (PBoC). The beta-version of the app was launched at the beginning of 2022 and every Chinese citizen living in one of the pilot cities, which include Shanghai and Beijing, is free to download and use it.

One caveat is that users must have an account at a participating Chinese bank, though signup is also possible through the two largest online payment providers in the country, WeChat Pay and Alipay. Both tech giants support the e-CNY as a payment option, as long as the users have the e-CNY app installed on their phones. Moving larger amounts in e-CNY requires the upload of a Chinese ID card. This does not mean, however, that smaller amounts can be paid or received anonymously. Clear identification is still possible via the associated mobile phone number.

The e-CNY app allows you to receive and hold digital yuan, pay with it at merchants, and transfer money to friends and family. Payment is done via generating and scanning a QR code and is even possible without an internet connection.

Who Is Using the Digital Yuan and Why?

The adoption of the digital yuan has been driven first and foremost by the PBoC. To encourage users to try the e-CNY, the Chinese central bank set up a lottery. The prizes: wallets filled with e-CNY worth about \$30.

It is common to incentivize people to use a new payment method, yet the need to hold a lottery shows that so far there is little reason to choose the CBDC over classic money.

Indeed, the lottery money was programmed so that the winners could use the funds only for certain categories of purchases such as groceries

and bike rentals. This made it effectively less valuable than cash, which can be spent anywhere.

Still, many public services in China are adopting the digital yuan. Already, transactions such as issuing tax rebates, charging for utility payments, or paying out financial support to enterprises can occur over the e-CNY blockchain.

Most of these use cases still do not yield an advantage over established systems, but some clever examples are emerging that leverage blockchain technology. The Rural Commerce Bank of Zhangjiagang, for example, issued an e-CNY-based loan directly into the PBoC-wallet of a manufacturer of environmental protection equipment. The loan, which was collateralized with intellectual property, occurred automatically using a smart contract.

This is only a glimpse into what is possible. It is easy to imagine how other kinds of assets could be locked in a smart contract in return for a paperwork-free, instantaneous loan.

Why Is China's Rushing Ahead With a CBDC?

For a government unchallenged by a strong civil society, a CBDC allows it to tighten its grip on the population. Regardless of which app or payment provider you use, the central bank can easily trace all transactions on the blockchain. Thus, it knows how much money you have spent, when, and where.

But there is another motivation for China to implement a CBDC, namely as a defensive measure against sanctions.

Today's global monetary system is based on the U.S. dollar and run by powerful U.S.-dominated institutions. As a result, Western nations can easily and quickly cut off a misbehaving country from the international finance system, as Russia learned after its invasion of Ukraine.

It is conceivable that the digital yuan could gain traction as a means of international payment and settlement, and as a reserve currency across the Chinese-technosphere, i.e. the Southeast Asian countries where Chinese tech giants Tencent and Alibaba have a large footprint. This would reduce the Chinese economy's exposure to the U.S. dollar and thus lessen the potential impact of any future Western sanctions.

So, will the digital yuan become widely used by populations outside China? At the moment, it still seems unlikely.

Without an appealing advantage for the end-users, the e-CNY is unlikely to achieve mass adoption internationally. In fact, there are early signs that China too is realizing the difficulty of promoting the use of the digital yuan abroad. Instead of trying to simply replace the dollar dominance with a digital yuan dominance, a Chinese state-run think tank has touted the idea of a pan-Asian CBDC based on 13 currencies including the Chinese yuan, the Japanese yen, and the South Korean won, though it is doubtful Japan and Korea would be interested in this.

Lessons for Central Banks in the West

So, what can other nations learn from China's early foray into developing a CBDC? Can this project serve as an example for a digital dollar or digital euro? In some ways, yes.

First, the e-CNY is designed not as a retail but as a wholesale CBDC. In a retail CBDC, people hold their funds directly at the central bank, which could result in a funding shock for commercial banks. And the central bank would have to build customer service capabilities to deal with citizens directly. Hence, it makes more sense to go with a wholesale-model in which the CBDC is issued to commercial banks, which then distribute it to citizens.

Second, the technical setup of the e-CNY is centralized, which results in excellent performance. The e-CNY blockchain can perform more than 300,000 transactions per second. Compared to decentralized applications such as bitcoin, which operates at 7-8 transactions per second, this is impressive.

On the other hand, China's CBDC project shows that the PBoC still has not solved the two major roadblocks to widespread adoption.

CBDCs are a powerful invention. Unchecked by strong institutions, they can give central bankers powers of Orwellian proportions. This justifiably worries citizens and is a major barrier to adoption.

When the EU did a public consultation, bureaucrat-speak for a large-scale survey, it found out that citizens' number one concern was not the security of their money but their privacy.

To solve this dilemma the ECB has suggested anonymity vouchers that would allow each citizen to spend a limited untraceable amount per month. In other words: It would mimic cash.

The other unsolved problem is how to sustain innovation in the money business.

Assuming that central banks can overcome the privacy concerns, foster adoption, and build scalable technical infrastructure, the question remains as to whether a CBDC inhibits private innovation.

Many CBDC projects go hand-in-hand with a restrictive approach to private money issuers. The PBoC has voiced its skepticism about privately issued stablecoins or other cryptocurrencies, as have regulators in other countries. But to gauge the dire consequences of such a money monopoly, we need to look no further than the history of CBDCs itself.

As early as 2016, the Bank of England concluded that digital currency could boost global GDP by 3% permanently, lower barriers to financial inclusion, and empower consumers. Yet not a single country got serious about CBDCs until 2019, when Facebook and an alliance of like-minded companies announced they wanted to issue their own global stablecoin called Libra.

The Libra project ultimately failed, but the plan made central bankers across the world sit up and take notice, and it jump-started their projects.

This is not to blame central banks. Their top-priority is to fight inflation and unemployment, not disrupt a functioning system. But in the end, there is no more powerful force for innovation than free market competition. Today's CBDC boom was ignited by private actors issuing stablecoins. It should not end with central banks killing future financial innovation around money.

Solving those two topics will require time. In my opinion the first Western CBDCs will start taking hold no earlier than five years from now. And when they do, they will co-exist with a number of other asset categories including cash, cryptocurrencies, and private stablecoins.

This competition will eventually make CBDCs more influential rather than less because it will force them to be compatible with other assets and with other CBDCs.

Intel Updates

■ Time is quickly running out for debt-ridden Japan.

In the 1970s and 1980s, Japan was the poster child of economic growth...the global symbol of a new, tech-inspired prosperity. But by the start of the 1990s, it all came crashing down as asset bubbles in Japanese stocks and real estate abruptly burst.

Since then, Japan has been trying to kickstart its moribund economy by borrowing vast sums and keeping interest rates incredibly low. It hasn't worked. Japan's economy remains stagnant and today economists call the period since the early '90s the "Lost Decades."

Even worse, now all that excess borrowing may be coming home to roost...

Between 1990 and 2021, Japan's governmental debt as a percentage of gross domestic product exploded from about 60% to 263%. That's higher than Greece (200%) and Italy (150%).

In recent years, the proponents of Modern Monetary Theory—an absurd economic concept gaining in popularity in the U.S. which says debt doesn't matter and governments can and should print as much money as they want—have long pointed to Japan as evidence of their claims. After all, why should the U.S. worry about its debt-to-GDP figure of 130% when Japan has survived with a figure twice that high?

But that ignores one very convenient fact: We were living in an era of low inflation and low interest rates.

Japan was able to borrow so freely for so long because it has a well-regarded currency, the yen, and interest rates were very low, which meant debt repayment costs were minimal.

But now inflation has taken hold in Japan and across the world. Japan's consumer price inflation rate hit a 40-year-high of 3.6% last October. While that inflation figure is lower than in much of the rest of the world, the problem is that Japan hasn't been able to respond to it by raising interest rates.

Interest rates in Japan are currently minus 0.1%, and the Japanese central bank has been unwilling to adjust them for fear it would lead

to a debt repayment spiral—a situation in which the country has to borrow more just to pay the higher interest on its existing debts.

However, because the world's other major central banks have been raising rates, the yen is now down about 20% this year to its weakest level since the early 1990s. Young Japanese are fleeing overseas since salary levels are so much higher abroad in relative terms, and Japanese factories and farms are struggling to attract and retain workers from Southeast Asia.

This is a problem with no easy solution...or no solution at all. For three decades, Japan tried to borrow its way out of trouble. That effort is now failing catastrophically. What comes next could make the "Lost Decades" look decidedly prosperous.

There's a warning in that for the MMT fanatics and all those who claim that deficits don't matter.

■ Metaverse tourism is poised to take off in 2023.

Last year, the concept of the metaverse exploded into the mainstream as financial giants like Citi predicted it would be a \$13 trillion opportunity by 2030. Since then, the hype has died down somewhat as engineers and developers go about the laborious task of actually building out metaverse technology and applications. Soon, however, we should start to see some big metaverse projects come to fruition.

The metaverse, of course, is a new iteration of the internet that will see it morph from a static 2D experience into an engaging, all-encompassing 3D version in which the web exists all around us. We'll access this new 3D internet using virtual reality and augmented reality technology.

This year, we'll start to see some big metaverse projects take off in the tourism space. The metaverse is particularly useful in this industry because it allows you to try before you buy... by, for instance, taking a 3D virtual tour of your hotel, resort, or even your airplane before booking.

Already, Qatar Airways has rolled out its [QVerse](#), which allows you to virtually tour and navigate the cabin of its aircraft and the Premium Check-in area at Doha's Hamad International Airport.

Meanwhile, The Walt Disney Company is planning a real-world theme park ride where users will experience a 3D virtual world. Basically, visitors to a Disney theme park will be able to walk through the real-world venue and see virtual, 3D holograms of Disney characters and other interactive imagery.

The metaverse is going to reshape how we travel, and 2023 will be the year we start to see this trend emerge.

■ **These new glasses can translate conversations in real time.**

Sticking with augmented reality tech for a moment... At the recent Consumer Electronics Show in Las Vegas, Chinese tech company TCL unveiled a set of AR glasses that can translate both text and conversations in real time.

Journalists conducting early tests said the glasses were effective at providing live English subtitles of a person speaking in Mandarin Chinese. Interestingly, the glasses also have adjustable prescription inserts for those with impaired vision and a host of other functions, including the ability to capture images.

TCL plans to roll out the glasses in July, though I doubt they'll take off. The glasses look somewhat like regular eyeglasses, but they're massively oversized. However, Google is also working on a similar, more stylish product with a live translation function, which means it won't be long before glasses like these are commonplace.

■ **Sort the fake online reviews from the real deal with this free browser extension.**

What's the first thing you do before buying a product online? If you're like me, you check the online reviews—What's the average product rating? Are the top comments positive? Did any past buyers find a relevant flaw in the product? But there's a problem with this strategy: Fake reviews are rampant across major online retailers. According to a 2020 study, more than 40% of the 720 million reviews on Amazon were bogus, including a very high percentage of 5-star reviews.

That's why it pays to use the free browser extension Fakespot. This plug-in uses artificial intelligence to flag reviews it deems to be fake or unreliable. It also gives a summary of the

best reviews, saving you time scrolling through comments. The extension works on Amazon, Walmart, and many other major online retailers, and it's free to use. You can download it [here](#).

■ **These two Italian destinations will pay you to move there.**

I've previously written about locations in the U.S. that are offering financial incentives to attract new residents, like Tulsa, Oklahoma, Topeka, Kansas, and Vermont. But there are also a few destinations in Italy that will provide financial packages if you agree to relocate there.

Last July, the Italian island of Sardinia launched a program to tackle its depopulation problem. Despite attracting millions of tourists to its breathtaking Mediterranean beaches each year, Sardinia has seen an exodus of young people from rural villages and towns. Under its new scheme, applicants who take up residency in a village with a population of less than 3,000 can claim up to €15,000 (\$16,230) toward housing expenses.

Back on the Italian mainland, the town of Presicce-Acquarica is adopting a similar strategy. The town is located in the southern region of Puglia, in the "heel" of Italy's boot. It was created in 2019 through a merger of the towns of Presicce and Acquarica del Capo.

The new town has a population of about 10,000. Local authorities are keen to boost this number and are preparing to roll out a new program called "Welcome to Presicce-Acquarica" that promises to cover 50% of the costs of purchasing a house, including renovations, up to a maximum of €30,000 (\$32,460). Not a bad deal considering the stunning architecture and natural beauty found in the region.

■ **Planning to travel in 2023? Make sure you book an airline with free WiFi.**

From baggage fees to seat-selection costs, Airlines are famous for their price-gouging policies. But few fees are more irritating and exorbitant than the price of the onboard WiFi, with some airlines charging as much as \$10 per hour for internet, and others demanding a monthly subscription costing up to \$50.

Thankfully, certain airlines are now trying to differentiate themselves from the competition by offering free onboard internet. JetBlue was

the leader in this regard, becoming the first airline to offer free WiFi to all customers. Now, others are following suit.

Delta announced on Jan. 5 that it will offer free internet to all travelers who sign up for the airline's free SkyMiles rewards program. The program starts Feb. 1 and applies to domestic flights.

Hawaiian Airlines said it plans to offer free WiFi to passengers from Hawaii to the continental U.S., Asia, and Oceania beginning at a future date in 2023. And Norwegian Airlines is now offering free internet access on most flights, including its services to London.

■ **Do you own a smart TV? It may be watching you as much as you're watching it.**

Smart TVs are ultra-convenient since they come preloaded with apps for major streaming services like Netflix and Hulu. But many TV manufacturers are also taking advantage of the always-connected nature of these devices to gather data on our viewing habits, location, app usage, and more. They can even capture voice data if you use the onboard microphone.

If this all sounds a bit too creepy (and it should), then you can disable these tracking features in the TV settings. This type of tracking software is known as Automated Content Recognition, or ACR. Companies use different names for it in their menus and the exact method for turning it off varies from manufacturer to manufacturer. However, if you Google how to disable the ACR on your exact device, you'll hit upon the answer pretty quickly, and it's generally a pretty simple process.

For instance, if you have a Samsung smart TV, among the bestselling smart TV brands in the U.S., you can disable ACR by going to "Settings," then "Support," and then "Terms & Policies." There you'll find the opt-outs for Viewing Information Services (Samsung's name for ACR), Internet-based Advertising, and Voice Recognition Services.

■ **Beware this new one-time password scam.**

In recent years, a lot of financial companies have implemented two-factor authentication, or 2FA, to prevent scammers getting access to your account. Through 2FA, you are required to input a second piece of information besides your

password—such as a number sent to your phone by text or a code from an app—to gain access to your account.

This system has been successful at reducing fraud, but scammers are finding ways to get around it. Experian is warning that scammers are now using bots to make calls or send messages that appear like communications from your bank. The message will show a charge and ask you to authorize it. If you want to cancel this made-up charge, the bot will prompt you to confirm a code sent in a separate message.

What the bot is actually doing is trying to log into your bank account. The purpose of the message is to get you to send on the 2FA code it just requested from your bank.

The lesson here is to never share any authentication codes you receive in a text with anyone for any reason. No legitimate financial organization will ever ask you for them.

■ **Do you have trouble sleeping on airplanes? Try this neat trick.**

Many of us struggle to sleep on planes. The seats are about as comfortable as a cactus enema, especially if you're as tall as I am, and the environment is filled with chatting people as well as monitors, laptops, and smartphones emitting tons of sleep-disturbing blue light.

But there is a handy trick you can try that's recommended by sleep therapists: Close your eyes and listen to white noise.

White noise provides an ambient background to block out the sounds of your fellow passengers. Plus, it's consistent unlike music or podcasts, which force you to pay attention and can interrupt your sleeping rhythms. White noise comes in many forms. Among the most popular are fan sounds, the humming of air conditioners, and TV static. Something to try out on your next red-eye.

Thanks for reading, and here's to living richer.



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