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# SEABRIDGE GOLD

GOLD MARKET UPDATE



## THREE REASONS FOR A STRONGER GOLD MARKET IN 2023

1. The Treasury cannot fund the US government without the Fed. The "Great Moderation" was led by a perfect arrangement: the dollars sent overseas from the trade deficit were cycled back to the US to fund its budget deficit. This kept interest rates low and the reserve currency stable. Fed QE went into financial markets and boosted household net worth. Now foreigners are net sellers of Treasuries as are commercial banks and the Fed itself via Quantitative Tightening (QT).

Meanwhile US deficits are rising (now at 7% of GDP) and tax revenues are falling as capital gains evaporate. Assuming IMF projections are correct, fully 72% of global growth is now needed to finance the US deficit. Other Central Banks are now raising rates and competing for the world's savings. Who will fund the Treasury? We think the Fed will have to get back to QE this year, the dollar will fall and gold will soar.

2. We are tipping towards a liquidity crisis. Year-over year money supply growth has recently gone negative. The Fed's policy of paying Interest on Excess Reserves (IOER) to the banks at a rate just below the Fed Funds Rate has tied up more than \$2T at the Fed. Banks are not lending this money into the economy and financial system and the Fed's QT is removing \$95B per month from the money supply. If the Fed does not reverse its QT, we risk getting outright deflation, a run of bankruptcies and huge unemployment. This will drive the Fed into fresh liquidity injections and spur the gold price.
3. There are very few if any places to go for wealth protection. The crypto world is collapsing, every currency is weakening against real goods and no CBs are likely to raise rates above inflation to give their debt a real interest rate. The amount of debt continues to escalate and the relative amount of gold coverage continues to shrink. As investors become more risk averse, speculation in risk assets will become less attractive and gold will shine. But there won't be enough to go around at current prices.