

THOUGHT FOR THE DAY

Global Weather: Why it will help Define the Coming Economic Cycle

“The bottom line of this entire report is that the cocktail of synchronized weather cycles projects a period of one of the most volatile and caustic weather patterns over the next 20 years for human food production and for humanity as a whole. This set up has not been witnessed since the early 1600’s which preceded one of the most volatile weather patterns in human history.” **Shawn Hackett, The Hackett Money Flow Commodity Report, 2nd October 2023**

“The world is not on a path to achieve net-zero emissions in 2050 as limiting energy production to levels below consumption demand would lead to a spike in energy prices, as observed in Europe following oil sanctions against Russia over Ukraine” **Exon-Mobil, May 2023**

“But as consumers, businesses and governments are learning to their dismay as we move deeper into the first full year of interest rates bearing a five-handle, the pain is real and inescapable. The fight against inflation is inherently deflationary and destructive; if it succeeds, it will slow demand which in turn will lower asset values, and if it fails then higher prices will do the work of destroying the value of financial assets.” **Michael Lewitt, The Credit Strategist**

“The US Treasury is going to need to issue \$3.1 trillion in new bonds over the next two years, adding to the existing stock of \$32.3 trillion. It will also have to replace another roughly \$3 trillion of maturing Treasuries. And the market has to absorb these sales by the Fed, China and potentially Japan, if the yen situation worsens. The question is not who will buy these \$6 trillion in bonds; the question is at what price, at what yield.” **Daniel Oliver, Myrmikan Capital, 18th September 2023**

“. the 2nd oil crisis could be worked through slowly but the international financial system could not survive a 3rd Oil Crisis – the inflation would make it impossible to recycle the petrodollars to the oil importing countries with any hope of repayment, trade would crumble and the system would be brought to its knees.” **BIS Chair, Jelle Zijlstra, 1980**

“In its attempt to maintain its dominance, the West itself destroyed the tools that worked better for it than the military machine. These are freedom of movement of goods and services, transport and logistics corridors, a unified payments system, global division of labor and value chains. As a result, Westerners are shutting themselves off from the rest of the world at a rapid pace.” **Nikolai Patrushev, Secretary, Russian National Security Council**

It is not just the fact that the global financial infrastructure is crumbling with its future impact on business activity, household spending and government finances but that the world faces the likelihood of cooling weather conditions starting post 2025, thus ending 40-odd years of warming weather.

Such a change which is based on the real sciences of climate change that are determined by sunspot and volcanic activity and changes in Ocean temperatures will produce a disruptive force across many industries and sectors that are unprepared for a move away from warming weather that has existed for some 40 years.

In preparing this report, we delved deeply into one that Shawn Hackett produced. He writes the Money Flow Commodity report which includes detailed analyses of the scientific factors that drive climate change. He has given us permission to quote from this report. His record is exemplary, and his analysis is scientifically based.

This fundamental change in weather patterns happens to coincide with the years of rolling recessions or depression which are likely to start in 2025 so making our seven years to 2032 an even more volatile and dangerous period.

Several governments will become even more financially fragile; industries' output will plummet; corporate bankruptcies will soar; households will have to count their pennies; and risk will have to be repriced.

What this means is that governments will be unable to finance the subsidies on which solar and wind power and Electric Vehicle sales depend nor will households be prepared to pay the added costs of heating their homes and cooking family meals because of the rising electricity costs of renewables.

That whole ESG movement driven by governments and orchestrated by the Davos Crowd will be unwound when households recognize the changing weather patterns. It will then be the people who will rebel by throwing out their governments and demanding a return to common sense policies which support them, not what their leaders state is right.

One of the big dangers which will arise from these changing weather patterns will be the effect on food production. Globally many crops will fail, yields will fall, and growing seasons will shorten. How to feed their people will be a primary worry for governments because an unfed electorate will cause violence and civil unrest.

It's better to use Shawn's actual words rather than for us to paraphrase what he wrote because the conclusion is so fundamentally important for everyone.

"Right now, the Atlantic Ocean has been in the 40-year warming cycle phase that has been primarily responsible for warming the planet over the last 40-years. That cycle ends by 2025 and will usher in a 40-year Atlantic cooling cycle phase that will reverse the current warming effects.

What bothers us is that the last time the Atlantic cycle turned cold was 1965 and the impact to cooling the planet was severe and caused accentuated weather volatility, shorter growing cycles, later Spring frosts and earlier fall frosts that played havoc with food production.

We did not have a quiet sun back then: we do now and that means that both the sun and the Atlantic Ocean will be pushing a colder climate trend simultaneously for the first time since the early 1600's. We also have the Yoshimura Planetary Temperature 60-year cycle and the Gleissberg Planetary Temperature 84-year cycle causing additional cooling weather spike troughs as in the 1930s. The synchronicity of all these cycles was last seen at the beginning of the 1600's."

It was the Gleissberg cycle which caused the US Midwest dustbowl decade of the 1930s. The new Gleissberg cycle should start towards the end of 2024 or early in 2025. Now we have the added risk that grain and fertilizer exports out of Ukraine and Russia will be substantially reduced.

Ensuring that countries and households will have adequate food resources during years when belts have to be tightened should be an absolute government priority. Instead, governments continue to focus on wokeness wars and fiscal imprudence.

There is another development which will help cool the Atlantic Ocean – remembering the important influence of ocean temperatures on weather patterns. It is the flood of fresh cold water that remains trapped NW of Greenland at the Beaufort Gyre. The last time that this mass of cold water was released into the Atlantic Ocean was in 1965.

The Beaufort Gyre is a 60-year cycle and once this water is released it will cause a dramatic change in weather virtually overnight. To make matters worse the amount of cold water trapped in the Beaufort Geyer is 40% larger than it was in 1965 according to scientific reports.

The impact of these developments on food prices will be dynamic. The FAO Food Price Index will explode as our forecasts below show though they should be used in a directional sense rather than with precision.

FAO Food Price Index

2020	98.1
2021	125.7
2022	143.7
2023	127.0F
2024	185.0F
2025	220.0F

Source: FAO, SHSS

To add to the inflationary pressures starting around mid-2024, oil prices which could now be heading towards the \$50 by early next year will rebound sharply to over \$150 into 2025 due to supply disruptions and rising demand in an inflationary environment.

And to add to the conundrum that will face the Fed in 2024 and 2025 (and to some extent now) is that rising oil prices will cause a sell-off loop in USTS which in turn will cause disruptions if not systemic risks not just to the US financial system but globally since it is the Treasury market on which global interest rates are based.

2024 will be the beginnings of the 3rd Oil Crisis forecast by the BIS Chair in 1980 by making inflation sufficiently high (13–15% by end-2024 in our view) and the recycling of petrodollars to oil importing countries so difficult that payments will have to be made in currencies backed by gold (BRICS) or some

unit acceptable to oil exporting countries, such as industrial products or other commodities that they need for their own economies (a barter system).

The magnitude of the dollar problem is illustrated by Alasdair Macleod of Gold money writing in his latest piece, The end of the road for the Dollar, when he writes, 'Almost certainly, exposure to the dollar will be unwound by foreign actors and that exposure which must include dollar credit originated outside the US banking system is colossal.

The table below illustrates the approximate position.

Foreign-owned Dollar Credits – USD Trillions

Onshore long-term securities	26,113
Onshore short-term securities	7,407
Offshore long-term securities	10,700
Offshore short-term securities	93,000
Total	137,220
US residents claims in foreign currencies	0.748
Ratio of claims on USD to foreign currencies	183.4

Sources: US Treasury, BIS, Goldmoney

What the developments which we have written about portend are that 2025 will be a pivotal year, the start of seven years of rolling recessions or depression. Climate changes shift from warming weather to cooling climes with the economic with all the financial destructive forces which will follow; long-term interest rates will rise to levels that will crash a highly leveraged global system led by US Treasuries yields rising to between 10–13%; the war in Ukraine will become more global; and with food and energy prices exploding people will rebel against their governments' policies on renewables and EVs.

In sum, crises are the medicine needed to clean the G7 of its wokeness, wars and control mechanisms. But it will be a nine year wait.