Survive the Inflationary Storm

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The single most important chart in the world is flashing " - DANGER -".

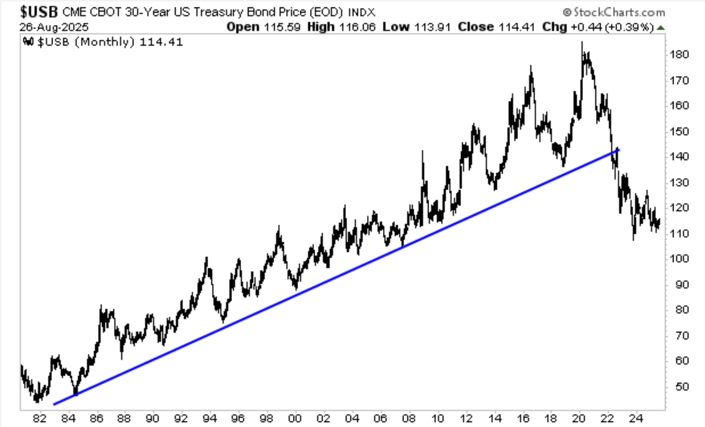
The defining issue of the last ~45 years has been the secular bull market in bonds. From 1980 until 2022, the yield on U.S. debt (called Treasuries) was in a downtrend. In the very simplest of terms this meant that throughout this time period, debt became ever cheaper to service. As a result of this, every entity in the U.S. whether it be corporations, municipalities, and even the U.S. itself as a sovereign nation, went on a debt binge.

Today, there is: $3.4 trillion in municipal debt, $14 trillion in corporate debt, $20 trillion in household debt, and $37 trillion in Federal debt outstanding. Throw in student debt, auto loans, and every other kind of future liability and the U.S. is sitting on over $100 trillion in debt.

All of these are problematic, but the SYSTEMIC issue pertains to U.S. sovereign debt.

It took the U.S. over 215 years to hit $10 trillion in debt. It added its second $10 trillion in debt in just nine years. It added its third $10 trillion in five years. And at its current pace, it will hit $40 trillion in debt within the next 24 months.

To be clear, the U.S. has had a debt problem for years. That's nothing new. What IS new is that the bull market in bonds, the macro setup that allowed the U.S. to issue all this debt is OVER.



This is THE most important chart in the world. It's a chart of the 30-Year U.S. Treasury. As you can see, the bull market in bonds is OVER.

Put another way, the era of ever cheaper debt is OVER. For the first time in 45 years, it is costing the U.S. MORE to issue new debt (or roll over old debt).

So why hasn't the U.S. entered a debt crisis yet?

Because these bonds have been consolidating since 2022. And the next move will determine whether the U.S. stays afloat, or the great debt crisis of our lifetimes is about to begin.

See for yourself.

From 2022 until today, the long-end of the Treasury market has been trading in a range (purple rectangle in the chart below). This is called a consolidation period. And it's 100% to be expected after a bull market ends (no asset goes straight up or down in the markets).

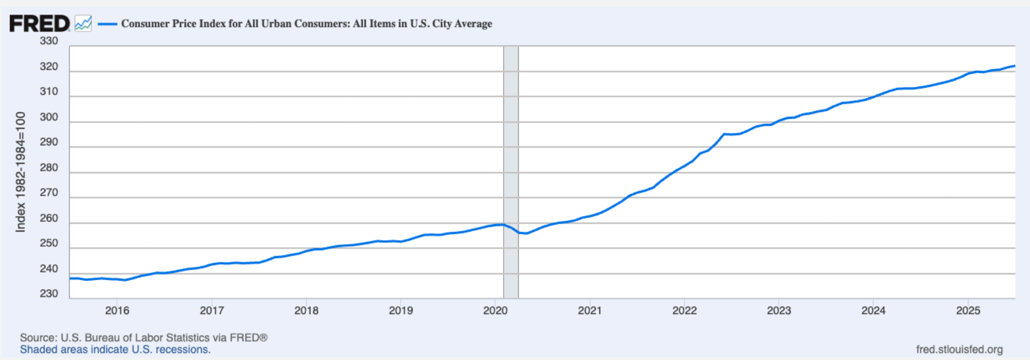
What happens next is CRITICAL. If these bonds break down from this consolidation, it signals that the grand Supercycle in bonds is OVER and a secular bear market has begun.

In the very simplest of terms, the Everything Bubble would have burst and the great debt crisis of our lifetimes would begin.

What would trigger this? A resurgence in inflation.

Inflation is on the Rise Again

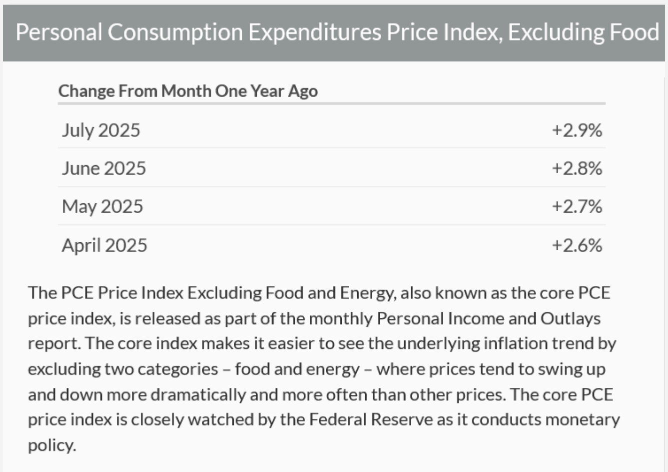
According to the "official" data points, inflation has been defeated. But that's ONLY because inflation is measured on a Year over Year (YoY) basis. In that context, the pace of price increases is slowing. However, prices are still increasing!



See for yourself. CPI is moving up at a near perfect 45-degree angle. Prices are NOT coming down. Inflation has not disappeared. If anything, it's about to worsen!

Indeed, the latest round of inflation data was VERY troubling.

The headline numbers for the Consumer Price Index (CPI) for the month of July pointed to a slowdown in inflation: CPI came in at 0.2% month over month (MoM), and 2.7% Year over Year (YoY) at 2.7% on expectations of 0.2% and 2.8%, respectively. (PS: Core PCE came in higher see picture).



Personal Consumption Expenditures Price Index, Excluding Food

Change From Month One Year Ago	
July 2025	+2.9%
June 2025	+2.8%
May 2025	+2.7%
April 2025	+2.6%

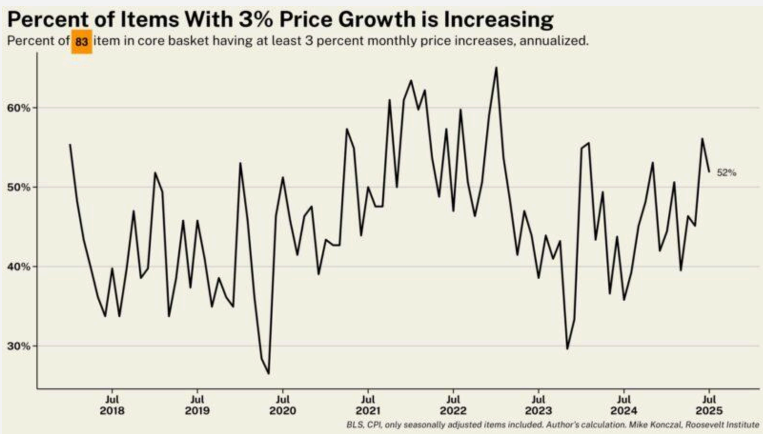
The PCE Price Index Excluding Food and Energy, also known as the core PCE price index, is released as part of the monthly Personal Income and Outlays report. The core index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices. The core PCE price index is closely watched by the Federal Reserve as it conducts monetary policy.

However, "under the hood" the data was HIGHLY problematic.

For starters, Core-CPI (CPI excluding energy and food prices) came in hotter than expected at 3.1% YoY on expectations of 3.0%. Granted, this is a very small upside surprise, but the devil's in the details and the details point towards inflation stabilizing at 3%, NOT heading towards the Fed's target of 2%.

Case in point as Mike Konczal points out, the percentage of Core-CPI components that are clocking in at an annualized rate of 3% is RISING, not falling. The month of July saw 52% of the 83 items comprising Core-CPI growing at an annualized rate of over 3%!

Core-CPI is not the only problem area in the data. Over two thirds (68%) of total CPI components (including food and energy prices) are now rising at a faster than 2% annualized rate. The initial disinflationary wave that occurred during the first half of 2025 has reversed and prices are now rising for MOST CPI components. <u>This means inflationary pressure is BROADENING, which is a BIG problem.</u>



Finally, we have to consider what food inflation is saying. As I've noted before, back in 2001, the Fed had several researchers dive into the subject of inflation. Their goal was the analyze whether the Fed's preferred measures of inflation (CPI and PCE) are decent predictors of future inflation. The Fed also investigated a whole slew of other inflation measures for comparison purposes.

The results?

The Fed found that food inflation, NOT CPI or PCE, was the best predictor of future inflation.

I bring this up because the Producer Price Index (PPI) data for the month of July was released this morning. It showed a HUGE jump in food prices MoM. Fresh and dry vegetables prices jumped 38% while meat prices jumped 5%!

Put simply, while headline inflation data suggests that inflation has been tamed, the actual components in the data suggest that an inflationary resurgence may be starting and that it will involve price increases in a BROAD array of items. Throw in the fact that the single best predictor of future inflation (food inflation) just jumped higher on a month over month basis and there is REAL cause for concern that another wave of inflation might be starting.

The #1 issue for the financial system today is whether bonds rally from here, or continue to break down. If bonds rally, then the financial system continues to chug along despite the egregious levels of debt. But if Treasuries break down from here, then the secular bull market in bonds is DEFINITIVELY over and we are heading towards a debt crisis.

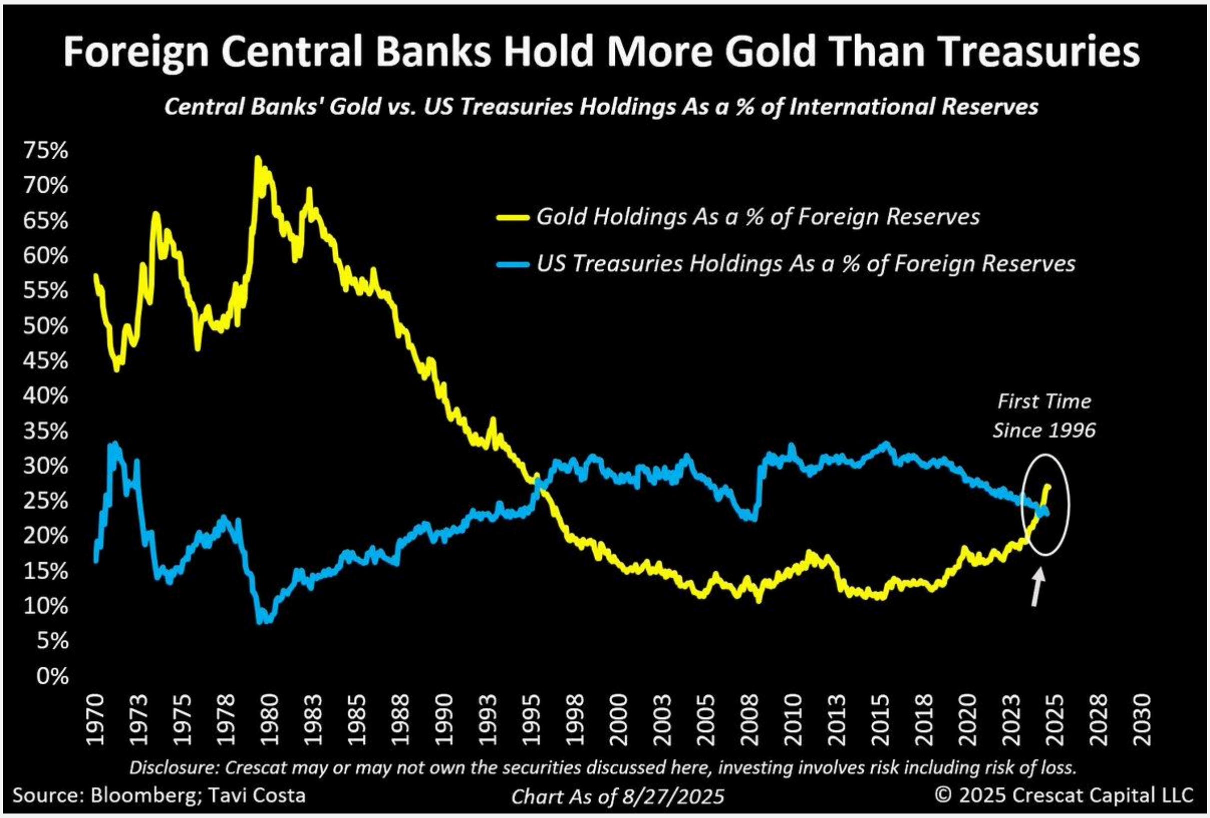
Central banks are fully aware of this situation and have been taking steps to prepare for what's coming. As you no doubt are aware, there are three methods of dealing with a debt problem. They are:

1. Grow out of it (pay it back).
2. Default.
3. Attempt to "inflate the debt away" via inflation/ currency devaluation.

Policymakers at central banks claim that debt levels remain manageable, but their actions speak much more loudly than their words. Case in point, over the last five years, central banks have been on a buying binge, not for stocks or bonds, but for **GOLD**.

For centuries, gold has been an inflation hedge. What does it tell you about what's coming that the people who can print dollars, euros, yen, etc. are loading up on gold?

Indeed, for the first time in decades, central banks own MORE gold than they do U.S. Treasuries as a percentage of foreign reserves.



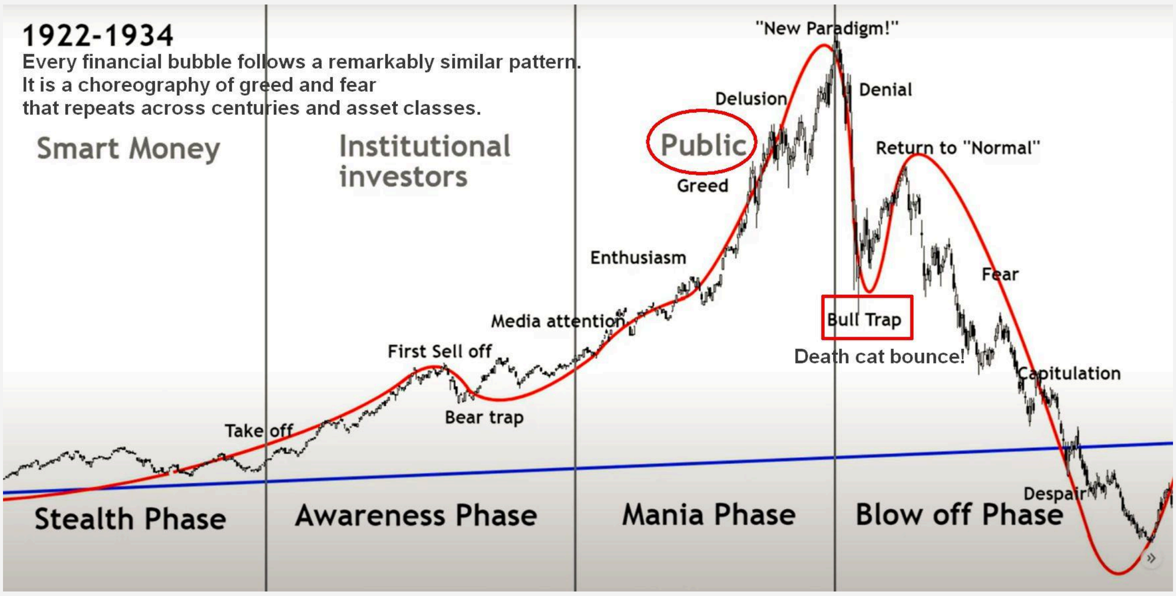
Until 1967, gold was pegged to currencies. Then starting with France, one by one Western nations severed their currencies from gold with the U.S. officially doing so in August 1971. From that point onward, for the first time in history, U.S. Treasuries, NOT GOLD, were the bedrock of our global financial system.

As a result of this, central banks began acquiring Treasuries while reducing their gold holdings.

That period is now ending. For the first time since the mid-1990s, central banks own more gold than Treasuries as a percentage of foreign reserves. This is a TECTONIC shift away from paper assets that can be devalued to hard assets that cannot.

This STRONGLY suggests that central banks will be opting to “inflate" their debts away via currency devaluation. Put another way, they are shoring up their balance sheets in anticipation of what’s coming

Remember when the bubble breaks the mechanics of a crash reveal a brutal truth about markets: during panic, **you sell what you can, not what you want**. This principle explains why high-quality assets often suffer the worst initial declines. Blue-chip stocks and precious metals plummet not because their fundamentals have de



teriorated, but because they represent the only liquid positions in hemorrhaging portfolios.

With that in mind, the remainder of this report is devoted to detailing FOUR unique investments to profit from the coming inflationary storm.

The first are relatively diverse inflation hedges you could think of as primary positions. The final two are more speculative in nature and so their position size should be smaller.

Put another way, DO NOT put a lot of capital to work in the speculative investments. They are EXTREMELY volatile and have a greater degree of risk than the first two.

Ok, with that out of the way, let’s get started.

Investment #1: The VanEck Gold Miners ETF (GDX)

Few investments perform better than gold miners during periods of higher inflation. During the last major two major bouts of inflation in the U.S. (2009-2012 and 2020-2022) the sector as a whole doubled in value.

The VanEck Gold Miners ETF (GDX) is one of the most liquid ways to play rising inflation. While most investors focus on physical gold, the real upside is in the miners—and that's exactly what GDX gives you. It holds some of the biggest and most established names in the gold mining space, like Newmont, Barrick Gold, and Agnico Eagle. These companies are already sitting on massive gold reserves, and when gold prices rise, their profits can explode higher.

Here's why: miners have fixed costs, so when gold goes from $3,000 to $4,000 an ounce, that extra $1,000 flows almost directly to their bottom line. That kind of leverage makes GDX a powerful inflation hedge. And let's be clear—this inflation isn't going away. With central banks still printing, governments drowning in debt, and supply chains a mess, hard assets like gold (and especially gold miners) are set to outperform.

If you're looking to stay ahead of the curve and actually profit from inflation instead of getting crushed by it, GDX deserves a spot on your radar. It's not just about defense—this is about going on offense when the system starts to crack.

Investment #2: The VanEck Junior Gold Miners ETF (GDXJ)

The VanEck Junior Gold Miners ETF (GDXJ) is like GDX's younger, more aggressive cousin—and it's built for serious upside during inflationary runs. While GDX focuses on the big, established players, GDXJ gives you exposure to smaller, fast-growing gold mining companies. These "junior" miners might not have the massive reserves yet, but they've got something even more explosive: potential.

GDXJ holds a basket of high-upside names like Pan American Silver, Evolution Mining, and B2Gold. These companies are typically involved in exploration or early-stage production. That means when gold prices start ripping higher, these juniors can move fast. They're more volatile than the big miners, but that also means they can deliver massive returns when conditions are right—and right now, they are.

The chart for GDXJ is even more bullish than that of GDX. The upside potential here is TRIPLE digits.

Investment #3: Aya Gold and Silver (AYA.TO)

Aya Gold & Silver Inc. (AYA.TO) is one of the most exciting high-upside plays in the entire precious metals space right now. This isn't your typical senior miner—it's a lean, fast-moving exploration and development company with serious potential, especially in a world where inflation isn't just sticking around... it's accelerating.

Aya operates primarily out of Morocco, with its flagship Zgounder Silver Mine already in production and showing strong results. But here's the kicker: while everyone else is chasing gold, Aya gives you exposure to both silver and gold. Silver tends to outperform gold during inflationary spikes because of its dual role as both a monetary metal and an industrial one—and Aya is sitting right in that sweet spot.

What makes Aya stand out is its aggressive expansion. The company is actively increasing production capacity while continuing to explore and prove up more resources. That means it's not just riding the wave of higher metals prices—it's growing, fast.

Production at the Zgounder Silver Mine hit production of 1.65 million ounces of silver in 2024. Fast-forward to 2025, and things are really picking up:

Q1 2025: A monster 1.07 million oz of silver produced—up 192% from Q1 2024.
Q2 2025: This growth continues with—1.04 million oz produced in the quarter, up 141% YoY.

Best of all, Zgouder has 70 MILLION ounces of proven and probable reserves, so production can ramp for years to come… and that's assuming the company doesn't discover any additional assets. Small wonder then that AYA.TO shares are in a strong uptrend.

Investment #4: Equinox Gold (EQX)

Equinox Gold (EQX) is one of the best ways to get serious upside in this inflation-driven gold bull cycle. This isn't a micro-cap explorer hoping to find metal — this is a fully operational, multi-asset gold producer with real output, real reserves, and real growth.

In 2024, Equinox produced 621,870 ounces of gold across its portfolio — the most in company history. And it wasn't just a one-quarter spike. In Q4 alone, the company put out 213,960 ounces, proving they're hitting stride. Mines like Los Filos in Mexico, Mesquite in California, and Aurizona in Brazil are all delivering — but the real game-changer is Greenstone in Ontario. It just ramped up and is targeting 220,000–260,000 oz in 2025, which instantly turns Equinox into a near-million-ounce producer.

And it's not just production. They've got the reserves to back it:

Fazenda: ~763,000 oz of proven and probable reserves
Aurizona: 1.7 million oz of proven and probable, with an 11-year mine life
More ounces are in the pipeline, especially with the Calibre Mining merger on deck.

Why does all this matter? Because when gold runs — and it is running — miners with scale and growth explode. Equinox gives you that leverage. Rising gold prices widen their margins fast, and with inflation sticking around, that tailwind isn't going anywhere.

Bottom line: EQX is a production story, a growth story, and an inflation hedge all in one. If you want to play gold with torque, this is the kind of name you want to own.

The chart is ramping up… about to break out of a 10-year consolidation pattern.