



GOLD, GOATS 'N GUNS

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Tom Luongo

Editor • Publisher

Tom Luongo is a former research chemist and part-time goat farmer. He's always been a writer. He is also Editor of *Ultimate Wealth Report* and contributor to *Financial Intelligence Report* for Newsmax Media.

The publisher of the *Gold, Goats 'n Guns* blog and podcast, his work is also published in *Bitcoin Magazine* and syndicated regularly at sites such as ZeroHedge, Lewrockwell.com and Investing.com.

An advanced student of traditional Tae Kwon Do and an adherent to Austrian economics, he applies those lessons to geopolitics, gold and central bank policy. He lives on his hobby farm in North Florida with his wife, daughter, 5 dogs, 10 goats, 15 ducks and a cat.



Defining the Battle Space



When Donald Trump picked his fight with Iran and the IRGC it wasn't immediately obvious to most who the real target was or what he was trying to achieve, but as oil market disruption rippled through the global economy new fault lines emerged. One of those fault lines runs through Tokyo.

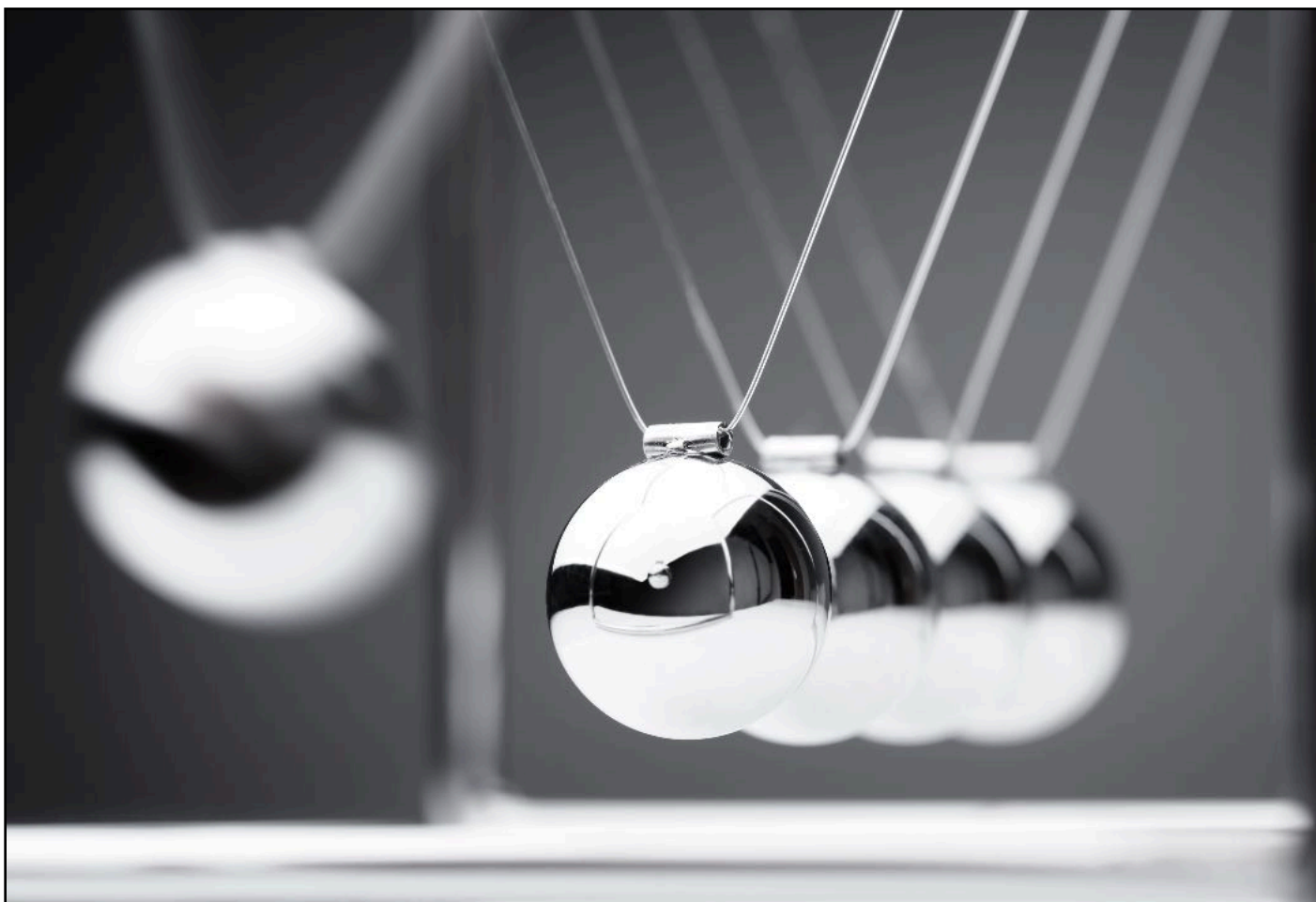
The Japanese yen has been used as a cheap funding source to paper over all the lies *Davos* has told, run cover for their illicit activities the world over, and prop up asset prices every time the

public gets an inkling of the truth.

Japan's independence from this system of extraction and humiliation is tied directly to the US's quest for the same thing.

Treasury Secretary Scott Bessent's intervention in the yen has set off a chain reaction that exposes who's really been pulling the global economy's strings. This month's issue explores that as well as whether the US can recapture its soul in the process.

— Tom



Quote of the month:

"We all died a little in that damned war."

— The Outlaw Josey Wales

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THE YENTERVENTION STORY

THE REAL WAR FOR COLLATERAL IS UNFOLDING



I’ve spent most of 2026 vacillating between euphoria and exasperation. Every headline could be the one that confirms the future looks like an outtake from one of the *Terminator* movies.

This is partly because of President Trump implementing his foreign policy realignment strategy, a modern version of the Monroe Doctrine, where the US declares North America, the Caribbean, and the northern coast of South America as its strategic focus.

That means pulling back from US commitments in the Middle East, Europe and Central Asia. To do that upsets the geopolitical status quo. First came removing Nicolas Maduro in Venezuela, then removing Iran’s threat to global shipping, making a play for Greenland somewhere in there, picking apart Mexican drug cartels, and attacking the foundations on which NATO is supposedly built.

Underneath that chaotic story has been a far more important one, the US regaining full control over the issuance of dollars. No kinetic action matters if the financial architecture which built and maintained that status quo is not torn down. That can’t be done without cleaning up the ultimate source of cheap offshore dollars, commonly known as the *yen carry trade*. And Trump couldn’t do that without a willing partner in Tokyo.

He got that in February when Sanae Takaichi became Prime Minister.

Treasury Secretary Scott Bessent’s *yentervention* at the end of July rocked markets. By openly coordinating with both the Fed and the Bank of Japan (BoJ), Bessent stifled further yen weakness after hitting an all-time low against the US dollar.

This angered those who’d been waiting for years for their bearish Japan thesis to be validated. Bessent’s operation did more than strengthen the yen versus the dollar, more importantly it rose against the British pound and the euro.

That’s why I see the *yentervention* in war terms, a battle in the war to end Eurodollar control over US finances. Operation Epic Fury and its sister Operation Financial Fury’s real target was the further dismantling of the *yen carry trade* this year to alter the foundation of global finance.

The target in that war is the sclerotic collection of European and British financialists, organized crime lords, and bankers (but I repeat myself), I labeled *The Davos Crowd* nearly a decade ago.

This war has been going on since the days of the American colonies’ rebellion in the 1770’s. In 2026 it reached a level of commitment from everyone we have not seen since the 2008 financial crisis, which now looks like a hostile takeover of our banking system and coup to put Barack Obama in the White House for eight years.

Against this dark background, I’ve become convinced that Trump’s war wasn’t a response to a new wrinkle in Iran’s nuclear ambitions. Given the amount of preparation necessary in that operation, this was on the drawing board from the beginning of Trump’s second administration.

Knowing that *Davos* would do everything imaginable to stop Trump from surviving the midterm elections he had to act first claiming operational tempo.

It took a few months for the data to come in, but this month we have enough to explain Bessent’s *yentervention* and why it reframes everything we thought we knew about this war.

The intervention itself wasn’t the story, but how he did it, selling euros, not dollars, to buy yen. He didn’t tip his hand to our European partners, who were openly butthurt. Their response in currency and bond markets was predictable as I will lay out.

These facts are why this can only be seen as an extension of the Trump administration’s strategy to end the US’s entanglements which prop up the skeleton of *Davos’* colonial empires. Because wresting control over the so-called *yen carry trade* is a vital battle the US must wage if Trump’s version of the Monroe Doctrine has any hope of success.

Tightening the Noose

Going back to Jerome Powell’s tentative steps to tighten monetary policy in 2021, Japan’s moves have played a major role in supporting my arguments about US monetary independence. They were the opening salvos in this generational war for control over the future’s economic system.

This was my tentative hypothesis in the summer of 2021 and was confirmed all through the years of the Biden junta. Starting in 2022, the Fed’s aggression in hiking rates wasn’t matched by the BoJ who timidly came off -0.1% and slowly exited yield curve control, while also changing the bank’s leadership.

This year, Bessent’s intervention came after both central banks refused the markets’ demand to raise interest rates in July because of high energy prices. For the Fed that decision was easy, as CPI and labor data didn’t make a strong enough case.

With Japan more vulnerable to energy prices, the case to raise to 1.25% by the BoJ was warranted. The BoJ is at 1.0%. Japan’s CPI is running 1.7% but the latest Producer Price Index came in at 7.2%, meaning consumer inflation is around the corner.

Bessent and BoJ President Kazuo Ueda chose the yentervention route, letting the currency and bond markets do their work for them.

I cannot excuse the timing of yen breakdown leading up to this moment. If there was an opportune time to attack the yen and long-term US treasury yields simultaneously, it was at the beginning of the election season in the US, after the 250th birthday party and the end of the FIFA World Cup.

In an alternate timeline Iran makes a Crazy Ivan play in the Strait of Hormuz following some ham-fisted MI6 false flag attack which forces Trump’s hands sending oil prices north of \$200/bbl and crashing the world economy on the same timeline as 2008, just in time for the midterms.

Trump pre-empting this has left Iran besieged and the US Navy settling in for a total embargo on Iran’s oil exports. This is the key point; no Iranian oil exports. But to explain that I have to explain the yen carry trade first.

I Carry, You Carry

Japan’s fiscal and monetary problems have been a worry for decades. The BoJ’s policy rate was at or below the zero-bound since the 2008 financial crisis. Before that Japan was always at the bottom of the beggar thy neighbor stack of devaluing currencies.

Because of this, Japan has been a major source of cheap borrowing via the carry trade.

Simply, a [carry trade](#) is where you take advantage of the difference in interest rates between two debt instruments, in this case bonds from two different governments, and pocket the spread between them.

So, if the BoJ tells the world (like they did from 2016 to the end of 2021) they are buyers of all 10-year bonds to keep the yield on them fixed at 0.1%, then you knew you could borrow yen at 0.1% and reinvest that money in a higher-yielding bond like an Italian 10-year paying over 5% in euros.

You make a cool 4.9% for doing nothing. If the yen strengthens you pay back your yen loan with more euros and your profit drops. Conversely, if the yen weakens your profits go up and you can borrow more yen.

“...wresting control over the so-called yen carry trade is a vital battle the US must wage if Trump’s version of the Monroe Doctrine has any hope of success.”

This is literally free money which can be re-loaned at higher rates, leveraged up in the equity and foreign exchange markets or spent elsewhere.

That’s the yen carry trade in a nutshell. Anyone could buy cheap yen for years as long as inflation stayed accretive in real terms (accounting for inflation) for the domestic Japanese investor, the proverbial “Mrs.Watanabe,” who would park their savings in domestic assets. If, however, Mrs. Watanabe bailed on the Japanese economy, the BoJ would be torn to shreds as bonds were sold and they would have to intervene ever harder to maintain the 0.1% peg.

This is what happened post COVID-19. A massive inflation wave hit everyone in 2021, and even Mrs. Watanabe got antsy. Japan risked a collapse of confidence in the yen. Then BoJ President Haruhiko Kuroda had to announce lifting that cap from 0.1% to 0.5% in December 2022. The maximal yen carry profits were ending.

Japan, after two generations of the most accommodative monetary policy in the history of the planet, cried uncle and began the agonizing climb of normalizing interest rates.

Immediately 10-year JGB yields rose because the BoJ wasn’t suppressing reality. Since then, every time macroeconomics dictated raising Japan’s benchmark lending rate, hand wringing in the financial commentariat about Japan’s future would explode. So many people had piled into the yen carry trade their local economies needed it like financial heroin.

When Ueda, Kuroda’s successor, raised above the policy rate off zero-bound to 0.25%, it resulted in the “Black Monday” of August 5th, 2024, where equity markets around the world sold off hard, especially in

the US. Quickly, everyone came in to declare the yen carry trade was over. Whew! That was close!

Of course it wasn’t, but everyone got a good scare, especially Ueda, who softened his forward guidance.

During the halcyon years of the yen carry trade, its effects were everywhere. It allowed nearly every other major economy to borrow at lower-than-market rates for decades.

It allowed not just the US but also Europe, SE Asia and even China to subsidize government spending by keeping domestic debt financing rates lower than they should have been. Who was buying all that Italian debt at 5% when it should have been trading at 7% or 8%? It kept pension funds afloat, subsidized massive social welfare spending, investment in negative returning climate change projects, etc.

Low Japanese rates kept US and European rates at or below zero for the entire 2010s, punishing savers, while Obama’s increased regulatory burdens blew bubbles in housing, health care, insurance, and education costs gutting the middle class. Meanwhile, the mega-banks rebuilt their balance sheets getting paid by the central banks not to lend and equity investors plowed into the next round of unsustainable technology.

But that marginal global liquidity also flowed into the shadow economy. If you hate the CIA’s operations overthrowing governments, well, that money indirectly came from the yen carry trade. DEI in our schools? You get the picture.

(Yentervention, con't.)

Idiotic EU climate and censorship policy? Ukraine’s continued fighting Russia? Israel flattening Gaza? Financed by ultra-cheap yen.

That said, the BoJ didn’t just buy government bonds, like the US and Europe during the QE years. It also bought Japanese equity ETF’s while they were very cheap compared to everyone else’s. Today they represent about 10% of its balance sheet (¥58 trillion). While US and European stocks moved from new high to new high for over a decade, the Nikkei languished well below its highs until the BoJ began hiking rates, as investors sold bonds and bought stocks worried about inflation, expanding the value in the BoJ’s portfolio.

This fact is often lost on those only looking at Japan’s debt-to-GDP ratio (currently estimated at 204% for FY 2026), they see rising bond yields and underestimate the amount of policy room the BoJ has. In addition, debt-to-GDP for Japan has been falling steadily since reaching a peak in 2020 (233%), as the BoJ pursued quantitative tightening.

Unlike the Fed, today the BoJ continues to contract the balance sheet. Based on BoJ statements about its portfolio policy, nearly 20% of its ¥518 trillion (~\$3.23 trillion) portfolio will run off in the next two years, and around 1/3 will be gone by 2030.

Viewed that way the BoJ is in no danger of losing control over yen inflation, barring a collapse of confidence. Remember, Mrs. Watanabe loves getting 2.9+% on a 10-year JGB when inflation is only 1.7%, and she’s flush with the Nikkei 225 nearly tripling in the past three years.

This is a structural contraction of the global yen supply. In fact, given these numbers, this summer’s weakening yen is an artifact of past policy and/or external carry traders.

There is no doubt that Japan has a difficult mess from which to extricate itself. But they also have a national balance sheet that can be deployed, similar to the US, which makes the two nations natural allies going forward.

Because what made the carry trade powerful while running up the debt is also the thing that, properly unleashed, that can do the lion’s share of the heavy lifting, e.g. Japan’s industrial capacity.

Encumbrance Capacity

To make a carry trade like the yen work there has to be a buildup of industrial capacity to borrow against. Tomorrow, the Bank of Sri Lanka could go to the zero-bound to attract capital borrowing in their cheap currency. And that would last for about a week until Sri Lanka’s economic and political reality hits the carry trader between the eyes.

There’s no capacity to put that money to work. You’re not borrowing against an interest rate. You’re borrowing against

the productive capacity of the country to service the debt being issued.

In this scenario, the currency hyperinflates, and the carry loan is paid back at a fraction of the value borrowed, keeping the profit of destroying the country. It’s just legalized theft.

This is what happened repeatedly to Argentina before President Javier Milei. The hyperinflation of the Turkish lira over the past fifteen years is an even more dramatic version of this extraction trade, even accounting for Turkey’s industrial capacity.

But Japan is different. The documentary “[Princes of the Yen](#),” adapted from Richard Werner’s book, makes the case, quite powerfully, that Japan was chosen after WWII for this exact reason to create a massive capital sink to borrow against. The bigger you build up Japanese industry, the bigger the potential bubble in asset prices you could blow.

Even excluding any conspiratorial angle, Japan post-WWII was a perfect place to set up an industrial powerhouse to help fund global rebuilding after such a damaging war.

Today we are four years into the BoJ reversing the carry trade. It’s being trimmed, so far politely by Ueda.

The question is who is most vulnerable to the resultant rate normalization and potential shock that implies?

Katana or Butter Knife?

The most common answer to that question is Japan itself. But, if you really think that through, how can that be? Japan’s cheap funding is the source of cheap global liquidity. Reversing that flow implies that those that borrowed cheap are dependent on that trade.

It’s the old adage that if you owe the bank a thousand dollars it’s your problem but if you owe the bank ten million dollars it’s the bank’s problem. Only this time,

you, the carry trader, are the bank. More explicitly you’re a central bank and the numbers are in the trillions.

During Powell’s “higher for longer” policy, the pronouncements of doom for the US were common. They turned out to be false. As the US raised rates driving down global liquidity, those needing dollars most, *Davos*, bought US Treasuries with newly printed euros and pounds, to defend their currencies and keep control over the Eurodollar system they built on the back of Mrs. Watanabe.

Ultimately, central banks in Europe, the UK, and their extensions, have been net buyers of US treasuries for five years, adding over \$1.7 trillion in net reserves overall. This coincided with the euro bottoming versus the US dollar in September 2021, at \$0.9535 and ECB’s yield curve control program starting in July 2022. Since then, it strengthened versus the dollar until Trump put global tariffs in place in April 2025.



The chart pattern of the British pound is exactly the same. The EUR/GBP exchange rate has been held in a very tight band since just after the Brexit vote of 2016. Up until Trump attacked Iran at the end of February, the yen weakened versus both the euro and the pound in pretty much a straight line since the BoJ began raising rates. Since the beginning of the war, however, the yen has been held in a tight band against the euro (**see chart**), but it continued to weaken versus the pound (**data not shown**).

Remember, we are long past the days of 4.9% risk-free yen carry trades. That Italian trade? It's now just ~1.07% profit and falling.

The numbers are even worse in German bunds, where the carry spread is just 0.30% or 30 basis points after being over 2.0% for a decade.

Now you know why they were so worried about the BoJ raising and the US not. At just 30 bps, the exchange rate between the euro and the yen, EUR/JPY, is really freaking important.

If you accept my position that the goal of this part of the yen carry trade is to assist the ECB in rigging US bond markets to offset Powell raising interest rates (2022-24) the chart makes sense. The EUR/JPY rises to offset the tightening of global dollar and yen markets.

Once Powell is done raising and begins easing while the BoJ comes off the zero-bound the EUR/JPY weakens, we get "Black Monday" on August 5th, 2024 (**1st black arrow**).

In 2025, Trump returned to power. He and Bessent began running a weak dollar policy which the ECB has to eat, by buying US Treasuries and selling dollars. ECB President Christine Lagarde both wants to and is forced to strengthen the euro because long-dated JGBs are rising in yield, compressing the profits of the carry trade. Remember, strengthening the currency keeps the carry trade profitable if yields tighten.

Tariffs entered the picture starting April 2025. For the rest of 2025, in response to Trump declaring a trade war, the ECB, very likely with the help of the Bank of England and the Bank of Canada, constructed a dual short-yen/short-US yield trade for 2026.

In effect, I believe they said, "If you're going to weaken the US dollar, we are going to push your debt servicing to the breaking point by rigging the FX markets."

Paying the Price of Tunnel Vision

The operative question is how would they do that? That's where the collateral portion of the yen carry trade, i.e. Iran, comes into the conversation.

To borrow cheap yen, you must post collateral. Remember this is a net/net argument because prices are set at the margin. On any given day there are billions in US treasuries being pledged by someone to borrow in cheap yen. It's the marginal flow into the trade that matters.

What's never discussed is how was Iran getting its money? They'd been sanctioned by the US. Iranian rials couldn't be posted as collateral at Nomura to get yen. It had to be someone else either buying, insuring, or laundering Iranian oil. The IRGC had other means of getting dollars.

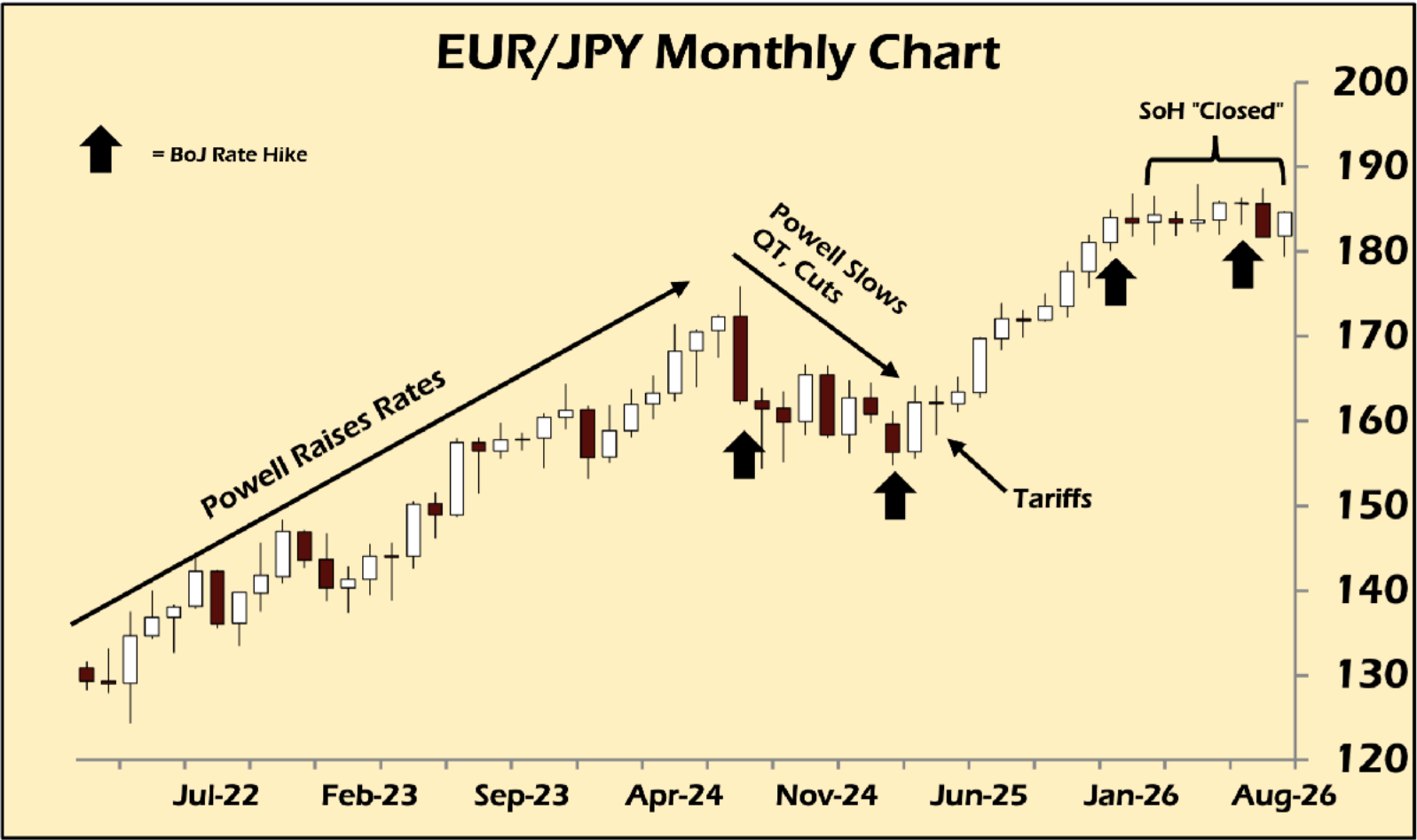
Bessent has been shutting down clandestine Iranian banking channels, especially those in the UAE. The IRGC has used these relationships to stay liquid while the US has them under economic sanctions directly.

To keep this simple, Iran's oil exports can be pledged as collateral for a loan once the proper channels exist to evade US regulators. That collateral is only good if that oil 1) has a buyer and 2) can make it to market and be turned into money.

The second Trump attacked Iran and Iran "shut down" the Strait of Hormuz in response, the EUR/JPY stopped rising. Why? Because Iran's oil could no longer get to market. Iranian oil tankers were no longer good collateral. Lloyd's of London stopped everyone else's in retaliation. If we can't have collateral, neither can anyone else. The yen carry trades based on them began hemorrhaging money, so the euro/yen trades all had to reverse, sell euros/buy yen.

Remember when Bessent gave the UAE a swap line during the height of the crisis? He was flipping them on the UK and IRGC. Cut off another source of liquidity for the IRGC and a source of carry for the UK to rig currency and bond markets.

Go back to my alternate timeline where Iran went first instead of Trump and you can see their plan, which Trump short-circuited. The ECB, BoE, and IRGC's plan was to offset rising oil prices with a stronger currency to buttress higher energy costs but more importantly raise the value of the oil collateral if Iran controlled Hormuz, which would turbo charge their short yen/short US treasury operation to foment a financial crisis leading up to the midterm elections.



(Yentervention, con't.)

The higher oil prices rose with Iran “smuggling” oil out of Hormuz, the more valuable it would be as collateral to keep shorting the yen and the US yield curve.

This explains why Lloyd’s of London rescinded all shipping insurance through the Strait for the first time in its 300+ year history. And why Iran shot its wad at Israel and the entire regional oil and gas infrastructure to shut down global oil production, attempting to push oil to \$200+/bbl.

The goal was to cripple the world economy, send the yen and the long-dated sovereign bond markets into a doom loop, which would bring down credit markets in the US, and allow for the ECB to declare an emergency and flip the switch on the digital euro. Then they could default on their existing pile of unsustainable debt and finish off the fiscal union to complement the political union within the EU.

With US markets in ruins, the ECB could emerge with a ‘clean’ balance sheet and be the destination of global capital.

This explains why Former British Prime Minister Keir Starmer was trying to sell the Chagos Islands to Mauritius to deny the US use of Diego Garcia and why he handed navigational control of Gibraltar back to Spain. It explains why none of our NATO partners wanted to help us with the attack, they were all in on the trade. It’s why Spain closed their airspace to us.

This is the real war. But Trump has already won it by denying them agency, by going first. Bessent is just overseeing the bankruptcy operation.

China and the US using their strategic petroleum reserves to prevent oil’s price rise was one of the counter signals. Bessent and Trump lifting sanctions on Russian oil to keep the market liquid was another. The Saudis opened their 7 million bbl/day pipeline to the Red Sea. Ships now load up at record rates in the Gulf of America. The only one not exporting oil through Hormuz now is Iran, if Energy Secretary Chris Wright is to be believed. Oil prices confirm his assessment that Hormuz is open, the US Navy’s escorts are holding serve, and the IRGC is mostly a narrative nuisance.

These moves put a limit on oil prices while the noose around the yen carry trades tightened and the loans came due. Every Iranian tanker denied a port is another limey carry trader scrambling to cover his short.

So, hopefully now you understand what Scott Bessent’s yentervention truly means. He sold euros to blow up the trade. Not dollars. Who now has a clearer path to lower rates to rebuild the middle class? The United States. Who has a clear path to raise rates to improve the life of savers? Japan. Who gets to starve this winter buying extremely expensive diesel fuel from the US? Europe.

Who runs Bartertown indeed?



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THE KULTURKAMPF OF MALIBU BARBIE

by Dexter K. White

America needs a future again. One that we look forward to. One that we want to live in, not just endure.

We used to tell ourselves stories about cowboys. Because we could remember when we were cowboys.

For a long time it’s been hard to understand what American culture is. The country has been balkanized by internal enemies, unbelievable greed and a mutated form of capitalism that makes communists sound smart.

Rugged individualism was a callout to the spirit of the American Revolution and the short lived Wild West that evolved after the cataclysmic change of the Civil War. It was the spirit of Teddy Roosevelt. Was it a myth? In some sense, of course. But it was a foundational one.

It fed the American spirit and flowed through it. The Colonies had stood against the largest empire in the world and staked out a new country. We are allowed a bit of legend.

Rugged individualism was inverted in the 1960s in a period of intense cultural upheaval. First came the Civil Rights Movement, then the sexual revolution, student protests, intermingled with the infiltration of the arts and these “spontaneous” movements by both the CIA and foreign interests.

The spirit of the sixties burned itself out, leaving the US with the oil crisis, legalized abortion and the emergence of amphetamines, and later in the 70s, cocaine.

The American psyche became fractured and the idea of a unified culture faded into a series of character choices. The rise of stimulants, versus the introspective psychedelics of the 60s, or the long history of alcohol, and even prohibition, came to define a different kind of American

mindset. What had been individualism became narcissism and solipsistic greed.

All of these elements were separately moving forward towards their own conclusion. You could be a feminist or a Wall Streeter. And at the same time, as any Gen Xer can tell you, they were raising the kids on a new version of the old story.

The teen movies of the 80s were based on a new take on the underdog, the nerd. David and Goliath, brain over brawn, with a healthy dose of teenage angst thrown in for good measure.

But they were also filled with a seething resentment for the status quo, for jocks and cheerleaders, and for community. The movies were fun but they were also a barometer. Their ultimate legacy was a toxic self-absorbed individualism.

They wanted Gen X to be atomized slackers who didn’t know who they were. Then out of spite, we went and invented the internet and its culture. And the millennials and Gen Z have been sucked into that without even a frame of reference.

The nerds have inherited the earth. A cowboy with a pocket protector.

But today’s tech bro is not a hero. Not with a thousand faces. But two-faced, for sure.

The Hero Will Always Return

What is a hero? That’s a complicated question. There are many answers, just as there are many heroes. A hero has a quest, and a struggle, and a triumph over his underdeveloped self. He can be an anti-hero or a tragic hero, but from antiquity, in Western tradition and others, a hero solves some intractable problem. And it is not typical that he does it just for himself.

You may remember the brooding cowboy archetype in post WW II American cinema.

Wasn’t he fighting for himself? Sometimes. But usually he was fighting against a corrupt foreshadowing of Gordon Gecko.

People who tell stories know its important to have heroes. You need them.

In the 90s, there were four books every screenwriter who wanted to understand mythic structure had on their bookshelf.

The Power of Myth and its summarizing companion, *The Hero With A Thousand Faces*, both by Joseph Campbell. Add to that *The Writer’s Journey* by Christopher Vogler and *Story* by Robert McKee and you have the tools you need, if you understand them, to create a mythic and powerful hero’s story.

Those books, and McKee’s workshops, rekindled the ambition of American screenwriting and most importantly, brought a ton of new blood into the craft, people who were motivated by great story, not necessarily by political culture programming.

There had been a void, and as nature does, it began to fill that void. Many of the greatest films of the 90s are downstream of the rediscovery of the basics, which reinvigorated the art of screenwriting.

In the words of Bob McKee, “If it ain’t on the page, it ain’t on the stage!”

The hero cycle was studied, adapted, and infused in deeper and deeper subtexts.

And then 9/11 happened.

Like most societal transitions, they are clearest once you are looking back at them. Hollywood stopped green-lighting comedies (“not appropriate in these times”). Everything became purposeful and preachy. We didn’t just get law and order, we got *Law & Order*. Movies became police procedurals with terrorists instead of drug dealers.

(Malibu, con't.)

We lost our optimism, and our taste. We descended into paranoia. Who could blame us? It's not that it wasn't understandable, it's that it was tragic.

The Pink Paladin Arrives

You might think *Legally Blonde* was just a silly movie about a sorority girl who goes to law school. Which it was, but it was also the apex of that heroic style of filmmaking that defined the 1990s.

If you haven't seen it, I'm not giving a spoiler alert for a 25 year old movie.

Many mistake *Legally Blonde* as a feminist film that extols the idea that women can do anything. It isn't.

Elle Woods is not just the hero of the movie, and a hero in mythic terms, she is an archetype of American confidence. Let's revisit some of the arcs.

Elle is a happy sorority girl about to graduate college, expecting her boyfriend Warner to propose. But he dumps her instead because she is not serious enough for his northeast family and the life he imagines after he completes law school.

Elle is wrecked by this, but decides to apply to Harvard Law School to get Warner to see she can be serious.

She gets in! I know, I was shocked too.

She arrives to find him with his high school girlfriend, the ice queen Vivian. There are of course, progressive complications, where Elle is treated as an outsider, humiliated, tries to adapt to the serious world, etc.

But then a funny thing happens. She realizes she is who she is. And she triumphs anyway.

There is a scene where she is tricked into coming to a party in costume by Vivian who lies and says it's a costume party. Elle shows up dressed as a Playboy bunny, because of course she does.

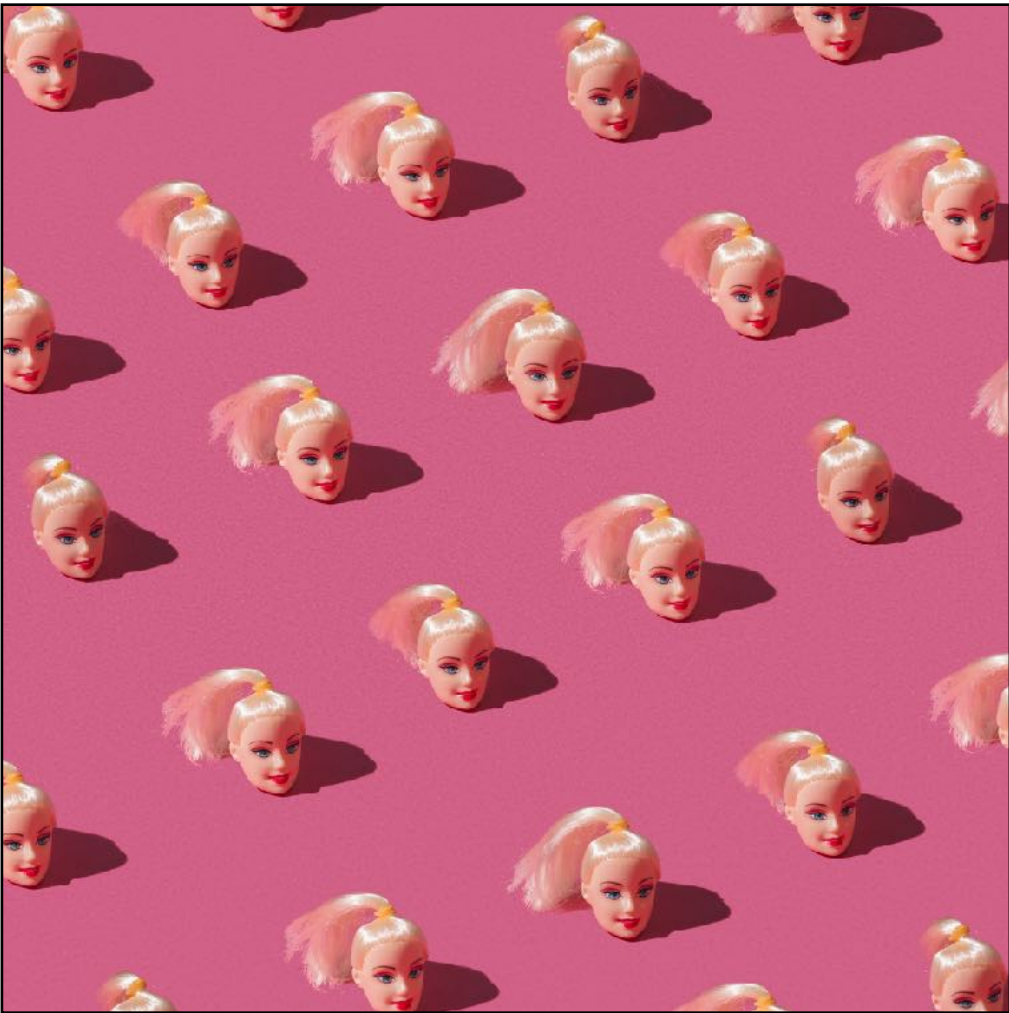
And we the audience are very embarrassed, deeply uncomfortable, humiliated. But Elle's not. Because she is bubbly, and sexy, and serious about who she is. And we learn that in this scene when she does not run out crying but instead tracks down Warner and gives him a piece of her mind, dressed as a bunny.

The interesting thing is that Elle's confidence is innate and unbreakable, it is not a tragic flaw, and also not her weakness. In many ways, it is never even challenged.

What Elle the hero realizes is that she must bend this new world (Harvard) into her reality. And her confidence is the anvil on which that world is beaten into change.

When she walks into court dressed in pink in the climax, abandoning any pretense of trying to fit into the musty Boston culture, the image system is there to show us that Elle's power is innate, not a result of her journey.

Elle's triumph is saving her queen, her big sister from the sorority, the client she defends, whose confidence she kept, not due to lawyer's privilege, but because of eternal loyalty to her oath.



Cowboys and Indians II

Legally Blonde hit the theaters less than sixty days before the 9/11 attacks.

Then the door slammed shut on a style of romantic comedy and silly teen films for quite a while. And the culture in America became reactionary, and I don't mean that in the political sense, but more in opposition to the visionary.

We lost our sense of self.

It may seem absurd to hold up *Legally Blonde* as an example of the hero cycle. But I remember how central the hero cycle was, and on a recent rewatch, I was shocked at how well it was employed in the film. And how absent it is today.

The style of the era included a lot of examination of our own values, while resisting the temptation of postmodernism.

The temptation to put aside all values and succumb to irony and petulance. It was done with wit and style.

But after the attacks, comedies were gone, no matter how sophisticated. That just couldn't be considered serious anymore. This was a grave error, one of many made in that period.

When I try to remember the world before the internet, I think of *Leaving Las Vegas*. It was filmed in 1994, less than a year after the first web protocol was launched, long before it took over our lives. It's a time capsule of pay phones and the way time used to linger. *Legally Blonde* performs the same function. It takes you back to a period of unbridled American optimism and identity and unabashedly 90s optimism, regardless of its release date.

Thanks to the rise of streaming, we now live in a world of episodic content that never really comes to a satisfactory end. They often get cancelled right as they find their feet. Even the supposed finales usually only happen when the money runs out, the ratings fall and everyone involved has started to hate each other. This leaves the real fans wondering how everything went so wrong when season two was so great.

But this is what Aristotle warned us about. Spectacle is a distraction from our lives. Real story helps guide it.

And this is what worries me most about where the US is headed. The growth of AI has made everyone frantic and reactionary again. Far beyond fear of missing out. It is becoming a race to be an automaton, to be a sequel producer who never saw the original.

Now we are imagining a new American hero, the tech bro riding the wave of AI. But all I can see is the intergalactic arms dealer Zorg from *The Fifth Element*, with far less self awareness.

We're Through Being Cool

Back to the nerds.

Everyone seems to agree the United States needs to start making stuff again.

We have exported our factories, our know-how and our jobs. And it's not working.

But at the same time they are telling us that AI is going to destroy all the jobs that are left and we will all need to go on welfare.

(Malibu, con't.)

And we're left to choose between insufferable weirdos and affable arms merchants to lead us into the future.

Personally, I am skeptical, as I have detailed elsewhere, about the ability of so-called frontier model companies like OpenAI and Anthropic to achieve the level of dominance their founders fantasize about. While I don't doubt there will be enormous malinvestment in their IPOs which will give them some runway, the reality is that general models will be duplicated long before they scale.

Separately, the personalities of Sam Altman, and most especially Dario Amodei, are not going to be tolerated for long in a country that learned its lesson by apotheosizing Bill Gates for so many years.

AI is going to be a tool that lifts people up or it's going to fail. Which is not to say it won't eliminate jobs. It's also not to say that many, many people are content to work mindless jobs destined for elimination.

There is a lack of ambition in a majority of the population. Which perhaps was always there, papered over by make-work jobs and drudgery. AI is just the latest trigger for those who imagine themselves burdened by *noblesse oblige* to fret about the masses.

But things have a way of working out differently than the doomsayers predict. Not necessarily better, but different.

AI is going to revolutionize manufacturing at all scales. And the utilization of data. Intelligence is not the killer app. It's finding correlations so subtle no one would ever look for them.

This will lead to pervasive automation and robotics more than AI models quoting Proust. And it is already leading to an explosion of innovation in the defense space.

It is here that companies like Anduril, Saronic and others are making rapid gains. There are tons of other non-public companies in this space that are building tech built on the lessons of the Ukraine war.

A war fought first as a remake of World War I and is now ending as a prequel to *The Terminator*.

Rest Easy, Book Lady

Our cultural struggle is upon us. We need to pick between people and the machines.

If we recreate the post-war industrial boom and the managerial panopticon that ran it, updated with AI, we are not going to like what we become.

Jobs, jobs, jobs. These are the reasons we give ourselves but there is no thought to character.

If we leverage automation to kill people faster, we will kill people faster. There will be no heroes, only statistics. If technology eliminates jobs no one wants but doesn't aid what they do want, it can't endure.

The US needs to make stuff again, but it needs more than that. It needs common decency and sense to return. It needs to reexamine its heroes and be careful what it recycles. Rosie the Riveter was a short term necessity, not an ideal.

AI can be part of the US getting its shit back together but it needs its fundamental optimism back.

Saronic, Anduril and others might show the inherent creative spirit of America, but at the end of the day, it's all just weapons of war.

The question I would ask Anduril founder Palmer Luckey is, if your only two choices were Elle Woods or Zorg, who would you pick?

It's not a literal question, although Palmer could surely work in an obnoxious pink Hawaiian shirt to his wardrobe. It is an archetypal question. And on a forward basis, it is an existential one.

Who do you want to be? In the words of the Caterpillar, "who are you?"

America recently lost the original Tennessee blonde, Dolly Parton. Dolly was famous as a musician, songwriter and actress. But she was also incredibly focused on the part of the world she came from and a truly charitable person.

Dolly Parton did not die the billionaire she easily could have been, because she instead created 25,000 jobs in Pigeon Forge, TN, and gave away **325 MILLION BOOKS** to support childhood literacy around the world.

When life gives you tools, you must decide what you do with them and which muse you follow.

In the words of Elle Woods, "What, like it's hard?"



PORTFOLIO REVIEW

Signs of Collateral Stress Rising

The further we get from the opening of Operation Epic Fury the more data comes in that clarifies what’s really going on beyond the public lies and posturing from the leaders involved. No one should take pronouncements from the IRGC about the state of traffic through the Strait of Hormuz anymore seriously than whatever hyperbolic nonsense President Trump posts on his Truth Social account while waiting his turn on to tee up on the 10th fairway.

What matters is what’s really happening in the capital markets based on what data we actually get. It seems Iran’s and *Davos*’ gambit was to put Trump in an unwinnable political position after Iran's fantasy of getting a ballistic missile through and sinking one of our carriers.

That would have sent oil to \$200+/- bbl, with the US responding in accordance with our nuclear doctrine and well, no one wants that world, except maybe those willing to die in the service of Allah or those with extensive underground bunker networks.

But normal people see the escalatory ladder for what it is, a game of chicken, like the one Russian President Vladimir Putin has been forced to play over Ukraine and commit to a strategy that avoids that while also putting maximum pressure on their adversaries.

Oil markets have sniffed out that Iran is posturing and that Trump really is in control of the situation. Prices are elevated because someone bet the farm that oil would be much higher today and are trying to get out with half of their ass intact. The ramp into the July close to \$100/bbl Brent was a perfect example of this. Then just after the rollover to the next month contract, oil dropped into the low \$80’s despite the jawboning of the financial class, only to use any excuse to climb back higher this month. Lather. Rinse. Repeat from Trump’s adversaries.

Who are those adversaries? In this case, from the American perspective, that would be just about everyone not named Japan. The move on Iran and the IRGC’s global network of ne’er do wells, is now six months old.

That gives us enough data to spot trends. Some of those trends are very interesting. As I pointed out in this month’s lead article, it was all leading to an open statement of how far the US would go to secure its future while saving its primary ally Japan.

Oil prices are not \$200 or even \$100/bbl but they are higher than they have been. This has begun to cause global demand destruction at the margin. Economic data coming out of China, for example, is troubling and it’s beginning to hit their credit markets. While I don’t expect anything catastrophic from there

in the near to medium term, I do think it is putting upward pressure on sovereign bond prices the world over.

So, we are in the early stages of a sovereign debt repricing which could spiral into a crisis depending on how principal global players respond. As the US yield curve goes through a *bear steepener* wave, that’s where the long end of the yield curve rises faster than the short end, it’s lifting everyone else’s yields along with it as investors demand higher returns to justify being long sovereign debt when everyone is struggling to remain in the game against higher energy prices.

Trump looks content with Hormuz as it is. It gives him a dial to turn up or down while everyone scrambles to grab what energy they can and others, like Saudi Aramco, use the opportunity to take market share, this time from Iran rather than Russia, like in 2014-15.

For bonds, while absolute yield matters, in a world of carry trades, like with the Japanese yen and now the Swiss franc, the spreads between sovereign yields and specific exchange rates are what matters most for the next three to six months.

The movements in these yield spreads will tell you who is most affected by this changing environment. In a free market, bond traders perform the function of letting everyone know who's in trouble. But we don’t have free markets, we have markets dominated by central banks who individual and institutional traders do not want to cross swords with.

It takes another central bank to attack another central bank at the level I’m thinking about here. So, the real bond vigilantes are the hostile central bank presidents, the rest is just bedtime stories.

And the best data we have to track this, though it is two months in arrears, is the US Treasury International Capital (TIC) report. This report gives us clues as to how various governments are responding to this new pressure.

This month’s report, for June, revealed something I hadn’t seen in nearly four years, large scale selling from the Hong Kong Monetary Authority (HKMA). Since the Hong Kong dollar is tightly pegged to the US dollar, between 7.75 and 7.85, changes in both bond yields and reserve data is a direct look at what’s going on in Hong Kong.

And it’s not good.

Both Hong Kong and China sold a lot of US Treasuries in June. China sold \$26B, while Hong Kong sold \$16 billion. Of course, Japan did sincere interventions in the yen, selling \$26B alongside China.



None of this is surprising, given the circumstances. It's the first time we've seen concerted net selling from the major Asia-Pacific central banks since Powell's stealth tightening in the summer and fall of 2021.

As cheap Iranian and Venezuelan oil no longer flows into China, its demand for dollars to buy oil from the US set this in motion. Just making China pay retail for this oil alone would put upward pressure on their dollar needs, no less sending oil prices up 30 to 50%.

To get dollars China sells Treasuries to buy dollars in Hong Kong. This weakens the HKD/USD, which the HKMA needs to immediately counter to maintain the peg. They must net sell HK debt to buy HK dollars and sell US treasury reserves to get US dollars to fund China's demand. If that's the case, then yield on HK debt should rise and its reserves fall. These two things happened and significantly. The HK 10-year note is up 90 bps since the beginning of the war versus the US's 75 bps. So, while everyone is selling US debt to get dollars, central banks at the end of the supply chain are being forced to sell their own debt faster to defend their currencies.

That asymmetry is what matters.

The pressures on Hong Kong go far beyond China and the demand for US debt, but this basic example is enough to frame the situation for you.

Moreover, the HKD/USD has moved very close to the top of the band over this period and has hovered near it since. Yields are up and the peg threatened, simultaneously. That's bad for the HKMA.

For a comparison, last year we saw the most extreme stress in the HKD peg in recent years after Trump introduced global tariffs. The HKD was pegged for more than six weeks at the top of the band. It lasted until the end of July when EU Commission President Ursula Von der Leyen met with Trump in Scotland and came out with a trade deal. Coincidence? The HKMA spent more than \$30B defending the peg then.

Today's situation for Hong Kong isn't as dire yet, but it is worth our consideration because what we're looking for now is that fulcrum on which the inverted house of cards of global debt is balanced. Next month's TIC report will have more clues.

In other words, where will US Treasury Secretary Scott Bessent strike next to defend the US and Japan?

Also, next month Chinese Premier Xi Jinping travels to the US for a summit with Trump. They aren't meeting to compare decorating tips for the new White House ballroom. This will likely be a major turning point in this story.

It looks to me that, for now, Trump is content to let the bond markets sort out who holds the best negotiating position while his strategy of gaining control over oil flows bleeds out their ability to stay in the game to the end.

For the next few months, I'm watching this space to see at what price (or yield) buyers emerge for whose debt. When that happens, we'll have a good picture of where we are headed after the midterm elections are behind us. My bet is the US debt catches a bid first, if not by the time Trump and Xi meet.

Guns Portfolio

ProShares UltraShort Euro ETF (AMEX:EVO)

Current Price: \$30.07

Buy Under: \$29.00

The turmoil in the Japanese yen market has created a strengthening wave in the euro versus the US dollar. The US and Japanese interventions in the yen to strengthen it versus the US dollar have caused further compression of the spread between US/Japanese yields. This, in turn, has crushed various important Japanese/European spreads, making those carry trades unprofitable without a simultaneous strengthening of the euro.

If you accept the premise the ECB is rigging bond yields, then this aptly explains why the euro strengthened from \$1.14 to nearly \$1.16 this month. This is an unsustainable trade in the long run, which is why I don't expect to see US officials complaining about our rising bond yields. It's almost like they are inviting them. For us, in the near term, it means waiting a few more weeks/months for the euro to break down.

Once US long-term yields stop rising, when buyers are uncovered, while Japan's yields keep rising, that should be the trigger for this trade to break, and the euro to reverse. It could rise to \$1.18-\$1.20 before that happens. No change.

Bitcoin (BTC)

Current Price: \$77,535

Buy Under: \$85,000

Bitcoin finally broke out of its bottoming pattern between \$59,000 and \$65,000 per coin. Despite all the doom and gloom out there about the US dollar failing, bitcoin is only just beginning to shake off the remains of a bear market. I've made the argument for years that the easy ride in bitcoin is over, now that US monetary authorities have decided not to commit the dollar to performing ritualistic suicide. That outcome may be inevitable but at this point the jury is still out.

Because it is looking today that bitcoin's future is tied with its adoption by the existing monetary system as a form of collateral, being gobbled up by major players to hoard rather than to use as a form of currency. None of this implies that bitcoin is in trouble or that the current bear market is the best we can hope for.

With the world's debt problems being brought front and center by Trump over global chokepoints, its future looks almost assured at this point. Keep accumulating. Bitcoin below \$100,000 at this point in the process is a gift. This period feels like the end of the post-2020 bust where it languished below \$9,000 for months, and then just exploded. Did that explosion just happen? Wait until the August close to say one way or another.

(Portfolio, con't.)

WisdomTree Japan Hedged Equity Fund (NYSE:DXJ)

Current Price: \$179.91

Buy Under: \$160.00

DXJ is has been the perfect hedge against Japan’s rate normalization program. As bond yields have risen, money has flowed into the Nikkei 225 and sending it soaring well above its previous all-time highs and is now moving into nosebleed territory.

I don’t think, however, we’re near a top in rates for Japan, so the Nikkei probably has some more room to run. Moreover, if Japan is following Trump’s lead to run the economy hot, in Keynesian terms, and just back to baseline in Hamiltonian, this rally may have more room than even I’m comfortable forecasting here.

It’s trading now ~68,000 and given no technical breakdown this month or in September, it could run towards 80,000 by year’s end. I expect a lot of fund managers will not want to hold a long Japanese equity thesis come January 1st after the rally of the past two years, so set your sights to exit this very profitable trade by the end of the year. We will revisit that idea in November. It’s trading well above my new buy limit of \$160, but if it reaches that level in Q4, it’s headed back into the \$140’s.

Ripple (XRP)

Current Price: \$1.38

Buy Under: \$1.75

XRP continued the grand Gold, Goats 'n Guns tradition of taking speculative bets on non-BTC crypto currencies and getting crushed, until mid-August, where it, like Bitcoin, caught a major bid off a sub-\$1.00 bottom. 2026 has been a very good year for Ripple Networks’ adoption and integration into the global financial system, but as has happened in the past, this trade was way too early as it was predicted on Trump being able to push through his full digital asset legislation plans by the nation’s 250th birthday. That has not happened. The recent rally looks like it caught some short sellers very naked, but it will take a couple of months of holding current prices to say the market is ahead of the headlines.

There is still way too much smoke with XRP and Ripple’s network to give up on this position, even though we are deeply underwater on it. Passing the CLARITY Act, which looks likely this fall, should provide support coming into 2027. Lowering the buy limit to \$1.55.



BREEDING DOES TELL

Judgment Comes in Many Forms

I ran across a story recently about a breed of sheep from Iceland that defies the stereotype. Sheep are synonymous with stupidity and pliability. We’ve bred them for this to make them easier to manage on fertile land.

These Icelandic sheep, however, known as forystufé, or leader sheep, are different. They were selected over centuries for leadership. When everyone else in the herd was eating, the leader was watching, noting things no one else could see, caring for the herd’s future. The stories of their instincts are legendary and Icelandic herders learned to trust their leadership.

They say necessity is the mother of invention. This isn’t just some cheap aphorism when you live in a hostile land. When the weather can kill you quickly, judgment is necessity.

In that environment, stupid sheep are dead sheep, which means starving people. This is where Iceland’s story is fascinating. Because selecting over centuries for leader sheep with deep memory, who can read the weather, who are one with their land, can easily determine human survival.

One could make the argument that Iceland’s civilization itself made it through the centuries to today’s modern world because of forystufé sheep. Icelanders go much further than just keeping records of their bloodlines, they revere these taller, wiser sheep. They make shrines to them. Their deeds recorded in local histories by name.

Iceland didn’t breed their giant sheep for more hair or higher carcass weight. They bred for something you couldn’t see, judgment.

My experience with Maremma sheep dogs guarding my goats is similar. They’re Italian dogs bred to protect by using incredible judgment. Even without goats today, I still trust our guardian dogs’ reactions because 10,000 years of breeding isn’t replaceable. Not by humans, not by AI, not by anything.

In warmer climates, the guardian dog replaces the forystufé. Italian sheep face bigger threats than the weather.

The Romans built statues to these dogs for the same reason Icelanders write histories of the forystufé. Both peoples recognized their civilizations rested on the shoulders of their animal partners.

In this regard, abundance is a kind of trap. It makes it easy to ignore your traditions if you can substitute

convenience due to cheap energy and/or money. This is the biggest threat to community identity and local culture and why uprooting a people from their comfort zone is so dangerous.

Creating a nomadic people who chase money instead of prey imprints them with skills to manage the misery of no longer being tied to their land.

Misery doesn’t just love company. Misery can also be comfortable. And when your success is tied to managing that misery, you will resist it. Today it could be politically fatal.

Absent competent leadership, the people are frozen by trouble. All they know is they don’t like feeling vulnerable. The endless critiques of our leadership without rational basis are then easy to amplify.

That makes people susceptible to the worst kind of skepticism, the kind where they are incapable of accepting any kind of leadership as competent because they don’t understand what that even looks like.

Donald Trump, whose leadership style is strategically managing the chaos he creates, seems unable to grasp his people just want some small signal he’s got this, while he piles a new complication on top of the previous one.

It’s a flaw, possibly a fatal one, in his strategic execution. Especially since his true enemies look like allies and vice versa.

It’s telling that he’s outsourcing communication of the administration’s goals to Vice-President J.D. Vance and Treasury

Secretary Scott Bessent in recent weeks. Both men project the calm, focused leadership people have craved from the beginning.

It looks like someone may have finally told Trump that at this point, other than turning out his base, he’s a liability with the part of the herd he lost when he took on Iran, necessary though it may have been.

That's the essence of the anxiety over the upcoming mid-term elections. Because when you’re making the case for getting a large group of battered and weather-beaten people to follow your lead, you must convince them there’s a valley on the other side of the dangerous pass through the mountains you’ve led them to.

We’ll know in the next couple of months whether he still has the capacity to read the wind coming through that pass. The one thing we do know is he wants both the statue and the stories. Now he has to prove he’s got the judgment to deserve them.



THE GOLD, GOATS 'N GUNS PORTFOLIO

PORTFOLIO TABLE AND ALLOCATION RECOMMENDATIONS

<u>GOLD Portfolio</u>							
Holding	Symbol	Entry Date	Entry Price	Recent Price	Current Yield	Total Return *	Position Value(1)
GAMCO Global Gold	GGN	Various	\$4.69	\$5.65	6.37%	177.33%	\$13,866.37
Permian Basin Royalty Trust	PBT	Various	\$6.35	\$33.87	1.06%	282.54%	\$14,345.13
Gladstone Land	LAND	10/14/20	\$14.20	\$8.97	6.23%	-19.72%	\$2,006.93
Nordic American Tankers	NAT	6/13/22	\$1.95	\$6.78	9.14%	437.25%	\$13,431.31
abrdn Bloomberg All Commodity Strategy	BCI	9/18/23	\$21.61	\$25.46	12.65%	47.08%	\$3,676.91
<u>GOATS Portfolio</u>							
Holding	Symbol	Entry Date	Entry Price	Recent Price	Current Yield	Total Return *	Position Value(1)
Newmont Corporation	NEM	11/3/23	\$39.02	\$127.84	0.81%	446.58%	\$27,329.11
Rayonier	RYN	Various	\$26.69	\$20.37	10.89%	23.20%	\$6,159.97
Shell plc	SHEL	3/13/20	\$28.87	\$90.90	3.44%	295.20%	\$9,880.07
Sprott Uranium Miners ETF	URNM	5/14/21	\$32.38	\$56.72	3.09%	104.82%	\$5,120.52
Sonic Automotive	SAH	2/15/22	\$50.49	\$79.75	1.43%	-13.22%	\$2,169.44
Alcoa Corporation	AA	9/16/22	\$42.43	\$50.32	0.79%	23.71%	\$3,092.87
TRX Gold Corp	TRX	1/17/23	\$0.44	\$1.16	0.00%	163.76%	\$6,593.91
Petróleo Brasileiro S.A.	PBR-A	Various	\$17.20	\$16.77	7.91%	53.06%	\$7,652.75
Federal National Mortgage Assoc.	FNMA	2/25/25	\$6.24	\$6.21	0.00%	-0.48%	\$2,487.98
Global X Russell 2000 ETF	RSSL	9/18/25	\$95.23	\$115.87	1.22%	28.21%	\$3,205.34
Freeport-McMoRan Inc.	FCX	10/27/25	\$41.10	\$65.00	0.92%	59.32%	\$3,983.02
<u>GUNS Portfolio</u>							
Holding	Symbol	Entry Date	Entry Price	Recent Price	Current Yield	Total Return *	Position Value(1)
ProShares UltraShort Euro	EUO	5/8/18	\$22.40	\$30.07	0.00%	34.24%	\$1,342.41
Bitcoin	BTC	1/14/20	\$8,659.50	\$77,535.00	0.00%	795.38%	\$17,907.50
WisdomTree Japan Hedged Equity ETF	DXJ	11/17/23	\$91.54	\$179.91	1.68%	111.83%	\$2,118.28
Ripple	XRP	2/25/25	\$2.20	\$1.38	0.00%	-37.35%	\$626.49

(1) Position Values are based on Initial Positions for GOLD and GOATS of \$2,500 and for GUNS of \$1,000.

* Returns calculated based on recommended actions and assumes reinvestment of all dividends at market price.

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