

Europe's Trouble Is Good for Gold.

☒ “Now the catastrophic scenario that many feared has materialized, making the disintegration of the EU practically irreversible. The financial markets worldwide are likely to remain in turmoil as the long, complicated process of political and economic divorce from the EU is negotiated.”
– George Soros

UK voters voted narrowly to exit the European Union on June 23rd, 52:48 percent, confounding complacent stock markets, currency markets and the UK and Europe's politicians, who nearly all smugly assumed that Prime Minister Cameron's Project Fear campaign would intimidate GB's voters to vote to remain in the EU. The prospect of unlimited future immigration from Romania, Bulgaria and eventually Turkey and Ukraine appears to have trumped Prime Minister Cameron's Project Fear campaign. Now in the aftermath, it is lose-lose all around, except in the precious metals sector, where the massive uncertainty generated, will boost the role of physical gold and silver as safe havens to the fiat euro and fiat British Pound, for months if not years to come.

Massive Uncertainty.

So when will Great Britain exit the EU? The real question is will GB exit the EU even with the referendum outcome? Europe's Great leaders all met on Saturday and demanded that GB get on with triggering Article 50 of the Lisbon Treaty, and start the process of a two year UK-EU negotiation that ends in GB leaving the EU. This massive uncertainty is bad for all, say the EU leaders. But on Friday, Prime Minister Cameron announced his resignation to take effect after his Conservative Party elects a new leader in October. It will be for that new Prime Minister to start the Article 50 process,

sometime in October – December, if at all. However, it is by no means certain that GB will actually get to leave the troubled European Union. John Bull checked in, but checking out is hard.

The UK Parliament has two chambers, an unelected House of Lords, aka the House of Horrors, where only a tiny fraction of the members are anti-EU. The elected chamber is the House of Commons, where roughly three quarters of the existing members are on record as wanting to remain in the EU. Neither House is bound by the result of the referendum. Even if the next Prime Minister is pro leaving, it's by no means certain he could get leaving legislation through either House, even assuming generous terms from the EU27.

But the prospect of the EU stuck with an estranged member, permanently in a deep sulk, and whose voters would likely vote out the renegade M.P.s at the next election, in favour of the UK Independence Party (UKIP,) merely delays Brexit until after the next general election scheduled for May 2020. Since 2010 when the UK Parliament adopted fixed term Parliaments, there are very limited circumstances for calling an early election. But since that early general might trigger a massive UKIP vote, neither the deeply split Conservative Party nor the deeply disarrayed Labour Party are about bring forth the conditions necessary to trigger an early election and their demise.

Making matters even worse, Scotland voted to remain in the EU and its local government announced on Saturday that it wants talks with the EU about remaining. That in itself is a nightmare for the EU. If it agrees to talks, it emboldens all the other regions in EU member states that want to split from member countries, especially regions in Spain, France and Italy. Down that route lies the breakup of the EU itself.

Everywhere around lies lose-lose uncertainty, with dither and dally and punt into the long grass any triggering Article 50.

Yet dither and dally, while the best option for GB, is about the worst option possible for the EU27. The European Central Bank already has much of the EU27 members of central bank life support for their bonds, and the whole policy has German voters on edge, and flirting with AfD (Alternative for Germany,) their own version of UKIP. Dither and dally and dragging out Brexit until 2020, for the EU27 risks the whole EU project and bringing down the euro.

There are now big question marks hanging over both the GB Pound and the longevity and safety of the euro. Europe's people, including those in John Bull's islands, have just been reminded of why all but the indigent, need to keep a little physical gold around for insurance. To Europe's nations, a timely reminder of why gold bullion, "the barbarous relic" to use Keynes misguided phrase, is still a vital neutral, intrinsic value component, of nation state foreign exchange reserves.

While Europe's voters will ultimately decide the fate of the EU27 over the next few years, I leave it to Germany's Der Spiegel magazine on June 24, to cover the scale of the problem facing the rump EU.

As of today, Britain is no longer important to the future of the EU.

Europe's focus should now be squarely on the remaining EU member states and their citizens. They must now be convinced deep in their hearts that the EU is the best possible form of self-determination for them. But this conviction is only attainable if the EU becomes more democratic, more transparent and less bureaucratic – that much is clear.

Easy to say, but hard to do in practise. David Cameron tried his hardest to get reform, and utterly failed. The European future of gold looks good.