

# THE DIGGER QUARTERLY

A quarterly review of precious metals markets, big picture trends and wealth preservation topics worth your while.



## The Golden Arrow

### Zero is the new normal

By Scott Schamber

**A few months ago, a very sudden sea change took place in the stockbroking industry. In early October and almost overnight, all major brokers, from younger online companies to established industry leaders like Charles Schwab, suddenly started offering zero-commission trading.**

As we'll soon explain, the motives behind this move are neither complicated nor particularly surprising. However, the bigger picture and wider impact of this shift are a lot less straightforward.

#### Competition at its best

Over the last decade, "disruption" has been the name of the game for millions of startups. The whole idea was to find ways to "cut out the middleman", mostly in the service industry, thereby cutting costs, improving efficiency and flexibility, and offering the same or better services at lower prices. All kinds of industries were targeted and most of the new concepts failed to gain traction.

Nevertheless, a few good ideas did stick, and this disruptive wave, as a whole, really did radically transform entire sectors. It gave us companies like Uber and Airbnb that challenged existing business models and forced their predecessors to adapt or perish. None have been spared: restaurants and food delivery services, travel agents, education, retail, etc. Many businesses and industries >>

**P1 | The Golden Arrow –**  
Zero is the new normal

**P6 | Big Picture Sentinel –**  
Outlook 2020

**P11 | Golden Nuggets –**  
The gig economy and the  
evolution of work

## Editorial



Scott Schamber,  
Managing Director

As we enter a new year and a new decade, at Global Gold there is a distinct sense of optimism and confidence over what lies ahead, and with good reason. Over the last few months, precious metals have decisively entered a new phase with remarkable price gains. This strength, likely marking the beginning of a new bull market for gold, appears set to continue into 2020 and beyond. The fundamentals are particularly supportive of such a scenario. Stock markets might still be going strong, but the appetite for gold, both by retail and institutional clients, is getting stronger, as dark clouds continue to gather on the horizon.

As we'll examine in our "Outlook 2020" analysis in this issue of the Digger, there are multiple risks that threaten the global economy, from geopolitical to monetary, and they're all forcing investors to seriously consider worst-case scenarios and defensive strategies. The gradual spread of these fears and doubts over the sustainability of the historic bull market in the US is clearly demonstrated in the recent spike in demand for gold, a trend that we expect to persist and intensify in the new year.

We'll also take a closer look at a very different trend, one that might have escaped many gold investors. The sudden transition to a "zero commission trading" era that we witnessed at the end of 2019 has the potential to have a deep, long-term and potentially dangerous impact on financial markets. This world of speculative trading and stock gambling might be unfamiliar territory for most responsible, conservative investors, yet the sheer scale of it means that risky shifts and problems that arise there could affect everyone.

All of us at Global Gold and the entire BFI Capital Group wish you a happy, healthy, and successful New Year!

A handwritten signature in blue ink, appearing to read "Scott Schamber".

are facing new competition and pressures, and will continue to do so.

And yet, the biggest prize was the banking sector. New, so-called "challenger" banks and financial services providers began to crop up and offer the same services for less, or even nothing at all. Online banking startups like UK-based Revolut or the Peter-Thiel-backed N26 became very popular in Europe in the last few years. They have offered customers flexibility, ease and speed in their transactions, while traditional banks remain stuck in the last century, their fees increasingly unjustifiable to small account holders, younger people and students. Over in the US, this wave of challengers didn't stop at disrupting normal banking services but crossed over to brokers too.

Competition from discount online brokers and apps like Robinhood, offering zero-commission investing, accelerated an industry-wide downward trend in broker fees that's been decades in the making. In fact, it's hard to think of another good or service that saw its price drop so steeply and so fast. In the 1980s, it wasn't unusual to be charged \$200 to buy or sell a stock. As day trading took off in the 90s and more ordinary people began investing in stocks, competition picked up and commissions dropped to \$40 by the end of the decade. The tumble continued uninterrupted into the 2000s and beyond, with the average trade costing around \$7. Eventually this brought us smoothly and predictably all the way to today, where zero is the new normal, not just in the US, but pretty much everywhere.

### The "democratization" of investing

Of course, this "race to zero" does demonstrate the textbook advantages of modern capitalism and free competition. By removing cost barriers to entry, more "normal" people can have access to the markets. They can start by risking a small initial amount they can afford without worrying that it will be eaten away by commissions before their investment even has a >>

chance to grow. Additionally, these new online trading platforms aren't only disrupting fee structures, but they also change the way people invest. Today, everyone can buy or sell directly, anything and anywhere they want, with a keystroke on their laptop or a single tap on their smartphones. This is especially appealing to millennials, who like using their mobile devices for everything and generally enjoy DIY solutions. Naturally, there are a lot of benefits that come with this "democratization of investing". For one thing, it encourages people to take their finances into their own hands and it reduces their dependency on bankers and expensive advisors. Cutting out middlemen and removing gatekeepers doesn't just lead to greater efficiency, but also to a greater sense of equality and fairness in the market.

These are all indisputably positive developments, in theory. In practice, however, things are significantly more complicated, and nothing is entirely good or bad. For example, the cost barriers of the old days may have barred many people from participating in the markets, but they also made investors think twice before executing a trade. They presented an extra reason for caution, for restraint and a chance for rational assessment to prevail over panic or greed.

### Trading activity already jumped after the shift towards zero commissions

#### Average daily trades

■ TD Ameritrade ■ E\*Trade Financial



Source: Company Reports

This might seem like a minor drawback, easily dismissed when weighed against all the great benefits of free and open trading. And perhaps it would be, had it been only the commissions that were lifted. But the shift went much further than that. The account minimums have also been drastically reduced and in some cases entirely eliminated. Today, you can open an account with an online broker and start trading with \$50 or less. Of course, this is not enough to buy a single share of most companies in the S&P 500, but that's not a problem either, because brokers are now starting to offer fractional share trading.

There are also much more important restrictions that are being lifted. It's not just trading costs that used to stop most people from accessing the markets. It was a lack of competence too. Only a decade ago, when banks were the main way most people got their trading accounts to invest self-directed, the regulatory hoops they had to jump through were numerous and the screening process was formidable. They were given questionnaires to assess their understanding of basic (and not-so-basic) terms and concepts, often including economics and accounting principles, calculations and different scenarios. Their financial situation was also examined. Income streams, debt levels, family status and dependents, mortgages, etc., were all taken into consideration to establish how much the aspiring trader could actually afford to lose. These days, the account opening process takes a few minutes. As for competence screening, the bar has been lowered so radically that it is virtually impossible for anyone to fail the online multiple-choice tests. In fact, this simplicity and speed is a selling point for most online brokers, who now compete on who can provide the fastest and easiest sign-up process.

#### A slippery slope

If the idea of someone buying a stock without understanding how a dividend works, or a bond without knowing what a coupon is, seems somewhat disconcerting, getting in trouble with basic investments like these is actually a minor risk compared to the rest of the products that are on offer. This "democratization" wave has opened up access to all kinds of complex and extremely risky instruments. From CFDs to leveraged and inverse ETFs which few to no "civilians" are equipped to handle, to structured and synthetic investment products that even many professionals don't fully understand. What makes all this >>

infinitely more dangerous is that access to leverage has also been opened up. Margin trading, once largely reserved for professional investors and large accounts, is now essentially available to anyone who wants it.

The risks are further amplified when one considers the overwhelming rates of financial illiteracy in the general public. Two-thirds of American adults don't understand how inflation, interest compounding and diversification work, according to a FINRA survey. However, they can receive margin approval and begin trading and short-selling with high-interest borrowed money tomorrow. The dangers of these practices were obvious even before the zero-commissions wave and the popularization of trading

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*"Bad decisions in this case might not have to be suffered by the decision-maker alone. On a large enough scale, they can affect the rest of us too."*

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apps that we see today. According to a 2018 report by the SEC, "on average, investors who trade using margin have lower financial literacy and understand margin trading less than those who do not use margin". In fact, in another FINRA survey, only 15% of margin traders could answer basic questions about margin correctly.

One might argue that most people are sensible, that they know their limits, and wouldn't risk their savings on some exotic product they can't even begin to understand. After all, all these technical and intimidating terms and acronyms like CFDs and CDOs are bound to scare new investors away. That's where great packaging and marketing comes in. Complex and off-putting trading platforms have been replaced by user-friendly and fun-to-use apps. Also, in all the ads and promotions for products like CFDs, the language used is so simple and generic that it is often hard for the layman to distinguish them from regular stocks. It's only the mandatory disclaimers that give it away, and for that, you'd have to go to the fine print section at the very end of the website to see that "CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

76.4% of retail investor accounts lose money when trading CFDs." Gold-related products are another great example of misleading marketing like this. Even for those conservative, risk-averse and responsible investors who want to put their money in precious metals rather than gamble it away, there are many traps, with countless paper gold products being promoted as solid, physical investments.

Finally, there's also "gamification", the new trend that's taking over both the banking and trading industry. Point systems, competitions, "missions", interactive interfaces and shortcuts are all increasingly being used to provide a sense of familiarity and simplicity to new traders. A pioneer in this field is the very successful eToro that offers "social investing". It allows users to follow the trades of others on the platform and automatically copy them, without the need to understand anything about the underlying products. And of course, for those still too nervous to trust themselves or another human, there are also roboadvisors and automated investing solutions that require no efforts or research whatsoever.

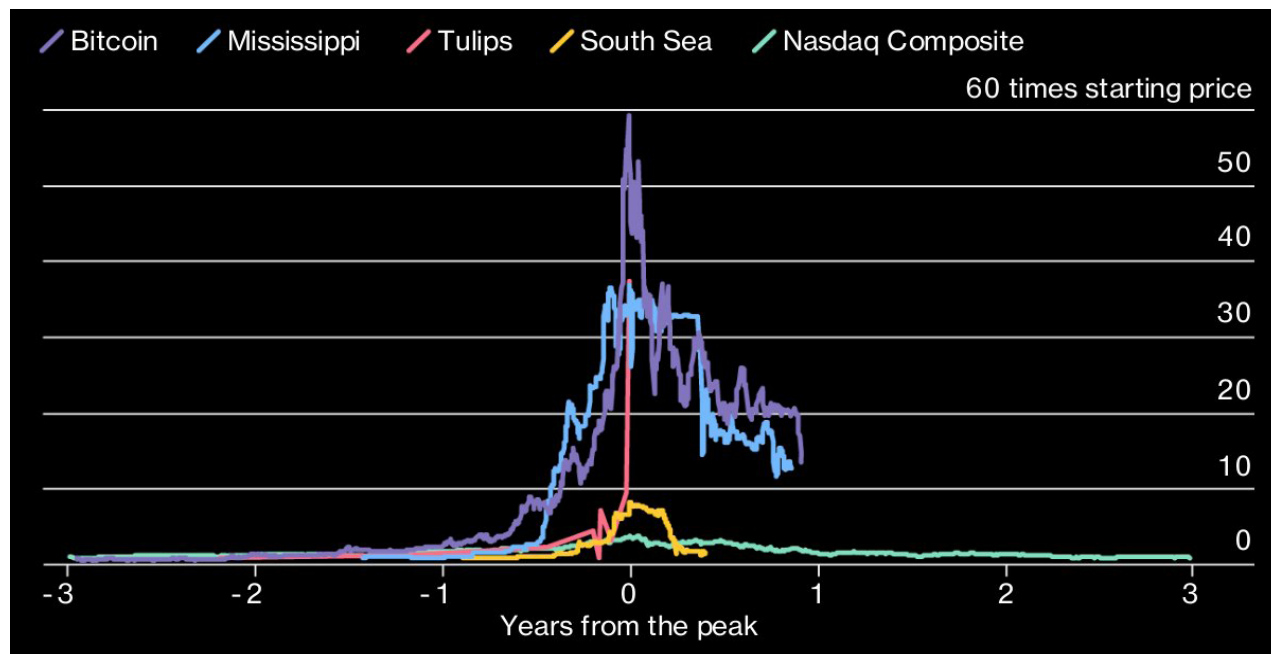
### **Beware "the wisdom of the crowd"**

The most easily foreseeable outcome of this barrier removal, coupled with highly irresponsible and insidious marketing strategies, is the surge of unwitting risk-taking by unqualified amateur investors. This push to oversimplify a very complex field like that of investing and asset management is almost certain to backfire. At the same time, the efforts to repackage it as another online game or smartphone app basically equates investing with internet gambling and brokers with casinos.

Some might still argue there's nothing wrong with opening up access to the markets to anyone who wants in, even if they don't actually understand the first thing about them or cannot afford to lose their investments. After all, it's all about personal responsibility and ultimately, if they want to lose their money, that's their choice. We're inclined to agree with this point, as we don't believe that one can have "too much freedom" or that citizens need to be treated like children and to be told what they can and cannot do with their own money. We do, however, recognize that the consequences of bad decisions in this case might not have to be suffered by the decision-maker alone. On a large enough scale, they can affect the rest of us too. >>



### The 2017 Bitcoin mania compared to other asset bubbles



Source: Bloomberg

It's quite a challenge imagining what might happen if millions of unqualified investors entered the market for the first time, with little to no previous experience or without a basic understanding of how things work in the investment world. Thankfully, we have a recent example that can help guide our imagination. It is an imperfect analogy, but the crypto crash of 2018 did paint a vivid, real-life picture of such a scenario. There were zero barriers and restrictions, and anybody could trade any cryptocurrency or token at any amount they wanted. The exchanges' commissions were also very low, ranging from 0%-0.5%. Additionally, the overall level of knowledge and competence among these new "investors" was exceptionally poor and few actually understood what they were buying or grasped even basic concepts like the blockchain.

Emotional, greed-fueled demand pushed valuations to ridiculous highs, while ignorance and naivety opened the door to fraudsters, thieves and scammers, causing billions in losses. Panic and lack of discipline led to the phenomenal bubble burst of 2018. The greedy were punished and the ignorant were pushed out of the market, but the damage was done. Plenty of good ideas were thrown out with the

bad ones, while the few solid companies and responsible, early investors in the sector suffered setbacks that they're still recovering from.

Still, while this bombastic collapse grabbed international headlines, the scale of the whole market was actually minuscule and the impact of the implosion was negligible. According to CNBC reports, less than 8% of Americans ever bought a single cryptocurrency and, even at the peak of the bubble, the market capitalization of all cryptocurrencies was less than half that of Apple. "Personal responsibility" is thus an argument that likely holds water in this case. The crypto craze posed no systemic risk, nor did it affect anyone not invested in crypto.

However, now that the doors are open, the tools are given freely, and the incentives are all in place, what's to stop the crowds from descending on the real financial markets and delivering their collective wisdom on a scale that affects entire sectors, real jobs, fiscal and monetary policies, and the economy at large?

## Big Picture Sentinel

# Outlook 2020: What to look out for in the new year

By Frank Suess

**The first few weeks of the new decade already introduced a new level of investor anxiety in the markets, the likes of which we haven't seen in a long time. Perpetual optimism, overconfidence and widespread complacency have caused many investors, analysts and market observers to assume that the historic bull market in US equities was unstoppable. By the end of 2019, almost all major central banks had returned to the easing path, interest rates were negative or ultra-low across the board, and QE had also made a decisive comeback. The trade war had de-escalated, the future looked bright and even the impeachment moves against the US President failed to make a dent on market euphoria.**

Despite the warnings of conservative analysts and economists over the many systemic risks, such as over-indebtedness and monetary overreach, most mainstream investors and speculators preferred to focus on short-term rewards and ignore the bigger picture. And yet, recent events seem to have effectively refocused their attention on the urgent need for downside protection. The sudden escalation of the tensions between the US and Iran, the threat of a coronavirus epidemic out of China, as well as a number of worrying economic reports out of major economies, have given serious pause to stock investors.

While we do recognize the considerable risks of a potential military conflict or a contagion scenario, as well as the massive ripple effects on the global economy, we

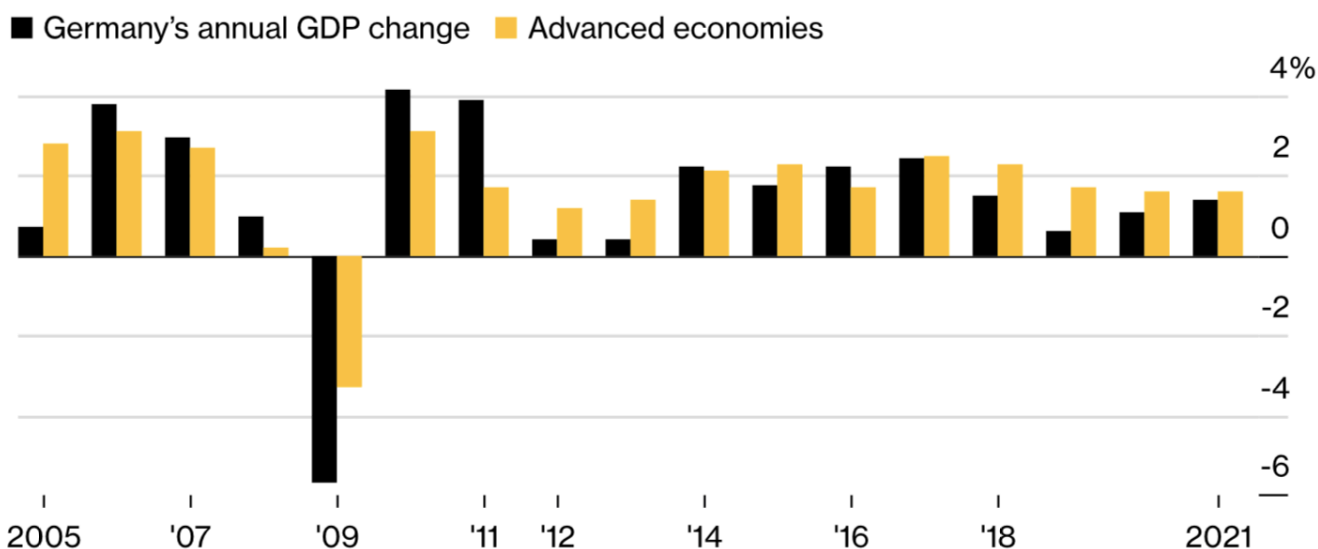
still think it is a mistake to focus solely on these developments and to assume these are the only threats to investors going forward. Even if worst-case scenarios prevail, they would not cause an economic or market downturn: they would merely trigger it. Instead, the real cause would likely be found among the underlying and preexisting pressures at work that have been ignored and underestimated for too long.

### **Recession fears**

As was expected, the worrying news was accompanied by a measurable increase in investor anxiety. This was clearly demonstrated by the market sell off and the volatility spike in the days immediately following the news of the US drone strike that killed General Soleimani. The VIX, the main market volatility gauge, saw a 17% surge, while oil prices climbed to a three-month high. Of course, precious metals also saw significant gains: Gold rose to \$1,590.90, its highest level in nearly seven years, and silver reached \$18.55.

However, it is useful to remember that recession fears have actually been on the rise for quite some time already – something we've covered in our [last issue of the Digger](#) – long before the death of the Iranian general or the spread of the Chinese coronavirus. While US stock markets were still breaking records almost on a daily basis, many investors were already seeing trouble ahead. According to last quarter's Big Money Poll by Barron's, only 27% of money managers were bullish about the market's outlook for the next 12 months, the lowest percentage in over 20 years. This figure, that stood at almost 60% in >>

### Germany's economic slowdown



Source: Bloomberg

the same survey a year ago, accurately reflects a wider shift in sentiment and has been echoed by multiple similar polls over the last six months.

There are very good reasons for this gradually spreading skepticism. For one thing, the performance of US stocks over the last year increasingly appeared divorced from the economic realities on the ground and from official data. It is also becoming easier to support the argument that stock valuations are really not at all what they seem. Years of ultra-low interest rates have encouraged reckless corporate borrowing and massive stock buybacks that have artificially inflated equity prices. U.S. corporate debt has increased by 50% over the past decade and now stands near \$10 trillion. The cracks are already beginning to show. According to S&P data, 2019 saw the most credit ratings downgrades relative to upgrades since 2009. And this trend is all but certain to continue in 2020.

### Risks out of Europe

For months already, reports and economic figures from key EU economies have been consistently flashing warning signs. Germany is in serious trouble, as an avalanche of worrying data has sparked concerns of a recession. The latest manufacturing figures, published in December, showed an output

drop of 5.3%, as the country's industrial sector suffers its steepest decline in a decade. We could see further weakness ahead in the economic engine of the EU, as Andrew Kenningham at Capital Economics warned, "far from bottoming out, Germany's industrial recession may be getting worse. The latest data supports our view that a recession is still more likely than not in the coming quarters".

Meanwhile, Italy continues to be the problem child of the Union. Apart from its huge debt levels and ailing banking sector that still pose a severe threat to the entire bloc, its reignited political tensions have caused fresh headaches in Brussels. The current coalition government, headed by Prime Minister Giuseppe Conte, has managed to assuage the fears of an "Italexit" scenario, raised by the previous coalition that included right-wing populist and Eurosceptic, Matteo Salvini, and his Lega party. However, this latest coalition now seems to be on the brink of collapse, rife with internal frictions and external attacks. Salvini might have lost his position in the government, but he did retain his popularity and threatens to destabilize the fragile governing alliance.

All of this is very important in the context of the ongoing financial reform efforts in the country. PM Conte has agreed to the conditions set by European Stability Mechanism (ESM) in order to extend >>

much-needed credit to the country. These include measures and legal changes that will make debt restructuring and bailouts much easier. Given the dire condition of the nation's biggest lenders, many Italians fear that their savings, bond holdings, and shares will be used to pay the banks' bills.

Last, but most definitely not least, we have the risks coming out of the UK and Brexit. Although it's been a long time coming and there has been plenty of time for investors and businesses to adapt and plan ahead, we are still not sure what the future will look like for an EU without Britain. The departure of the island nation, one of the bloc's largest contributors and key trading partner, is bound to have a considerable impact on its labor market and on its exports. Apart from Ireland, Germany is likely to be hit the hardest, as newly established tariffs would inflict serious damage on the country's already struggling auto sector.

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*"The new year brings with it a lot of baggage and unfinished business from 2019."*

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### Global protests and political shifts

The new year brings with it a lot of baggage and unfinished business from 2019. The massive wave of protests that swept almost every continent on the planet in the past few months still casts a very long shadow over many major economies and threatens fragile alliances and international relations. In Latin America, Chile, Colombia, Argentina, Ecuador, and Bolivia all saw their fair share of protests and intense public discontent with the status quo, with citizens demanding radical changes and political accountability. Venezuela continues to devolve into a failed-state status, with a crippled economy and ongoing demonstrations that often end in violence by government forces.

The Arabic world already had the Lebanon crisis to contend with, an issue we examined in great detail in our [Special Report](#) in early January, but now the tensions between Iran and the US are fueling further uncertainty in the region. The situation in Hong Kong continues to be unstable and it's too early to tell

whether the recent appointment of a new Beijing envoy will help pacify the protest-ravaged city.

Back in Europe, France continues to be paralyzed by strikes and demonstrations that have never really stopped since the Yellow Vests movement emerged in October 2018. Spain is also gripped by public unrest. The aftershocks of the Catalan referendum are still intensely felt, as separatists continue to fight for independence and to protest their leaders' imprisonment. Violent clashes with police are becoming increasingly common. In December, thousands marched in Poland in protest against reforms that they say systematically erode the independence of the justice system and place it under the government's control. As their demands remain unmet, fresh demonstrations are planned for 2020.

As for the US, 2020 is a particularly important election year. The Trump presidency has been characterized so far by controversy and a deep division in the nation. With radical agendas like that of Elisabeth Warren and Bernie Sanders gaining traction, these divisions could get a lot worse as we get closer to November, depending on who wins the Democratic nomination.

Trump does have the incumbent advantage and a lead in some of the early polls. However, if his original 2016 victory taught us anything, it is to be very wary of pollsters and their forecasts. It would be foolish to even attempt to predict the outcome this early in the race. An economic downturn or a severe market correction could change everything, and so could starting another war, or having the trade deal collapse again.

### Monetary policy

On the monetary policy front, there is nothing to suggest that the easing trend that began last year will be reversed anytime soon. The Fed has been increasingly dovish and its still ongoing repo market cash injections are by now widely seen as just another, more subtle way of delivering QE. As for its interest rate policy outlook, at this stage it appears the only way is down, a scenario that's reinforced by the current geopolitical tensions.

It can also be argued that keeping rates close to zero is no longer just a policy choice, but perhaps a necessity, as any increase could risk setting off a game >>



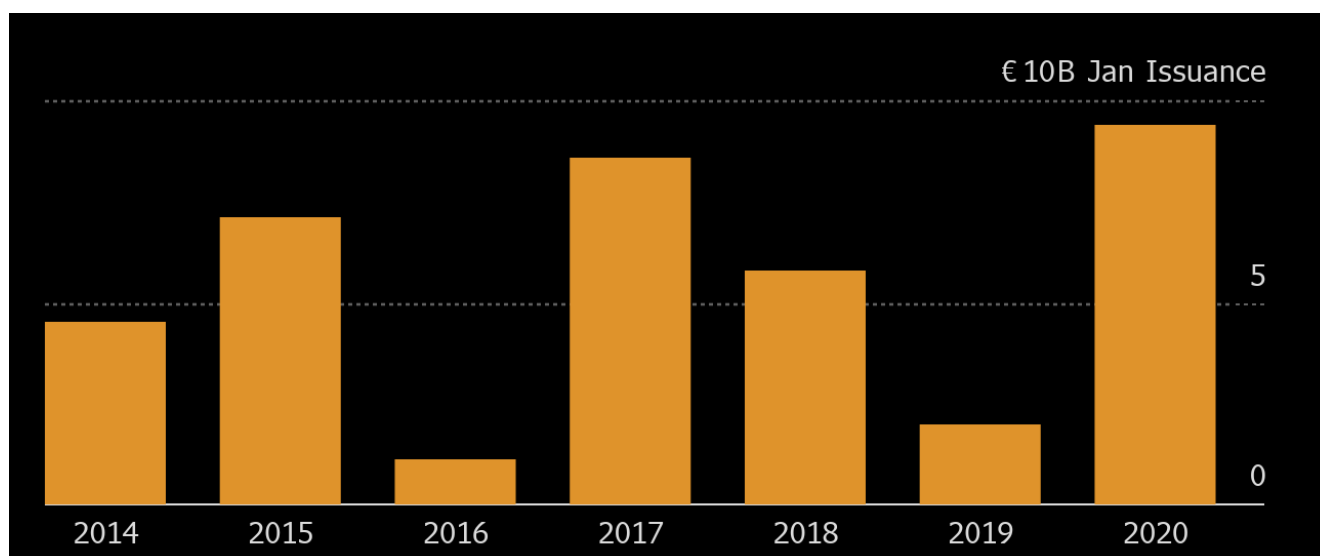
of corporate debt default dominoes. The Fed seems to be acutely aware of this threat, as the minutes from its December meeting clearly show. Some members openly expressed fears of a corporate debt bubble that could make the next recession considerably worse. In addition to this, the central bank also went to great lengths to highlight the dangers of spiraling corporate debt in its latest Financial Stability Report. As the report stated, "Business debt levels are high compared with either business assets or GDP, with the riskiest firms accounting for most of the increase in debt in recent years", adding that "in an economic downturn, widespread downgrades of bonds to speculative-grade ratings could lead investors to sell the downgraded bonds rapidly, increasing market illiquidity and downward price pressures in a segment of the corporate bond market known already to exhibit relatively low liquidity."

As far as the ECB is concerned, the policy outlook is even clearer. The central bank's new President, Christine Lagarde, has already announced her intentions to follow her predecessor's footsteps and maintain the extremely loose policies set by Mario Draghi. In other words, negative interest rates are

here to stay, as is QE. The bank, after restarting its asset purchasing program last November, is set on a course to keep buying €20 billion worth of bonds every month, a policy that is projected to last at least another year. The only obstacle to an infinite extension of this program appears to be the central bank's self-imposed limitations, which specify it can only own up to a third of any eurozone country's bond market. The ECB is dangerously close to these limits for Germany, the Netherlands and Finland, which explains why officials are reportedly already exploring options to change the regulations and lift those restrictions.

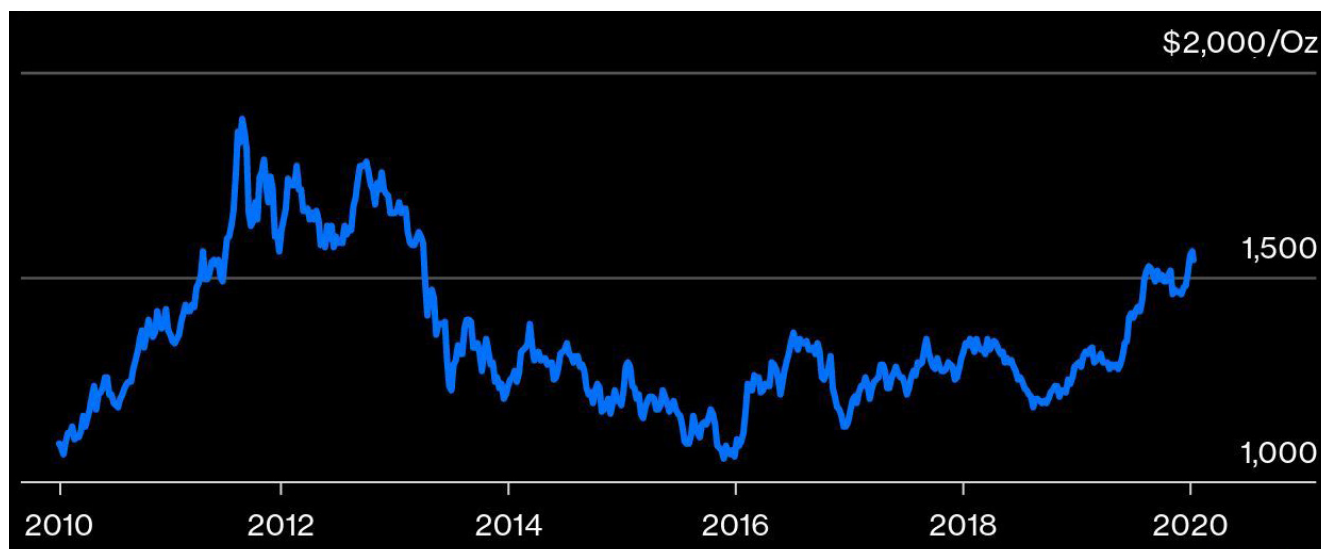
Overall, by enforcing consistently loose monetary policies, central bankers have painted themselves into a corner, while they have already depleted their arsenal before the next recession has even begun. As a result, fears of a possible "Japanification" of the European and even of the US economy have spread over the last few months. The term, based on Japan's monetary and economic experience over the last 30 years, describes a situation where deflation and weak growth continue to plague an economy, despite extraordinarily aggressive monetary and >>

### Europe saw record junk bond sales in January



Source: Bloomberg

### Gold has reached price levels unseen since 2013



Source: Bloomberg

fiscal stimulus efforts. Instead of reviving growth, these measures just fuel negative yields, even as debt burdens explode. Now, with 12 trillion worth of bonds trading with subzero yields, many economists fear that this malaise is spreading to the West and could eventually become a global phenomenon and a chronic disease.

### Precious metals expectations

Gold and silver have already shown considerable strength going into the new year, which is hardly surprising, given all the risk factors we've outlined above. 2020 definitely looks like a very promising year for precious metals investors. From a fundamental perspective, there are many good reasons for mainstream investors to turn to a more risk-off strategy, as doubts spread over the replicability of the 2019 equities performance. The wider sentiment is slowly but surely turning sour, defensive sectors are beginning to look increasingly attractive, and demand for time-tested safe havens like precious metals has been building up for months.

At Global Gold, we are optimistic about the prospects of gold and silver in the new year. Nevertheless, over the last decade, we also have learned never to underestimate the lengths to which central bankers are willing to go in order to postpone the inevitable.

We assume that the huge wave of fresh liquidity that has been injected in the global economy in 2019 will continue, as will the NIRP and ZIRP policies. We wouldn't be surprised if these efforts were redoubled in the face of a more pronounced economic slowdown or stock market correction. Of course, this could keep markets afloat for a little longer. However, we believe it will eventually prove too little too late and we see physical gold and silver as the safest possible bet for the long-term investor.

## Golden Nuggets

# The gig economy and the evolution of work

By Frank Suess

**Over the past decade, a tectonic shift has taken place in the workforce of most major economies.**

Technological advancements and new, disruptive applications not only changed the way we think about work, but also reshaped labor dynamics, income flows and employer-employee relationships.

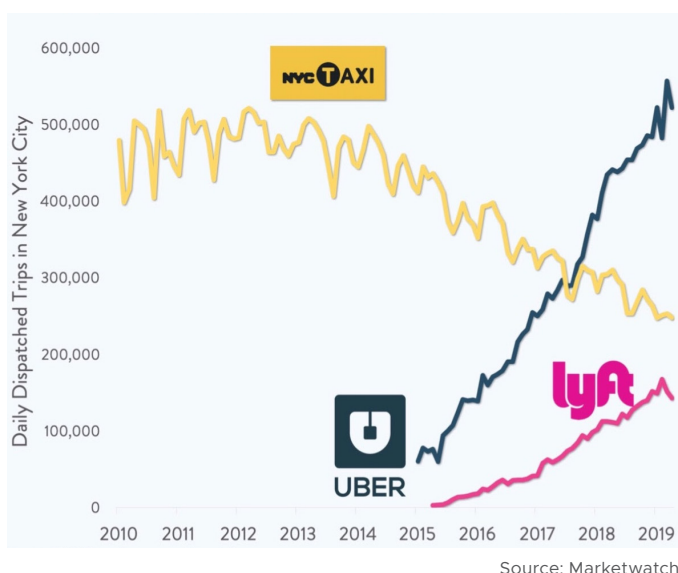
### Work 2.0

The 2008 recession and the unemployment spike that followed challenged many aspects of traditional employment. The perks and benefits that come with it, translated in employer costs, suddenly seemed expensive. On the other hand, the rigid demands and the non-negotiable work schedules also soon started to look too restrictive to many employees. Ideas and theories of alternative systems and different approaches to work had been around for years, largely competing on an aca-

demic and political level, but it wasn't until the emergence of companies like Uber that the debate was decisively settled.

The core idea is really simple. Uber, Airbnb and the rest of the “disruptors”, provide a platform that simply matches people who want a service with those willing to provide it and they take a small cut from the resulting deals. The concept was originally popularized through ride-hailing apps, like Uber and Lyft, but by now there's a platform and an app for virtually any service or “gig” you can think of: you can hire a virtual assistant, you can find a designer for your new website, or a personal chef for a special private event. This practical application of a free market labor system, based on supply and demand, proved enormously popular. How could it not? It immediately proved it could bring down costs for all sides, improve efficiency, cut out unnecessary middlemen, and offer greater flexibility than any other type of employment.

### Uber and Lyft vs New York yellow cabs



### The good, the bad and the ugly

What this shift essentially achieved was the facilitation of freelancing and independent contracting on a massive scale. It mimics entrepreneurship and it removes most of the practical and financial obstacles that barred most people from making the transition into self-employment. The new businesses provided a legal framework, simplified bureaucratic requirements and made it easy to find new customers. They also allow workers to set their own schedules and to accept or reject offers and projects at will. In addition, rating systems and reviews for both customers and service providers make it easier to establish trust, while conflict resolution processes provided by the platforms ensure grievances and disagreements are dealt with professionally. >>

Of course, these new companies and the services on offer aren't perfect. There can still be quality issues and fraud, while miscommunication and friction between buyer and seller are not uncommon. However, overall, the old "you get what you pay for" adage also holds true in the gig economy. One cannot expect to have the same experience in a Four Seasons suite and a \$50/night Airbnb apartment, nor can one place the same trust in a \$10/hour freelance accountant they found on Fiverr that they would in Deloitte.

There are also concerns and increasingly loud, mostly political, voices demanding regulation of the entire gig economy. Such demands have been gaining traction, especially after recent legislative victories in the US. In California, officials have passed minimum wage laws for Uber and Lyft drivers, with Los Angeles County drafting a law that would guarantee a minimum of \$30 an hour. Of course, that's significantly more than customers pay now. Over in Europe, influential taxi driver unions went on strikes in many EU member states and regulators quickly jumped in to protect them. Some nations forced ride-hailing and ride-sharing companies to comply with the same laws and requirements that traditional taxi service providers do, while others, like Hungary, simply banned them altogether.

Airbnb also had its fair share of regulatory friction, as it was received with pronounced hostility by governments, local authorities and tax collectors. In the US, the IRS came down hard on so-called "hosts" that offered their properties on the platform. In Europe, the regulatory and bureaucratic requirements were soon tightened to an extreme degree, in some cases forcing an individual, who simply rents out their guest room for a night, to follow almost the same laws as an international hotel corporation. In late December, the company narrowly escaped the latest regulatory attack, this time from France, that sought to classify it as an estate agent. The EU Court of Justice decided against the change that would subject Airbnb to property rules and could have led to criminal sanctions.

### What lies ahead

It is perhaps too early to tell what the future holds for the gig economy and to predict the outcome of its uphill battle against state authorities and regulators.

What we can tell, however, is that all efforts so far by governments to force these new businesses to fit in an old mold have failed. Attempts to equate them with existing models and to force them to comply with old rules have placed unbearable costs on these platforms. As a result, they either increased their prices or were forced to provide poorer service quality, thereby becoming indistinguishable from their predecessors. In other cases, they've simply been regulated out of existence.

At this point, it would appear the only winners to emerge from this regulatory fervor are uncompetitive, overpriced and, by comparison, unpopular service providers, that are protected by law, but wouldn't stand a chance in a free market. On the flip side, consumers have to pay a higher price for lower quality, while gig workers find themselves either out of a job or working under the same restrictive conditions that traditional employment models have to offer, without any of the benefits of an actual employee. On a macro scale, this can also have a much wider impact, especially as the global economy slows down.

There is a growing share of workers that heavily rely on gigs or extra projects to supplement their income, or simply to make ends meet. For many, this ability to flexibly put in extra hours and to earn more when they can or need to, is not merely a nice bonus, but an absolute necessity. According to recent Gallup poll, 36% of US workers participate in the gig economy through either their primary or secondary jobs, while 40% of the American workforce now makes at least 40% of their income through gig work. A PYMNTS study showed that 55% of gig workers also maintain full-time or regular jobs, with nearly 20% of them saying their main motivation is to cover day-to-day expenses.

In this context, it is clear that the gig economy, apart from revolutionizing many aspects of the service sector, also provides an important crutch for a significant part of the workforce. Taking it away could have severe repercussions on labor figures, welfare budgets and income inequality.

## Golden Nuggets

# A head start into the new year

By Scott Schamber

**If the first few weeks are any indication, 2020 is set to be an exciting year for Global Gold and for our clients... and not just in terms of precious metals performance!**

As many of our clients already know, the entire Global Gold team has worked very hard over the last year to complete many important upgrades in our internal systems and processes in order to provide a higher quality service. We're very happy to announce that the fruits of that labor have settled in and are making a big difference in our clients' experience.

First, and an obvious benefit we are seeing today, is our annual storage invoicing process which takes place every January. This year, thanks to improved credit card payment capability through our Client Login Portal, we've taken in a record number of payments in a shorter period than ever before. And, our clients are making their payments with fewer hold-ups or issues than in the past. Bank wires are also possible, and with all of the invoicing and payment information at their fingertips on the Portal, the process gets easier each year.

Then, ensuring our clients' safety continues to be our top priority. And with cybersecurity becoming an ever-growing threat, in May 2019, we introduced our secure and bi-directional Portal Messenger, accessible for our clients via the Client Login Portal. The Messenger allows our clients to use our own server to communicate directly with us as if they were in house at Global Gold.

That means messages and uploaded information can be sent to us in a safe, encrypted mode. It works similarly to Outlook for sending and receiving emails, submitting attachments, keeping a clear history of emails you've sent to (and received from) us, and even gives the client the ability to see that we have indeed read their email.

In the time since we've rolled out our Portal Messenger, roughly 70% of our clients have benefitted from its use, and more continue to find out how easy (and secure) it is to use. Of course, we still use regular email to communicate with everyone on everyday items, but when it comes to sharing direct client information – discussions on holdings, purchases, sales, etc. – the Portal Messenger gives us a safer option for communicating.

Finally, on the communications front, fully realizing how important it is to transparently communicate and share our thoughts and strategic views with our clients and readers, we've decided to introduce a new way of doing so. Apart from our Digger Quarterly publication and our regular blog posts, we'll also be sharing our Global Gold "Special Reports".

For quite some time now, we've noticed that relevant news stories and developments in the markets often spark very interesting conversations and debates within our team, with significant investment implications. Combining our different viewpoints, experiences and areas of expertise helps us examine all the facts and arguments from multiple perspectives >>



and evaluate each situation much more thoroughly. Furthermore, as we always like to dig deeper and look beyond superficial headlines, our own research on these topics, more often times than not, uncovers surprising new angles and important insights.

We therefore decided to share these internal analyses and our findings with you, as they emerge, through our Special Reports. The first one, on the Lebanon crisis, was just released and you can find it [here](#). If you'd like to make sure you are amongst the first to get our Reports, drop us an email at [info@globalgold.ch](mailto:info@globalgold.ch).

What will 2020 bring? We have additional upgrades and surprises in store for our clients and our readers...stay tuned!

***From our team here at Global Gold, and on behalf of the entire BFI Capital Group, we'd like to once again convey all our warmest wishes for 2020. We are truly grateful for the trust you have placed in us and we look forward to continuing working with you to protect and preserve your wealth.***



The BFI Capital Group team in Arosa, Switzerland

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