



# FINANCIAL PREPAREDNESS

*"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen*

Issue #260  
February 6, 2026

## Precious Metals Volatility

*Securities prices can go far higher and far lower than you can ever imagine. ~ Jim Rogers*

Starting in October 2023, gold began a steady and impressive bull run, rising from \$1,809.50 per ounce to \$3,311.54 by last August (I touted gold in this newsletter years ago when it was selling for around \$1,700 per ounce). Then it had a powerful thrust higher, followed by a correction, then another strong thrust higher, and then it went parabolic to \$5,608.35. Total return since October 2023: 210%.

Eventually investors realized that silver and platinum were very similar to gold, and piled into them as well. Silver began a steady rise from a low of \$28.45 per ounce in April of last year and then went parabolic to a high of \$121.64, a gain of 327.6% in 10 months. Platinum had a similar run, exploding from a low of \$881.30 last April to a high of \$2,880.40, a gain of 226.8% in 10 months.

I've been an investor since 1990 and a financial planner and investment advisor since 1995, and I have NEVER seen such a sudden and rapid rise in an asset class, which was astounding. The closest thing to it was the Dot Com mania near the turn of the millennium.

I started investing in precious metals (both physical and ETFs) around March 2009, just after the Great Financial Crisis. I invested heavily in them but then sold off the vast majority of the position in 2011 after a strong bull market when investor sentiment was very bullish, netting my clients a small fortune.

Then the financial media created a *story* that the counterfeiters at the Fed were actually hawks on inflation, and were going to hold interest rates (at least the two benchmark rates they control) high, which is bearish for precious metals since unlike bonds, they pay no interest.

I bought back metal at attractive prices when investor sentiment was low, but had to endure about seven years in the investment wilderness while precious metals tread water, in part due to illegal manipulation of the price by large Wall Street banks. From AI: “[Two] former senior traders at JPMorgan Chase, were sentenced to prison in 2025 for their roles in a widespread spoofing and manipulation scheme that spanned from 2008 to 2016. Smith received a two-year prison sentence, and Nowak was sentenced to one year... [Wow, those harsh sentences will certainly prevent this from ever happening again!] They were convicted of fraud, attempted price manipulation, and spoofing in gold, silver, platinum, and palladium futures markets....JPMorgan Chase itself admitted to committing wire fraud and paid a \$920 million penalty in 2020 to settle charges related to this manipulation....Other traders from banks like Deutsche Bank, HSBC, Barclays, and Scotiabank have also been involved in related manipulation cases, with some pleading guilty or being fined.”

It was one of the greatest (and most underreported) financial crimes ever, yet my clients and I did not receive a dime from those fines. *Caveat emptor*, right? It was a painful lesson, but I learned that the State and its supporters are capable of anything, and it ratcheted up my BS detector to a permanent maximum setting.

I've said before that generally (*ceteris paribus*) I think investors should have about a quarter of their portfolios in precious metals, which have been freely chosen by man to serve as money for about 5,000 years. (Fiat currencies such as the U.S. dollar aren't money but a money substitute.) Not only do they provide ballast to a portfolio (unlike other asset classes, they can never go to zero unless a government tries to ban them), their correlation with other asset classes is relatively low, thus providing good diversification to a portfolio.

Before the recent mania in silver and platinum began last April, my clients and I had nearly half of our portfolios in precious metals. This was due to gold's appreciation starting in October 2023, conducive investor sentiment (especially platinum) towards precious metals and relatively attractive prices.

Last year I started seeing *stories* in the financial media about precious metals. It turns out that silver is a critical input for AI infrastructure. [Google searches for “silver AI” peaked](#) around the end of last year; I'm sure virtually all of these were made by Johnny come lately Dumb Money who were looking for an explanation for the frenzy and a justification to buy at eye-watering prices (I'm sure virtually none of them knew what the investor sentiment score was, much less that it that it *matters*). Another story was that the London Gold

Market was going to have a “failure to deliver.” Just before the peak I saw stories and photos about how Chinese consumers were desperate to buy metal. *Wa-wawa-wawa*.

I've mentioned [stories](#) many times before. I can't emphasize enough how compelling they are to the human brain, which is constantly looking for explanations in a complex and chaotic world. It doesn't really matter whether a story has any real explanatory value—just about any story will suffice. For investors, stories are both alluring and very dangerous. [Recency Bias](#) combined with greed and compelling stories lure in Dumb Money investors near the end just when it's most dangerous.

I saved [this snippet](#) from ZeroHedge on January 26: “SLV [the largest silver ETF, but not the only one] just printed ~\$32 billion in volume, roughly 15× its average and *by far the most traded security on the planet today* [emphasis added]. For context, SPY ~\$24 billion, NVDA and TSLA ~\$16 billion each. Hard to recall the last time something this relatively small completely took over the tape. GameStop vibes.” Investing pro tip: Generally speaking, the popularity of a security is inversely proportional to its expected return.

I just watched [a documentary series](#) about the space shuttle *Challenger* disaster, so I thought of this analogy: Investing based on stories (which, BTW, the rest of the market has already heard and acted upon) is like strapping solid rocket boosters onto your portfolio. For a brief period, they can lift your portfolio skyward at an increasing rate of speed to new heights. It's a thrilling ride, and the view is amazing. Yeah, there's a small plume of flame shooting out of a hole in an O-ring (investor sentiment close to record highs), but who cares? Silver is making me *8% per day!* And then suddenly, without warning, **BOOM!** Catastrophe. Big chunks of debris falling from the sky. Quiet shock and cognitive dissonance.



From its high last week, gold was down 21.5% two days later (requiring a return of +27.3% just to break even). Silver was down 41.4% *two days later* (requiring a return of 70.5% just to break even). And platinum was down 31.2% four days later (requiring a return of 45.4% just to break even). The magnitude of these losses and especially the speed at which they occurred are some of the most devastating I've ever seen. (As Nassim Taleb would say, since financial markets are [complex systems](#), they're in Extremistan, not Normalstan.) Silver is a notoriously volatile investment, and as I write this on Feb. 5, it's down 12% so far today (platinum is down 7.4%).

Will precious metals regain their highs again soon? Well, I suppose it's possible though not bloody likely. Earning a return of +70.5% (for silver) is a long row to hoe, especially since (1) investor sentiment is still high and (2) silver didn't eclipse its high price from 2011 until *last Fall*, so it was underwater for *14 years*. Virtually none of the investors who bought silver recently know what that despair feels like.

I started reducing my clients' holdings in precious metals one year ago, but the real selling didn't pick up until late last year and in January. There were days when I sold all day long, and I became exhausted from selling. (I trade incrementally, at new high or low prices, between 0.25% and 0.5% of the portfolio and one client at a time.) And yet due to appreciation, my longtime clients still had well over a quarter of their portfolio in precious metals. As a contrarian and value investor, I am happy to provide desperate investors with the securities they covet, but I charge a premium for that service: the record high price. I help greedy people get what they want, and relieve the despondent from the burden of owning assets that now disgust them (which lately have been U.S. dollars).

I've used this analogy with my clients before: As an investment advisor, my job is to transport their wealth across a pond to the safety of the far shore (the end of their life) without getting it wet. There are various things that I can step on or hang on to as I make my way across: a derelict dock, an old stump or floating log, perhaps a leaky rowboat, and lots of lily pads. Some lily pads appear to be big and/or safe, and some of them are, but all of them begin to submerge at some point after you step on them. So finding the next dry place to step is a constant challenge.

I stopped paying attention to stories over a decade ago; my only interest in them now is how popular they are. And I don't pay attention to the scoreboard (i.e., I don't closely follow the value of my portfolios, getting excited when they increase or depressed when they decline, like the vast majority of investors do). *Staring at a scoreboard does nothing to put points on the board.*

Instead, I have a trusted *process* (value investing, using timely quantitative data that in my opinion, is the most important) and I focus on the execution of my process. I think of myself as being similar to the offensive coordinator of a college football team. I have a series of plays that will reliably result in about a three yard gain (collecting dividends), plus by buying what's cheap and hated, we can often earn capital gains of 10-100 yards. We may not score every time or even get a first down, but the odds are in our favor, and over time, executing our process will put points on the board, so the score will take care of itself.

Eventually, the U.S. dollar (like all other fiat currencies in human history) will revert to its intrinsic value: zero. I don't know when that will happen, but if it happens fairly soon, my longtime clients still have at least 22% of their portfolio in precious metals and will therefore be protected.

However, precious metals investors should never forget that the Left hates them because they are honest money (Lenin wanted to use gold to make toilets). When their price in a fiat currency rises significantly, it's usually a sign that the government (or its central bank) is debasing the currency (i.e., stealing wealth from people who either hold the currency or who will receive future payments that are denominated in that currency). FDR banned the ownership of gold in the U.S. in 1933, and I have no doubt that a future leftist president would do the same.

As [this reporter](#) wrote, “We are in times that are not business as usual. I continue to view gold as an important part of a financial umbrella. Over millennia, gold has proven to be real money when fiat (paper) currencies inevitably fail. But I keep one eye open to the possibility that in a national emergency, all bets are off. History shows that no action is beyond the consideration of governments attempting to extricate themselves from an apparently intractable strategic predicament.”

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