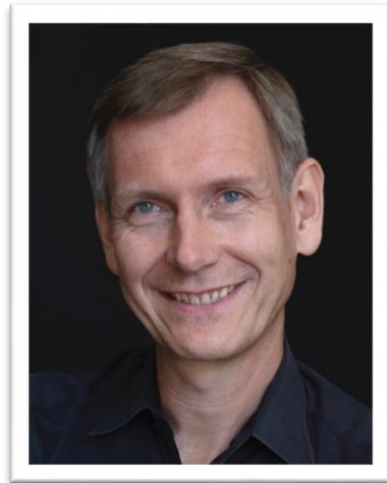




Axel Merk On Tariffs, Trade, And Gold

Friday, May 16, 2025



Axel Merk, President and CEO of Merk Investments, joins Jane King in a conversation about tariffs and trade and how gold and gold mining fit into the current equation. He said President Trump’s efforts to balance trade are acting as a “wrench thrown into the global financial system,” thereby distorting U.S. influence and impacting financial flows. Prices for gold are rising now because the world is becoming less efficient and making everything more expensive, Merk emphasized. “Investors realize that this is going to be a very rough road,” he added, emphasizing that this is not just volatility shock, but a “profound” retooling of the economy. Merk also discussed ASA Gold and Precious Metals Limited, a professionally managed, diversified precious minerals closed-end investment company with the NYSE ticker symbol ASA.

Review the ASA fund profile (<https://cefddata.com/funds/asa>) at CEFDData.com (<https://cefddata.com>). Visit AICA’s website to learn more about Merk Investments (<https://aicalliance.org/aica-member-profile-merk-investments>)

JANE KING: Axel Merk is the president and CEO of Merk Investments, and I look forward to talking to you, Axel, about tariffs and trade and the economy. I mean, there's so much that's happened since the last time we talked, and I know you wrote this really fascinating paper., one of the themes is the plumbing of the financial system and how it's changing. Explain your thesis there, and go into detail about how you see things and what we're going through right now.

AXEL MERK: Yeah, great to be with you again. There are profound changes on the way that I don't think people fully appreciate yet. The simplest way to think about it, most have heard about the Trader Joe's trade analogy where consumers have a trade deficit with their supermarket. Imagine that the trade were by force balanced, not only would we buy fewer goods, but importantly, the supermarket makes less money because less cash wouldn't flow in that direction, and that is precisely the sort of wrench that's thrown into the global financial system and financial flows are impacted. We've seen long-term bond yields rise, and that's because more financing of a deficit has to come domestically when trade gets impacted, that creates pressure on the Federal Reserve. It provides a quote unquote "incentive to cut deficits", but importantly, many people may not appreciate the US acts like a giant bank or hedge fund where people are borrowing US dollars to invest for higher [inaudible 0:01:50] and returns abroad, and that's the exorbitant privilege we have in the us, we're throwing a wrench into that. Now, by all means Mr. Trump is tactical in his approach, and so this is not some absolute change. That said, because he really doesn't like trade imbalances and has said so since the 1980s, I do think there's some profound changes. And we mentioned this in the context of gold and gold mining that we focus on, because most people have noticed that the price of gold has been on quite a tear, and that's I think a direct side effect of that, addressing many of these challenges, including the pressure on the Federal Reserve, including the economic slowdown, including the sort of tough stuff the Fed is in, but let me have you chime in with a question before I continue too much.

JANE KING: Well, just as you were speaking I started to have this feeling that we're really shifting from a consumer-oriented economy to more of a manufacturing one. At least I think that's the goal here, trying to bring manufacturing back to the US.

AXEL MERK: Well, two thirds of the economy is consumer-based, so that clearly has a profound impact. When you trying to re-jig an economy to be more manufacturing based, you can use what I call carrots and sticks, we've seen a lot of the, the sticks. Clearly there are also carrots one can use, including deregulation, including tax incentives, [inaudible 0:03:20] investment has proposed to let factory investments be a hundred percent written off, including the appreciation of buildings. But you also have to keep in mind that in order to make an investment, you need to have clarity on rules and regulation, and to one those to my pet peeves, one thing that's not mentioned a lot is you need to have fiscal sustainability. If

you don't think the government has fiscal sustainability, you have to take into account that taxes will rise, inflation will go up, or there will be some other sort of expropriation. And so while by all means, I think the quote unquote “carrots” will be emphasized more in the months to come, after having received or seen many of these quote unquote “sticks”, the reason why the price of gold has been moving higher is because I think investors realize that this is going to be a very rough road, and a lot more money may need to be spent and quote unquote “incentives” need to be provided, that ultimately are beneficial for the price of gold. And we haven't even mentioned what's happening in the rest of the world, where, for example, Europe wants to spend over a trillion in defense and other spending and whatnot, and so one way to think about all of this is the world is becoming less efficient, to use an investment term, and makes everything quote unquote “more expensive”, and that by implication helps the price of gold and ultimately the gold miners.

JANE KING: Yeah. And what about the US dollar, that has weakened quite a bit lately. I mean, what do you think about that? Do you expect that to continue?

AXEL MERK: Well, putting it into the context of this changing plumbing, historically when the US is kind of the bank of the world, it's not just Americans that [inaudible 0:05:05] for greater returns abroad, it's also foreigners that do that, and that's basically a short on the dollar, and that is why in a risk-off environment, historically the dollar tends to rally. We haven't seen that happen of late, and that started to change a few years ago when the dollar started to be weaponized providing a quote unquote “incentive” for governments not aligned with the US to diversify out of the US dollar. And if you think about what's been happening since quote unquote “Liberation Day”, foreign governments really are scratching their head and saying, “We don't want to be in this situation again.” And not to be neglected, the US stock market has outperformed just about every market in the world for a long time, and so we are seeing a rebalancing of that at the very least. I happen to think it's more profound than that. In the short term, by the way, a lot of what we've seen in recent weeks might be mostly a quote unquote “volatility shock” of that de-leveraging, and I think the more profound thing is going to happen in the months and years to come where the economy gets re-tooled.

JANE KING: Very interesting. Finally, Axel, let's talk about what's been happening with ASA. Can you bring us up to date with investors, if they have any questions or concerns?

AXEL MERK: So a few things. On the investment side, many people are aware presumably, we invest in gold miners, they have had substantial benefit from that. We haven't talked much about that. It's one of the ways that people can look for diversification in this environment. We focus more on the junior miners, there we've seen a lot of attention because a lot of investors have been disappointed with the major producers. In recent weeks, of course all tides have been moving higher. On our website, we go into great detail on that. The other thing you may be alluding to, there's a lot happening on the corporate side. I can't go into that here, but anybody with questions is more than welcome to reach out to the board.

JANE KING: Okay, Axel, thank you so much for your insights.

AXEL MERK: My pleasure.

JANE KING: Thank You.

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