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GLOBAL MARKETS · INFLATION, DEBT & HARD ASSETS

The Unthinkable and the Dollar

Why raising rates into an oil shock echoes the 1970s — and why the smartest money is quietly moving into gold and silver

FELIX PREHN

Economist and former investment banker
The Prehn Institute

REPORT SCOPE

Educational explanation of the companion video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

The Federal Reserve has started raising rates into an energy shock, the same combination that produced stagflation in the 1970s. With debt-to-GDP back near 120%, the authorities cannot hold rates high enough to kill inflation, so the likely path is to let inflation quietly erode the debt — and the value of cash savings along with it. This report explains the mechanism and what history says tends to protect purchasing power.

8×

how far gold rose (roughly $100 to $850) the last time a central bank raised rates into an oil shock

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About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker.

Felix founded The Prehn Institute, where former Wall Street and City of London professionals teach. On his initiative the Institute runs a free financial education programme for U.S. military veterans. He co-founded TradeVision.io, a stock screening and charting tool.

Felix has appeared alongside Jim Rogers, Tom Bilyeu, and other prominent figures in finance and business. Yahoo Finance and the Associated Press have covered Felix and his work.

The Prehn Institute

The Prehn Institute is an independent financial education institution founded by Felix Nikolas Prehn, economist and former investment banker. It publishes research and provides instruction.

The Institute exists to raise the standard of financial education available to the public. Its published research is open to any reader, and its instruction is given by people who have worked in professional markets.

The Institute does not manage money and does not advise on investments. Its interest is in how markets work and in how professional practice may be taught.

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How to use this report.

Read it beside the video. The sections follow the script's information and order. The goal is not to predict the exact next market move. It is to explain the machine — how inflation, government debt and the value of your cash are wired together right now.

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BOTTOM LINE

The 1970s setup, again

BOTTOM LINE:

A rate hike into an oil shock does not cool the cause of the inflation — energy costs — it only squeezes borrowers and slows the economy. History calls the result stagflation, and last time it sent gold up roughly eight-fold. The same ingredients are lining up now.

Oil back above $100 → **Fed raises rates into it** → **Growth slows, prices stay high**

THE TRIGGER

An energy shock, not a demand boom. Prices are rising because the stuff underneath everything — fuel, fertiliser, freight — got more expensive. Raising rates does not touch that cause.

THE TRAP

The debt is too big to fight inflation properly. At roughly 120% debt-to-GDP, holding rates high enough for long enough would blow up the government's own budget first.

THE LIKELY PATH

Inflate the debt away. Letting inflation run quietly shrinks the real size of the debt — and the real value of savings held in cash.

THE RESPONSE

Follow the smartest money. Central banks now hold more gold, as a share of reserves, than at any point this century. The report explains why that matters to a regular saver.

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THE 1970S MISTAKE

Not all rate hikes are the same

Situation	Why prices are rising	What a rate hike does	Result
Hiking into a boom	Too much demand chasing too few goods	Cools demand at the source	Prices settle — the tool fits the problem
Hiking into an oil shock	Energy costs push up the price of nearly everything	Punishes borrowers; leaves energy costs untouched	Growth falls, inflation lingers — stagflation

WHY THE DIFFERENCE MATTERS

The medicine has to match the disease. When demand is the problem, higher rates help. When energy is the problem, higher rates hit the wrong target — the family with a mortgage, the small business with a loan, the farmer financing next season.

THE HISTORICAL ECHO

The 1970s are the template. Oil shock, roaring prices, a central bank tightening into a weakening economy. The textbooks had said stagnation and inflation could not happen together. They did, and gold rose from around $100 to about $850.

THE TELL

Ask which kind of hike this is. When someone says “rates up, gold down,” the important question is whether the hike is into a boom or into a shock. This one is into a shock.

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ON THE GROUND

$1,000 to fill one combine

$7	140	$1,000
per gallon of diesel described by the farmer in the source material	gallons in the combine's tank	to fill it up once

BOTTOM LINE:

An energy shock is a tax on the whole economy. Whatever it costs to grow and move food, the consumer pays at the other end. This is cost-driven inflation, and it is exactly the kind a rate hike cannot fix.

THE VOICE FROM THE FIELD

A veteran American farmer. The source material quotes John Boyd Jr describing diesel at $7 a gallon, with fertiliser, chemicals and equipment all climbing at once, and calling it one of the worst economic times in history for America's farmers.

WHY IT SPREADS

Energy sits underneath everything. Higher diesel raises the cost of the tractor, the fertiliser, the lorry and the packaging. Each hand it passes through adds its own higher costs, so the original spike is multiplied several times before it reaches the shelf.

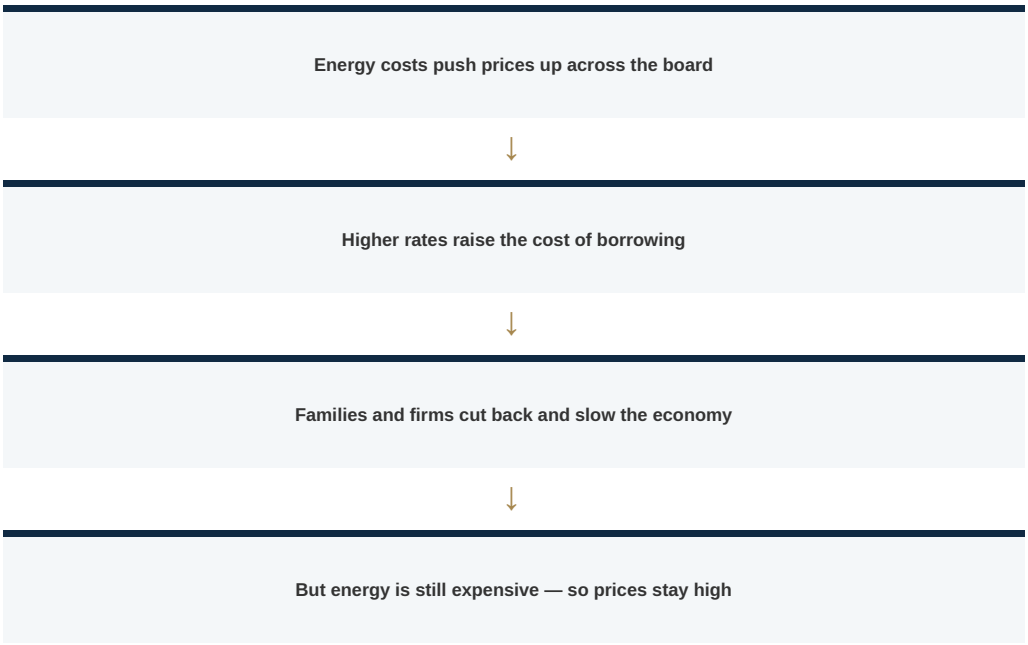
THE POINT

This is not overspending. It is a producer being crushed by input costs he cannot control — the signature of supply-side inflation.

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WHY THE TOOL MISSES

Why supply-side inflation is so stubborn



THE DISEASE VS THE MEDICINE

Rates treat demand; this is a supply problem. When the price of everything is being dragged up by energy, a higher borrowing cost does not make the oil or fertiliser any cheaper. It just weakens the borrower on the other side.

THE FEEDBACK LOOP

Costs cascade. The farmer charges more for grain; the haulier charges more for freight; the shop charges more for the loaf. An energy shock does not stay in the energy aisle — it ends up in every aisle.

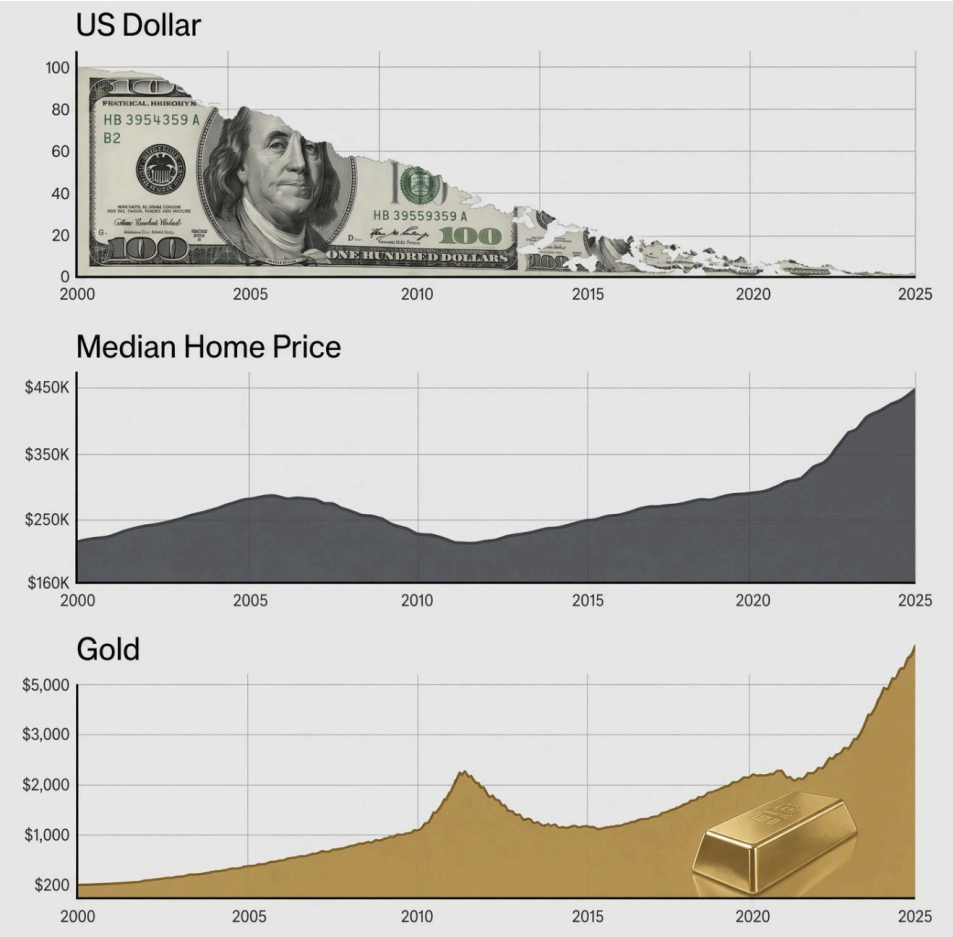
THE ONE-SENTENCE TRAP

The medicine does not treat the disease. It just weakens the patient — you kill the growth, not the inflation.

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ALREADY HAPPENED

25 years of holding wealth in cash



Source image supplied with the video materials. Since 2000, the dollar's buying power falls while the median home price rises from roughly $160,000 to about $450,000 and gold rises from around $200 to above $5,000. This is history, not a forecast.

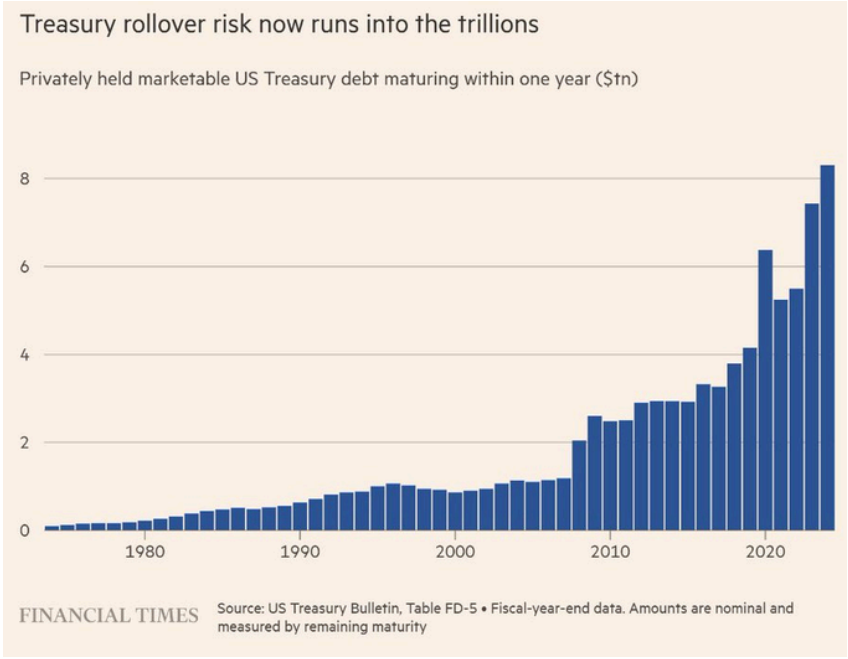
Why this chart matters.

It is not a prediction — it is a receipt. It shows what already happened to people who kept their wealth in the thing they were told was safe. The dollar melts; a roof and a hard asset drift further out of reach.

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WHY THEY'RE TRAPPED

Raising the price of their own mortgage



Source image supplied with the video materials. Privately held US Treasuries maturing within one year — a rollover wall running into the trillions.

HOW THE GOVERNMENT BORROWS

Treasuries are just IOUs. You lend the government money now; it repays later with interest. The problem is the sheer size of what must be repaid and rolled over.

THE ROLLOVER

Roughly $8 trillion in 12 months. The source material notes about $8T of government IOUs coming due within a year and needing to be borrowed again — at today's rates, not yesterday's.

THE CATCH

Every rate rise is self-inflicted. Higher rates make the government's own debt more expensive to carry. They are raising the price of their own mortgage.

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VOLCKER COULD. THEY CAN'T.

Why today is not the early 1980s

~3.3%
average rate on the old debt

~5%
rate on rolling it today

~$136B
extra annual interest from rolling $8T at today's rates

Measure	Volcker era (early 1980s)	Today
Debt-to-GDP going in	Driven down to roughly 30%	Back at roughly 120%
Room to raise rates hard	Yes — the country barely owed anything relative to income	No — punishing rates would blow up the budget
Annual deficit backdrop	Smaller relative to the debt	Roughly $2 trillion a year more spent than taken in

The key point.

Paul Volcker crushed inflation with brutal double-digit rates because the debt was small relative to the economy. At 120% debt-to-GDP, the same tool would bankrupt the government first. They can rattle the sabre with a quarter-point. They cannot swing it.

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INFLATE, THEN HIKE

First you inflate the debt away

Let inflation run a little hot → **The real size of the debt shrinks** → **Only later raise rates to finish the job**

BOTTOM LINE:

When a government owes too much and inflation is running, the old playbook is to inflate first and hike later. We are firmly in the inflate-it-away part. The person who pays for that is whoever holds dollars.

HOW IT WORKS

Debt is repaid in cheaper money. If a government owes a trillion and inflation runs at 5–6% for a few years, the debt on paper stays a trillion, but what a trillion can buy shrinks. The debt gets easier to carry — not because it was paid down, but because the money weakened.

WHO PAYS

The saver. Every bit of relief the government gets is lifted from the pocket of whoever saved in the same shrinking dollars. Nobody votes for it, nobody announces it — which is exactly why it is used.

THE THEATRE

Watch what they can afford, not what they say. A small hike lets them look tough while the arithmetic of the debt means they cannot follow through.

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THE AUCTIONS

A wall of debt to sell every week

$457B

Treasuries auctioned in a single four-day stretch, per the source material

$171B

on Monday alone

Weekly

this has to be repeated, week after week

THE MECHANISM

Not enough buyers means higher rates. If demand is weak, the government must offer a higher interest rate to tempt lenders in. Higher rates to sell the debt mean more expensive borrowing everywhere and tighter conditions.

THE SQUEEZE ON YOUR INVESTMENTS

Money gets pulled from shares into bonds. When Uncle Sam pays a fat rate on his paper, capital leaves the stock market to sit in bonds — a tug of war that can knock the wind out of shares while the value of the cash itself keeps eroding.

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OIL, AND THE BUYER OF LAST RESORT

The printing press waiting behind the wall



J.P.Morgan

Global Markets Strategy
17 September 2026

Oil Markets Weekly

Dry powder

For the first time since the start of the Iran conflict, we don't have a baseline view. We simply don't know how to model the endgame.

At the onset, we thought we did. We assumed there were economic red lines the US administration would be unwilling to cross: $100 oil, gasoline near $5 a gallon, a 4% headline inflation or a 5-handle on the 10-year Treasury yield. Those constraints gave us an implicit timeline, and we expected that by June there would be some form of agreement to reopen the Strait.

Six months later, many of those lines have been crossed, yet the exit strategy is less clear, not more. Oil is above $100 and the 10-year yield has a 5-handle. Gasoline, at $4.37, remains at record seasonally adjusted levels even though peak driving season is behind us. More concerning, diesel is at an all-time high of $6.31 a gallon heading into winter—the period of peak seasonal demand—while inventories sit at all-time lows.

The market is on edge, in our view. Based on current supply and demand conditions, we estimate September fair value at $90, yet Brent is trading at $106. Using our rule of thumb that every 1 mbd of supply disruption adds roughly $4 to the price, that $16 premium implies the market is pricing in the *risk* of an additional 4 mbd of losses on top of the 10 mbd already disrupted—rather than a confirmed, enduring reduction in supply.

And there is no shortage of risk for the market to price. Over the past week, the conflict has opened new pressure points across the region. Houthi advances along Yemen's Red Sea coast and into the Bab el-Mandeb have put another critical shipping route at risk, while an attack on Saudi Arabia's East-West pipeline temporarily shut a key alternative route for crude exports.

Nor is the volatility contained to the Gulf. Despite President Trump's claim of an energy truce, Ukrainian drones struck Russia's Slavyansk refinery on Saturday and, in a more significant display of reach, hit the Taneco refinery in Tatarstan—more than 1,200 km from the Ukraine-Russia border—on Sunday, followed by the Syzran refinery in Russia's Samara region on Monday. Meanwhile, Russia launched attacks on the Ukrainian capital and other cities.

With no clear signals from either the US or Iran that they are prepared to de-escalate—and absent a diplomatic breakthrough on September 24, when President Trump and President Xi are set to meet in DC—the assumption that the disruption is temporary is becoming increasingly difficult to sustain.

So what happens if it doesn't?

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Source image supplied with the video materials — the oil report referenced for the energy backdrop, with oil back above $100.

Not enough buyers at a price the government can afford

↓

The central bank steps in and buys the debt

↓

New dollars are printed to soak it up

↓

Every new dollar waters down the ones in your pocket

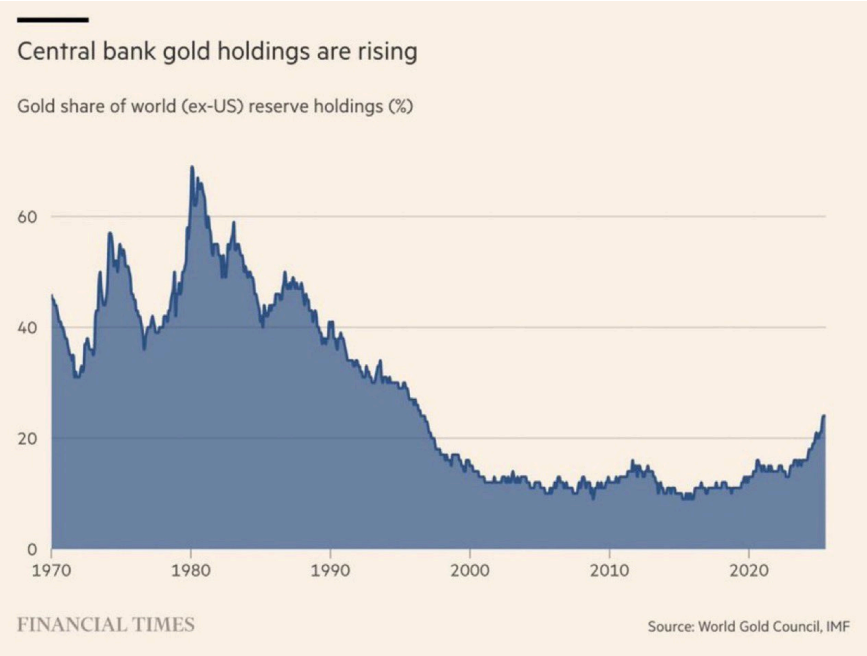
The machine, in one line.

Inflation they can't properly fight, a mountain of debt to roll and sell every week, and a printing press on standby. If you set out to design something to slowly drain the value of cash, this is roughly what you would build.

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FOLLOW THE INSTITUTIONS

The most gold this century



Source image supplied with the video materials. Central banks' gold, measured as a share of reserves, collapsed decades ago, drifted along the bottom, and has turned hard upward into today.

WHO IS BUYING

The people who print the money. Central banks now hold more gold, as a share of reserves, than at any point this century. They are choosing to hold less of their own product and more of the one thing they cannot print.

WHAT IT SIGNALS

A vote of no confidence in paper. Read alongside the melting-dollar chart, the message is consistent: the institutions closest to the printing press would rather not be on the losing side of it.

WATCHING IT YOURSELF

A personal newspaper for your money. The Winston app tracks gold, silver, the dollar and whatever you hold, in plain English. You do not need any app to get the point — but it helps you notice before the headline, not after.

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THE COMFORTABLE MISTAKE

“I'll just sit in cash”

BOTTOM LINE:

Cash feels like the one thing that can't go wrong. Over time it is the asset designed to lose. Since 1971, when the dollar's last link to gold was cut, it has lost the overwhelming majority of what it could buy.

THE LONG EROSION

1971 was the turning point. Before it, a dollar was a claim on something real. After it, the supply could grow without limit — and it did. The government's own inflation calculator still shows a dollar from back then worth a small handful of cents today.

IT DOESN'T BLEED SLOWLY

Calm, then a spike. You get years of quiet and then a sharp jump — as many people saw after the pandemic, when a hotel room that cost a couple of hundred suddenly had a zero bolted on. That was the money getting worse, not the room getting better.

THE SETUP NOW

The next spike is being loaded. With an oil shock feeding into everything and a printing press on standby, the conditions for another jump are in place.

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WHAT PEOPLE WORK OUT EARLY

Things that can't be printed

Asset	Character	Why it's mentioned
Gold	The steady one	The asset central banks are actively stacking
Silver	The smaller, wilder cousin	A tiny market that can sit still for years, then move late and hard

THE SILVER MECHANISM

A small door, a lot of money. The silver market is tiny next to gold. When big money gets nervous about the dollar and spills into silver as the cheaper way to make the same bet, there isn't enough to go round — so the price can lurch rather than drift. This is a description of the mechanism, not a promise it will happen.

THE REAL POINT

Diversification, not all-in. This is not advice to buy anything, and a portfolio that is all gold and silver would rob you of sleep. The point is to know what you actually own.

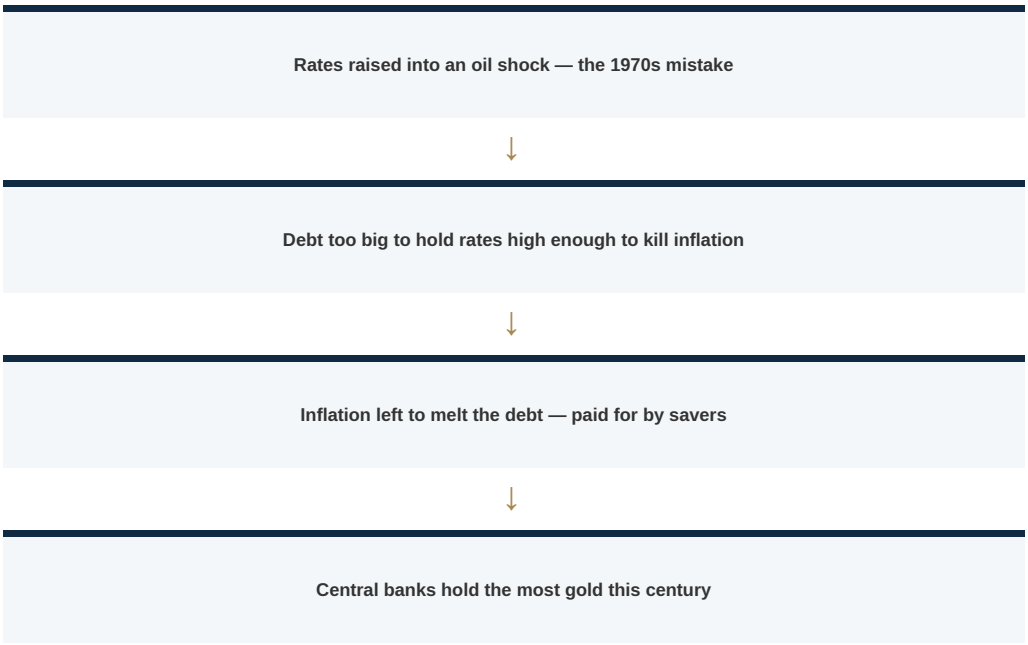
THE HIDDEN CONCENTRATION

Many savers are less spread out than they think. If a large share of recent gains came from a small clutch of AI shares — as it did for many index-fund holders — that is concentration in the most crowded corner, not protection.

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THE WHOLE PICTURE

One machine, in one place



Who gets hurt worst.

It is rarely the people who saw it coming. It is the careful ones — the savers who did everything right, kept their money in cash and government paper, and watched it quietly melt while they weren't looking. The aim of this report is to make sure that is not you.

WHAT TO HOLD ONTO

Understanding first. You do not need to predict the exact month of the next spike. You need to understand the machine well enough to stop holding all your wealth in the one asset designed to lose.

DON'T PANIC

This is not a sell-everything message. Don't panic-sell your shares. Know what you own, and make sure you are actually diversified against the risk described here.

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QUESTIONS FOR THE READER

Five questions before the next spike

- ✓ Do I know what share of my wealth is sitting in cash and cash-like savings that inflation can quietly erode?
- ✓ Am I genuinely diversified, or concentrated in a small clutch of crowded AI and tech names?
- ✓ Do I own anything that tends to hold value when confidence in paper money is under pressure?
- ✓ Do I understand why central banks are buying gold — and whether that logic applies to me?
- ✓ Do I have an actual plan for a sustained bout of inflation, or just a hope that it sorts itself out?

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REFERENCES

Sources & disclosures

1. **Video:** “The UNTHINKABLE is About to Happen to the Dollar (Gold and Silver are Next)” by Felix Nikolas Prehn.
2. **Rate decision & backdrop:** the Federal Reserve's first rate rise since 2023, oil back above $100, and Treasury yields near 5%, as described in the source materials that accompany the video.
3. **1970s parallel:** rates and inflation rising together, gold rising from roughly $100 to about $850, with an Iran-driven oil shock fuelling the final move.
4. **Oil shock on the ground:** farmer testimony on diesel at $7 a gallon and roughly $1,000 to fill a 140-gallon combine.
5. **Debt & rollover:** approximately $8 trillion of Treasuries to be rolled within 12 months; average coupon near 3.3% versus roughly 5% today; roughly $136 billion in added annual interest; deficit near $2 trillion; debt-to-GDP near 120% versus roughly 30% before the Volcker hikes.
6. **Auctions:** at least $457 billion of Treasury auctions across four days, including about $171 billion on a single Monday.
7. **Smart money:** central banks holding the most gold, as a share of reserves, this century.
8. **Charts:** the dollar-value-loss chart (dollar versus median home price versus gold, 2000–2025), the Treasury rollover chart, the central-bank gold chart, and the oil report — all supplied with the video materials.
9. **Winston app:** markets tracking referenced in the video.

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