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THE PREHN INSTITUTE | RESEARCH

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GLOBAL MARKETS · THE DOLLAR, DEBT & GOLD

The Flood

Why the US government is about to start buying its own debt with freshly printed money — through November 4 — and what that quietly does to the cash sitting in your account

FELIX PREHN

Economist and former investment banker
The Prehn Institute

REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

Two things are happening at once. At home, the government is stepping in to buy back its own long-dated debt with money created that morning, doubling the size of the program and running it straight through November 4. Abroad, the most loyal buyer of American debt — Japan — is selling, and physical gold is leaving the country at a record pace. More paper money being made inside the country while the real money ships out the door: that is the whole story, and it lands on your savings.

$88B

of foreign securities Japanese investors sold in a single month — the most loyal buyer of US debt heading for the exit

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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 same information, in the same order. The goal is not to predict the next tick in the price of gold. It is to explain, in plain English, why a dry line in a Treasury statement and a chart from Tokyo are really the same story — and why that story lands on your bank account.

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BOTTOM LINE

The printer and the exit

AT HOME

The government is buying its own debt back. The Treasury is doubling the amount of long-dated debt it buys back and running it straight through November 4. Buying back long bonds means going into the market and taking that debt off everyone's hands — and the cash to do it gets created.

ABROAD

The most loyal buyer is selling. Japan — which has bought American debt faithfully for decades — sold almost 88 billion dollars of foreign securities in a single month, and its central bank is shrinking its bond pile at the fastest pace on record.

THE REAL MONEY

Gold is physically leaving. At the same time, gold has become one of the single biggest things America exports. The country that prints the world's money is shipping its actual money out the door.

THE COMBINATION

More paper, less trust. When you make more of something while the rest of the world grows less keen to hold it, its value tends to slip. That is the setup — and it is already moving.

Key idea.

The buyback at home and the selling abroad are not two separate headlines. They are one story about the dollar — and the people who move billions are treating it that way.

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THE INFLATION YOU HAVE ALREADY FELT

$100 used to buy 125 bottles. Now it buys 44.



Same $100, same Coke. The bottle did not get more valuable — your money got weaker. Illustrative, based on the change in average retail price 2000–2026.

WHAT YOU ALREADY LIVED THROUGH

Over 100% on the things that drain your account. Since covid, real-world inflation on your weekly shop, your rent, eating out and insurance has been well over 100% — the honest version, not the tidy official number. For a lot of people those costs have flat-out doubled. That is roughly half of your money's buying power gone in about five years.

THE COKE PICTURE

125 bottles became 44. One hundred dollars in the year 2000 bought about 125 bottles of Coke. Today that same hundred gets you 44. The drink did not change. The money did.

ZOOM RIGHT OUT

The dollar is down about 93% since 1971. A dollar from 1971 buys roughly 7 cents' worth today. That is what inflation actually is once you take the fancy words off it: the number in your account stays the same, it just quietly buys less, year after year.

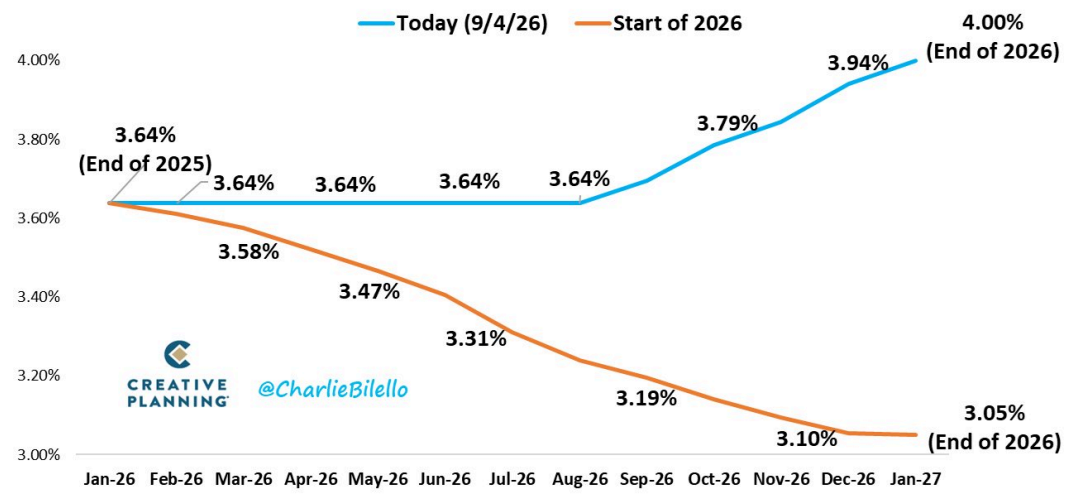
WHY THIS MATTERS NOW

They are lining up to do it again. Doubling the money printing straight through November is petrol on exactly that fire. The people who see it coming can get in front of it. The people who do not just wake up poorer and cannot work out why.

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IT HAS ALREADY STARTED

Flooring the accelerator and standing on the brake



The market's expected path for interest rates — what it thought at the start of 2026 (falling) versus what it thinks now (rising). This shows the market-implied path, not literal hike probabilities. Source: Charlie Bilello.

THE BUYBACK

Doubled, and running through November 4. The Treasury has said it out loud — quietly, the way they always do. They are doubling the amount of long-dated debt they buy back and running it for two months, straight through November 4. When the government buys its own bonds back, it hands out cash. That cash gets created.

THE FED, NEXT

A meeting on the 16th and 17th. For most of this year the market was convinced rates were coming down — toward 3%, easy money. Now it has quietly changed its mind and is pricing rates going the other way, back toward 4%.

WHY THAT IS STRANGE

Two opposite things at once. Printing money to buy your own debt is about the loosest thing you can do. Bracing for rates to stay high is the tightest. Those two do not normally sit in the same room. When someone floors the accelerator and stands on the brake at the same time, something has gone wrong.

THE TELL

Watch how it gets announced. Not a prime-time speech — a dry line in a Treasury refunding statement on a slow afternoon, written in the most boring language possible so your eyes slide off it. Confident governments brag. A government doing something it would rather you did not examine buries it in a footnote.

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THE ALLIES ARE HEADING FOR THE EXIT

The most loyal buyer just backed out



The Bank of Japan is letting its own bond pile shrink at the fastest pace it has ever recorded. Source: Bloomberg.

JAPAN IS SELLING

Almost $88 billion in a single month. Japan has been the most loyal buyer of American debt on the planet for decades. In August, Japanese investors' foreign holdings dropped by almost 88 billion dollars. That is not a trim around the edges — that is backing out.

WHY IT REACHES YOUR PENSION

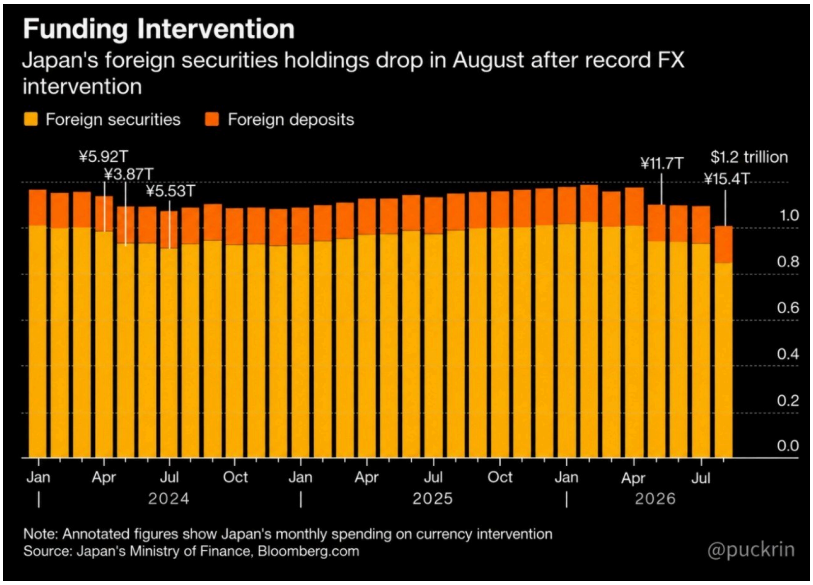
Roughly 70% of Japan's reserves sit in US Treasuries. When the biggest foreign holder of your debt starts selling, someone has to step in and buy it — or the price of that debt falls and interest rates jump for everybody. You can guess who steps in. The printer.

DEFENDING THE YEN

About 15 trillion yen — near $98 billion. Japan spent something like that propping up its own currency through late August. When Japan is forced to sell Treasuries and defend the yen, money that had been parked in US markets gets pulled back home — and the cheap fuel holding markets up starts to drain away.

THE LINE THAT MATTERS

Coordinated for the first time since 1998. On July 31 the US and Japan acted together in the currency market for the first time in nearly 30 years. You do not get the two biggest economies linking arms like that when everything is fine. You do it when something in the plumbing is cracking.



Japan's funding intervention — the drop in Japanese foreign securities, roughly 15.4 trillion yen. Source: Bloomberg.

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HOW THE PRINTING ACTUALLY WORKS

A tax you never voted for and never see

Government spends more than it takes in, so it issues debt → **The world's most loyal buyer starts selling instead** → **The printer fills the gap — new money buys the debt** → **Each dollar you hold quietly buys a little less**

THE MECHANISM

More debt than there are willing buyers. The government issues IOUs. Normally the world buys them. But we have just watched the most loyal buyer start selling. Rather than let rates rip higher to pull buyers in — which would blow up the government's own budget — the printer fills the gap. That is what the buyback is.

WHERE THE VALUE COMES FROM

Out of the dollars you already hold. Every new dollar created does not come from nowhere. Nobody writes to tell you. Your balance does not move. The number is the same tomorrow — it just buys less. It is a tax you never voted for and never see printed on a statement.

THE PART NOBODY CONNECTS

Around a trillion dollars of AI borrowing. On top of the government's borrowing, big tech is about to borrow something like a trillion-plus dollars to build data centres — an ocean of new corporate bonds hitting the market at the same time, all chasing the same buyers who are already walking away.

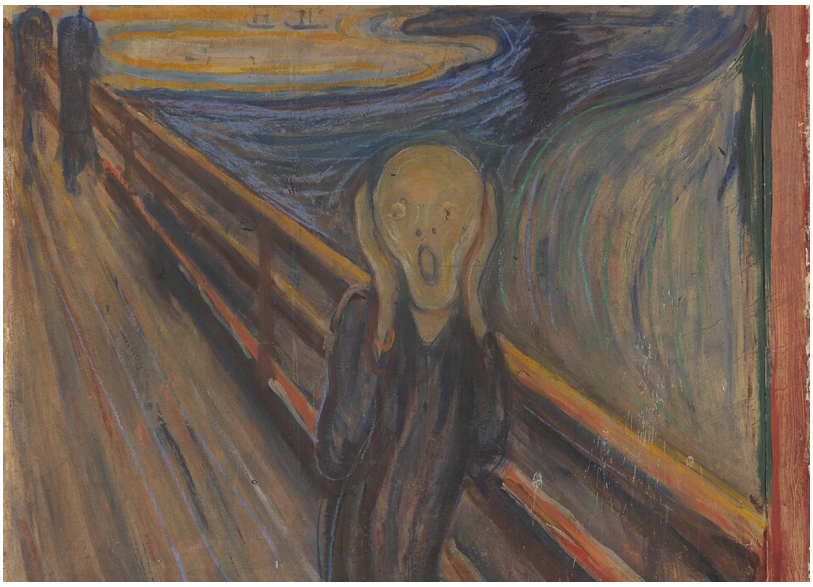
FOLLOW THE DISCLOSURES

Watch what people with access actually do. The president has filed another huge batch of trades — well over 600. The pattern: leaning into boring toll-booth businesses (Berkshire, Visa, Mastercard, Home Depot, even Republic Services) that can raise prices and keep customers, while trimming hot, pricey tech. The people closest to the information are not betting on cash holding its value.

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WATCH WHERE THE GOLD IS GOING

The real money is leaving the country



US exports of nonmonetary gold, rocketing to record highs. That is not a gentle drift — that is a launch. Source: FRED.

WATCH WHAT THEY DO

They are pulling their physical gold home. The Netherlands has been quietly moving its gold. France, Germany, one country after another bringing metal back onto their own soil, where nobody else can get at it. You do not spend real money flying tonnes of metal home if you completely trust the people holding it for you.

THE ONE THAT MADE ME CHECK THREE TIMES

Gold is now one of America's biggest exports. Precious metals have gone from a few percent of US exports to a serious slice of them, at record levels. The country that prints the world's reserve currency is shipping out the one form of money you cannot print, fake or double through November.

WE HAVE SEEN THIS FILM

1971, all over again. In 1971 the US quietly slammed the gold window shut — because too many countries wanted to swap dollars for the real thing and there was not enough gold to hand over. It was meant to be temporary. It has been 55 years. Same pressure: too much paper chasing not enough real money.

THE SAME EVENT, TWO WAYS

The paper falls, the real thing holds. Since 1971 the dollar lost about 93% of what it buys; over the same stretch gold went from 35 dollars an ounce to thousands. That is not a coincidence — it is the same event measured two ways. The point is not to gamble on gold to the moon. It is to not be the person holding the thing that is quietly melting.



“THE GOLDEN RULE... he who has the gold makes the rules.” Source: Donald Trump, Truth Social, April 21, 2025.

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WHY CASH IS THE QUIET LOSER

$1 in 1971 buys about 7 cents today

The image.

Cash is an ice cube on a warm counter. It looks unchanged at first, but its buying power melts over time. This does not mean “hold no cash.” It means do not confuse short-term safety with long-term wealth storage — especially in the two months they have decided to turn the heat up.

1971

The year the dollar came off gold. Until 1971 the dollar was tied to gold. Once that link was cut, governments could create dollars far more freely — and they did.

THE RESULT

A slow, steady loss. A 1971 dollar has lost roughly 93% of its buying power. In other words, one dollar back then buys you about 7 cents' worth of goods today — and the buyback is designed to keep that going.

WHY GOLD HOLDS UP

You cannot print it. Gold's whole appeal is that its supply grows slowly and no government controls it. When confidence in paper money is under pressure — exactly the moment we are in — that scarcity is what people want.

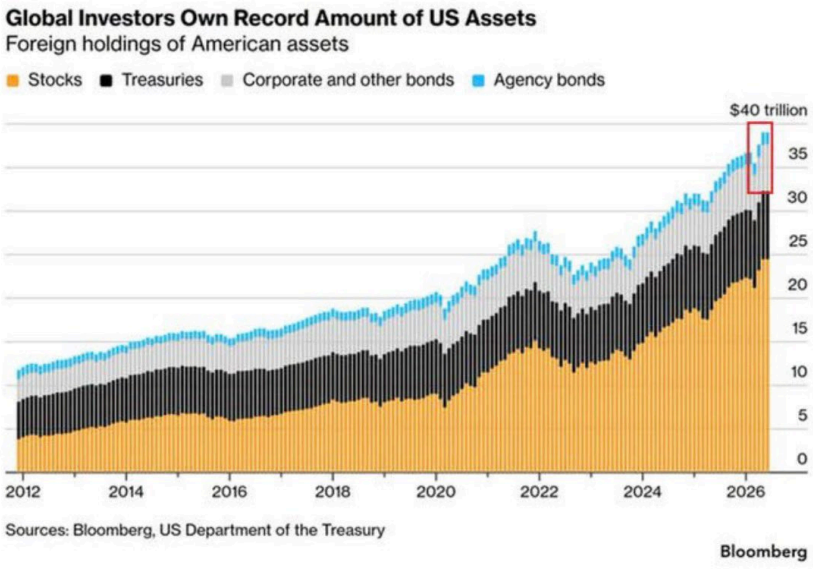
THE TAKEAWAY

Sitting entirely in cash is a decision, too. It feels safe, but over long stretches it has been a guaranteed slow loss of buying power. That is the trade-off to understand before you “do nothing.”

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SO WHAT DO YOU ACTUALLY DO

Don't panic. Own things that can't be printed.



Global investors own a record amount of US assets — around 40 trillion dollars. The world is rebalancing at the edges, not abandoning America. Source: Bloomberg.

FIRST, DO NOT PANIC-SELL

This gets misread constantly. "The world's backing away from the dollar, so sell everything American." No. Foreigners still own a record amount of US assets — around 40 trillion dollars. The world is not abandoning America; it is rebalancing, slowly, at the edges. Panic-selling a slow story like it is a fast one is how normal people lose money.

OWN WHAT CAN'T BE PRINTED

Real pricing power. Businesses that can put their prices up when everything gets more expensive and keep their customers anyway — the toll booths. Real assets. Things whose value does not lean on the printer.

A SENSIBLE SLICE OF GOLD

Not because someone shouted at you. A sensible slice, because it is the one kind of money that cannot be doubled through November. The point is not to bet the farm on a crash — it is to not be the one holding the thing that is quietly melting and calling it safe.

THE HONEST CAVEAT

This is not financial advice. Felix is not a financial adviser and this is not financial advice. It is how he thinks about it, from what his Wall Street mentors drilled into him. You make your own call — but make it with a plan, before the headline, not after.

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QUESTIONS FOR THE READER

Five questions to ask before the next headline

- ✓ How much of my long-term savings is sitting in cash that quietly loses value every year?
- ✓ Do I own anything a government cannot print — like gold or real, price-setting businesses?
- ✓ If interest rates stay higher for longer, what does that do to my loans and my portfolio?
- ✓ How concentrated am I really — is most of my “diversified” index fund actually sitting in 10 crowded names?
- ✓ Do I have a calm, written plan for a serious market drop — or would I panic?

The Prehn Institute

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