NOVEMBER – DECEMBER 2015

MONEY METALS INSIDER

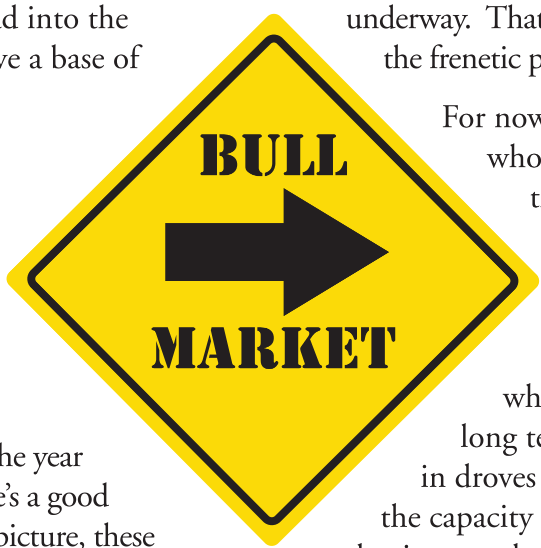
An Insider Report for Clients of Money Metals Exchange

Gold and Silver Markets Quietly Gather Strength

By Stefan Gleason
President, Money Metals

Technical signals look better for metals. And as gold and silver markets head into the final months of the year, prices have a base of support to build upon.

Gold prices hit bottom in early August, meandered in September, and took off in October to return to break-even for the year. Silver followed a similar pattern, though with greater volatility, as usual.



Will the precious metals finish out the year strong and post annual gains? There's a good chance they will. But in the bigger picture, these markets are still in the early stages of recovering from the brutal cyclical bear market that began in 2011. It's been especially brutal for silver, which traded as low as $14.00 an ounce last November and again in August after peaking at more than $49.00 in 2011.

Silver prices have rallied from their absolute lows. But it will take many months – and much higher prices – before the public is convinced that a new bull market is underway. That's why retail buying has slowed from the frenetic pace during the summer.

For now, the hardy gold and silver bugs who don't need any convincing about the merits of owning precious metals are taking advantage of low prices and any price drops to accumulate more metal. These are the types of buyers who buy physical and hold it for the long term. They bought silver bullion in droves late this summer – far exceeding the capacity of mints to keep up with demand, clearing out dealer inventories, and driving premiums sharply higher. Production backlogs still persist today in a few silver products as of this writing.

Retail shortages in silver bullion could be a harbinger of broader physical shortages to come. Or we may see higher spot prices kick in to entice more sellers. Let's consider the problem of supply. The mining industry has been decimated over the past few years. Existing gold, silver, and base metal mines are struggling to produce at a profit. Their struggles will continue until spot prices rise to exceed their all-in production costs.

Economic Disappointments, Political Considerations Raise Odds of New Stimulus Schemes

Those making a bearish case for precious metals

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prices cite a weak global economy and the prospect of a recession in the U.S. next year. That, in turn, could cause industrial and jewelry demand to drop. Certainly, Federal Reserve policymakers are concerned about a weakening economy. That's why they haven't raised rates thus far in 2015 – for the ninth straight year we might add.

Fed chair Janet Yellen wants to avert a recession during an election year. If she had her druthers, she'd postpone the next recession until after Obama leaves office. A diehard socialist from Berkeley, California, Yellen's path to keeping her job after 2017 is to help get the Democrat nominee elected in 2016. That means *stimulate, stimulate, stimulate* – and worry about cleaning up the excesses later.

Citibank is calling on central banks to drop money from helicopters.

Other central bankers are thinking similar thoughts as a global recession in 2016 becomes more likely. The U.S. economy has been expanding – at least nominally – for more than six years. A cyclical downturn every few years isn't a big deal. In fact, it's normal and healthy. But central bankers believe it's their job to disrupt natural market forces and prevent them from taking their course.

Helicopter Drops Gone Global!

Citibank chief economist Willem Buiter wants to see more central bank stimulus in the form of helicopter money drops, a metaphor popularized by Ben Bernanke for unconventional measures to stimulate spending during periods of perceived deflation. Buiter says "helicopter money drops in China, the euro area, the UK, and the U.S... can mitigate and, if implemented immediately, prevent a recession during the next two years..."

The European Central Bank has strongly hinted at another stimulus program coming down the pike, having already pushed interest rates into negative territory.

Fed chair Janet Yellen says "additional accommodation" is possible even with rates at zero – opening the door to a possible negative rate policy. Perhaps she is warming up to the idea of "helicopter drops" to stimulate the economy and lift the official inflation rate up to the Fed's 2% target in 2016.

The Federal Open Market Committee says the decision is ultimately data dependent, but hawks and doves within the FOMC often differ in their interpretations of the data.

As the **Financial Times** reports, "Yellen looks stuck between two camps, and matters will be no less complicated in 2016. The regular rotation in the membership of the FOMC will strengthen the ranks of the hawks with the arrival of Esther George of the Kansas City Fed, Loretta Mester of the Cleveland Fed, and James Bullard of the St. Louis Fed."

If the economic numbers start going from bad to worse, then the Fed's so-called hawks will start going dovish. Expect the U.S. dollar to respond to any new signs of trouble in the economy by heading lower ahead of any action from the Fed. And expect gold and silver to be bolstered by fresh new safe-haven inflows.

Money Metals Insider

published by **Money Metals Exchange**

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7:00 a.m. - 5:30 p.m. Mountain Time, Monday through Friday

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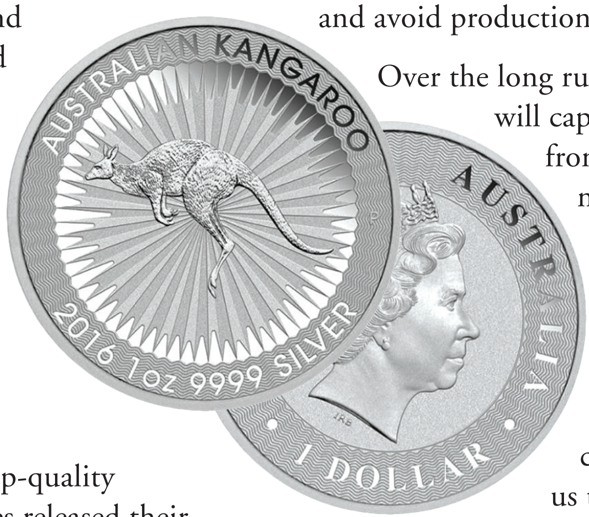
Australia's Silver Kangaroo Challenges American Eagle Dominance

Failure to Fully Supply Market Exposes Dysfunctional U.S. Mint

BY MIKE GLEASON
Director, Money Metals

Since we opened our doors at **Money Metals** in 2010, we've been privileged to supply tens of thousands of our customers with millions upon millions of U.S. Silver Eagle coins. The same can be said for the Canadian Maple Leaf, which runs a close second to the Eagles in terms of popularity.

But continuing mismanagement at the U.S. Mint has led to crippling supply problems and frustrated wholesalers, retailers, and investors. Higher demand this past summer even led to dramatic shortages and rising premiums on the Royal Canadian Mint's flagship silver coin and silver rounds and bars of nearly all private brands.



Enter the Perth Mint, one of the world's most popular mints with a reputation for striking beautiful, top-quality products. In September, the Aussies released their 1-ounce pure silver coin into the world coin market – the stunning Silver Kangaroo.

At the peak, shipping delays on North American coins were common and retail premiums were routinely higher than $5 per ounce over spot. The Kangaroos not only offered investors more immediate availability but also a significant savings – allowing silver stackers to get more ounces for the money.

The new .9999 pure legal tender coin from Australia's government mint could not have been introduced at a more opportune time. And, unsurprisingly, sales of the Kangaroos were extremely brisk in the first few weeks.

The marketplace for sovereign silver bullion coins often finds itself in a state of great flux when it comes to reliable and consistent supply. Government-bureaucrat-run mints typically fail to respond to surging demand. Despite a mandate to supply the market, the U.S. Mint fell down again this summer.

The Perth Mint, affiliated with the Australian government, will be positioned well to meet the public demand. It tends to be run more like an actual business and has more incentive to accurately forecast and avoid production gaps due to sourcing issues.

Over the long run, we expect the Perth Mint will capture some major market share from the other popular sovereign mints. Not only the U.S. Mint, but also the Royal Canadian Mint.

Like the Maple Leaf, the Silver Kangaroo is "four-9s" pure and comes in tubes of 25 coins each. The Perth Mint tells us the premium on the Kangaroos will be consistently lower than even the Maple Leaf, making the Kangaroo the least expensive 1-ounce government minted coin available for purchase in the American market.

Aside from its beauty, one of the unique selling features of the Australian legal tender coin is that, unlike its cousins, the Kangaroos come in mint sealed boxes of 250 instead of 500. Investors can grab a full mint box for around $4,800 at current prices rather than at least $9,600 with the other coins. And the Silver Kangaroo can also be accumulated through **Money Metals**' industry-leading Monthly Savings Plan.

So whether you accumulate Kangaroos each month through our automatic purchase program or buy on an individual basis, you'll want to hop to it to add some of these Kangaroos to your stash.

Precious Metals IRAs: A New Retirement Savings Trend Emerges

By Clint Siegner
Director, Money Metals

Stock brokers and investment advisors typically won't mention it, but it is simple to own something other than the run-of-the-mill paper assets they are paid so handsomely to sell in your retirement account.

Nevertheless, word is getting out. Each year more people take the exit and open a self-directed IRA where they can hold tangible assets – most often physical precious metals and real estate.

As these self-directed IRA accounts gain in popularity, the firms providing them are improving the speed and convenience for customers making the switch. It is now possible to establish an account with firms such as Goldstar or New Direction IRA completely online – no need to even print or mail the forms.

The fees for most accounts will be around $200 per year – including the cost for storage. Larger accounts (in excess of $100,000) or accounts with many transactions may cost a bit more. That makes these accounts affordable for just about anyone.

Holding gold, silver, platinum, or palladium bullion in an IRA is a great option for many investors who are worried about a significant portion of their wealth being invested in paper – be it stocks, bonds, or cash. However, they will not make sense for everyone.

A precious metals IRA may not be right for you if privacy, portability, and control of your metals are your top priorities. The value of your IRA accounts will be reported to the IRS annually, and the metals must reside in a third-party vault to ensure your account is legally copacetic. For these reasons and others, it is always a good idea to hold at least a portion of the metals you own outside of your IRA and directly.

For those with IRAs heavily invested in financial assets, right now looks like a great time to switch at least some of those funds into hard assets. Paper assets currently sit very near multi-year highs. Stocks, bonds, and even the beleaguered dollar have all seen big gains in recent years. Only the most ardent bulls expect that run to continue indefinitely.

Clearly the relative valuations are reaching extremes. Could paper assets gain even more versus hard assets? Yes. Would we bet on it? Not likely.

If you have questions about a precious metals IRA, we would love to hear from you. Call 1-800-800-1865 or visit the IRA info center at www.MoneyMetals.com.

Here is how a precious metals IRA works:

1. Pick a custodian and transfer funds – tax free. There are a growing number of providers. We recommend using one of the well-established firms who can offer good customer support and nice tools (such as online enrollment). You'll provide instructions for transferring funds from wherever your retirement account is currently held.
2. Lock pricing on the bullion products you want to hold, then complete a short one-page form with the transaction details.
3. Choose where to store your metals. IRS rules require the assets in your self-directed IRA be held by a third party. The dealer (Money Metals Exchange) will ship your metal directly to the depository you choose.

Probing Questions from Our Readers

At Money Metals Exchange, an important part of our mission is to educate you, our customers, and the public at large about the many aspects of the precious metals market.

Our precious metals Specialists enjoy addressing your many excellent questions on an individual basis. But we know you also like to see what others are asking about. So we regularly share some of the most relevant questions and answers in a more public way...

Question: What is the difference between a coin and a round? I see you offer both.

Answer: The difference is in who manufactures them. Coins are minted by government mints. They often carry a date and a face value amount – $1 for example. They are official "legal tender" for that arbitrarily low amount. (In other words, you can legally require someone to accept a Silver Eagle, worth close to $20, in return for $1 of goods!)

Rounds, on the other hand, are not government-issue. They are privately minted and generally do not have a date. They are not legal tender and therefore have no official "face value." They will however be stamped with their weight and purity, making the value of their metal content easy to determine.

Coins normally cost a bit more than rounds, largely because bureaucratic government mints charge higher minting charges than more efficient, private mints do. For that reason, we often recommend customers buy rounds. They will get more metal for their money – usually 5% to 15% more. Rounds are immensely popular and widely traded, so buyers need not worry about whether the market will accept them when it is time to sell.

That said, in most circumstances there is only a modest additional cost to buy a coin (as long as you stay away from those scam-prone "collectible" coins), and bullion coins will bring slightly more when it is time to sell. So you will not necessarily be throwing away the extra premium paid for coins – but that portion of your purchase price won't be invested in the metal itself.

Question: When the U.S. dollar crashes which forms of silver will be more valuable?

Answer: In the event of a currency crisis, all silver ounces should have essentially the same value, regardless of what may be stamped on the item. Yes, it's possible that the more common bullion coins, such as Eagles, Maples, and Kangaroos will purchase slightly more than a silver round or a bar. But once every citizen in the U.S. realizes they need a tangible and reliable currency, they will scramble for and accept anything silver (or gold) they can get their hands on.

That's one of many reasons we discourage folks from sinking their money into any so-called "rarities," collectibles, proofs, or numismatic or semi-numismatic coins. The percentage premium above the silver melt value tends to fall as the dollar-denominated price rises. We expect the market for bullion to boom as more people flood in looking for anything gold and silver. And the market for luxury goods such as rare coins may suffer.

Question: Why don't the mining companies produce more silver if demand is so strong?

Answer: Silver mine production is declining sharply this year while bullion investors saw one story after another describing the extraordinary buying demand for coins, rounds, and bars. It is natural to wonder why bullish supply and demand fundamentals have not manifested in higher prices.

Despite huge demand for fabricated bullion coins, rounds, and bars, there is not a true shortage of raw silver – at least not yet. To be sure, the inventories of 1,000 ounce bars held by futures exchanges such as the COMEX have fallen, but, so far participants in those markets appear unworried

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about stocks being adequate. They are not scrambling to take delivery of the physical bars or bidding up spot prices.

The shortages we've seen in bullion markets have more to do with limited manufacturing capacity at mints and refiners. They can procure raw silver. They just lack enough equipment and personnel to convert it fast enough to finished coins, rounds, and bars.

Shortages of raw silver may be coming. Miners are suffering badly because of current spot market prices below the cost of production for many. Our frequent podcast guest Steve St. Angelo at SRSroccoReport.com recently estimated global mine production will fall by 11 million ounces when only examining the world's top 5 producing nations – a decline of 7%. Given that silver is often a byproduct of copper production, the recent decline in the copper price will also impair silver production.

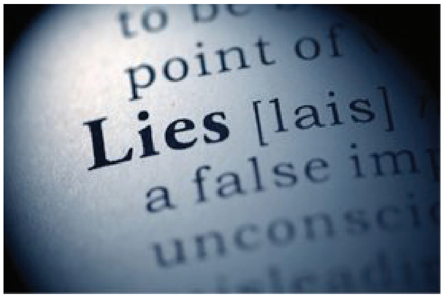
The problem is that leverage in the futures market just continues to grow. The supply of paper silver represented by futures contracts keeps increasing, even as the amount of physical stock in exchange vaults has hit 5-year lows. There is evidence that manipulative, concentrated, and highly leveraged short positions by financial institutions are partly responsible for the selling pressure on the paper markets. However, if silver prices are artificially low, physical market shortages will ultimately wrest away control of the price.

At some point players will recognize there is a serious problem with two likely outcomes. One is dramatically higher spot prices as short sellers start covering and search for inventory to physically deliver. The other is a complete loss of confidence in the futures market as traders learn the painful lesson that holding paper claims to silver is a far cry from holding the actual bullion.

The Seven Biggest Lies Told (and Believed) about Gold

By Guy Christopher
Columnist, Money Metals

It's hard to say which lie about gold is the biggest whopper.



Many widely held beliefs about gold are lies – propaganda hammered home to have us believe the only true measure of wealth is government-issued debt.

Big Lie #1: Gold is a barbarous relic.

Repeated for decades, this misquote of 20th century socialist economist John Maynard Keynes perpetuates a lie exploited as an almost biblical prophecy of gold's demise.

What Keynes actually wrote in 1923 was "the gold standard is already a barbarous relic." Big-spender Keynes was advocating legislation to demolish gold's restrictive power over government spending.

While the classic gold standard (gold backing paper money) no longer officially exists, governments buy and sell gold around the clock.

Their economic prestige is still measured by the tonnage of gold they claim to possess.

> ***"The dollar may soon pay NEGATIVE interest... as in YOU pay the bank to borrow your cash!"***

What's true is every individual holding gold has adopted his own personal gold standard. They disagree that gold – and the gold standard – are "barbarous relics."

Big Lie #2: Gold pays no interest.

This silliest lie of all is meant to portray gold as lower class. But no wealth instrument pays interest until transferred to a counterparty. Gold handed to a counterparty does pay, but it's not called "interest." Central bankers know that calculation as the Gold Lease Rate (GLR), where gold serves as collateral to lower interest costs when borrowing dollars in "gold swaps."

Swaps and leases are often code for selling.

What's true is your dollars don't pay interest at all, until you give away your controlling possession to a counterparty – like putting your cash in a bank or loaning it to a relative. And the interest you're paid for taking such risk is heading to zero or negative.

Big Lie #3: Gold will be confiscated, just as in 1933.

This is the lie most useful to government because it has frightened so many away from gold. As Money Metals has explained, the "confiscation" was actually a paid-for expropriation, which outlawed "hoarding," not owning, gold. Franklin Roosevelt left millions in gold legally in Americans' hands. His order was largely ignored anyway.

FDR's aim was forcing Americans to recognize only fiat paper as money, because he couldn't print gold for his government spending spree. President Gerald Ford reversed FDR's order in 1974.

What's true is Washington has instead published plans to confiscate your cash in your bank accounts without notice.

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Seven Biggest Lies about Gold
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Big Lie #4: Gold is not money.

History is littered with the carcasses of collapsed paper currencies, right up to today. In every instance, gold and silver stepped in to restore confidence as accepted and desired money.

Across Asia, gold and silver are commonplace currencies. Utah and Texas have recently taken steps to legalize gold and silver as acceptable money. Other states, terrified of the Federal Reserve's money printing and Washington's reckless spending, are studying their examples.

What's true is gold and silver have been money for thousands of years, despite Ben Bernanke's dishonest "gold is not money" testimony to Congress in 2011.

Big Lie #5: Gold is useless in a crisis because merchants cannot make change.

History shows in every paper money collapse, barter systems always emerge. Gold and silver make perfect barter, accepted by most, including merchants selling goods and services. And gold and silver are widely available in convenient fractional sizes.

In a dollar collapse, yesterday's price tags won't matter, since prices won't mean much in dollar terms. Customers holding gold and silver will determine their metal's value and decide what change to expect, not merchants.

What's true is, "he who has the gold makes the rules."

Big Lie #6: Gold has no practical uses beyond adornment.

This lie is easy to dispel, but it often surprises readers to learn practical uses have been found for gold going back 3,000 years.

Electronics, computers, cell phones, GPS, medicine, dentistry, and space exploration join a long list of modern uses. Gold can be stretched into wire miles long or pounded into sheets thin enough to cover roofs, ceilings, and buildings. Gold is an excellent electrical conductor, doesn't tarnish or corrode, reflects radioactive and ultraviolet rays, and treats human cancers.

Add gold's unmatched meaning to religious faiths, significant ceremonies, and personal relationships, and forget billionaire Warren Buffet's phony rant that "gold is dug from one hole just to be buried in another."

What's true is gold won its place as the symbol of wealth, value, faith, and endurance long, long ago.

Big Lie #7: Gold cannot be created in the lab.

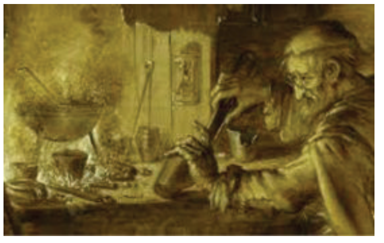
Olden day alchemists sought to please their kings by trying to turn lead, and everything else, into gold. Failed experiments often cost them their necks.

Gold has been created in nuclear laboratories, using atomic particle accelerators, but at a cost of about $10,000 per microscopic atom. The tiny gold turned out to be radioactive.

Far more profitable, the "laboratories" of international banks regularly turn paper into gold by selling claims on physical gold through futures, options, and exchange traded funds.

Flooding the marketplace with synthetic paper gold is the preferred method to depress prices of gold and other metals, like silver.

What's true is this underworld lab experiment ends once banks can no longer deliver the metal they've sold. Expert analysis reports the current ratio of factory-made paper claims to real gold is 180:1, meaning each ounce of bullion banks' gold has been sold to 180 different buyers.



The Seven Biggest Lies about Gold tell the sordid story of a dishonest, bankrupt government, aided by a cozy, compliant news media, and perpetuated by a deficient educational system.

Judging from the constant onslaught of anti-gold propaganda, and the relatively small percentage of Americans owning or knowing anything about gold, these lies have done their damage.

MoneyMetals.com columnist Guy Christopher is a seasoned writer living on the Gulf Coast. A retired investigative journalist, published author, and former stockbroker, Christopher has taught college as an adjunct professor and is a veteran of the 101st Airborne in Vietnam.