FALL 2022

MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Bad News for the Economy Is Good News for Gold

By Stefan Gleason
President, Money Metals

A bad run for gold and silver markets this past summer dimmed hopes for the metals being able to finish out the year with some good gains.

Major economic indicators have also been trending down.

Bad news for the economy, however, may ultimately be good for precious metals prices. That's because the Federal Reserve is hoping to see more economic pain before reversing course on rate hikes.

Fed Chairman Jerome Powell has specifically stated that he welcomes a "softening" in the labor market. In other words, he wants more Americans out of work and in financial straits in order to ease inflation pressures.

Politicians in Washington, D.C., who continue to add more fuel to the raging inflation fires by ramping up debt-financed spending, won't be dissuaded by rate hikes. But central bankers figure that they can drain liquidity from the real economy by making it more difficult for businesses to borrow and hire new employees.

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Fed Searching for Excuses to Halt Rate Hikes, Resume Easing

Powell must have been happy to read the recent jobs report. It showed the official unemployment rate increased to 3.7% in August (from 3.5% the prior month).

While still low historically, the unemployment rate as calculated by the Labor Department fails to account for millions of people who are currently out of work.

For example, it excludes "discouraged" workers who have been out of a job for too long (such as those who left the labor force in 2020 when pandemic hit). It also fails to include part-time and gig-economy workers who are seeking, but cannot find, full-time employment.

An Alternative Unemployment rate calculated by John Williams of ShadowStats shows that, in August, 24.6% of Americans were jobless.

Job seekers are likely to face tougher times ahead, especially if the nascent recession (not yet acknowledged by government statisticians) worsens.

The latest jobs data have caused investors to anticipate the Fed will scale back its rate-hiking plans at upcoming meetings. The worse things get for the economy, the more Jerome Powell and company will pivot toward looser monetary policy.

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Bad News for the Economy

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Silver Nears Extreme Undervaluation vs. Gold

A more dovish Fed will likely coincide with a peak in U.S. dollar strength on foreign exchange markets and a rally in contra-dollar assets such as precious metals.

The smart money is positioning for a turnaround in gold and silver markets.

According to SentimenTrader, "The smart money is buying silver. For only the 3rd time in history, commercial hedgers are holding a net long position in silver futures. The other two preceded 20% rallies."

On the flip side, sentiment among speculators and the public in general toward gold and silver is in the dumps. This is a good sign for contrarian bargain hunters. Big rallies typically begin when sentiment is bleakest.

Precious metals bull markets also often kick off when the gold:silver ratio is at an extreme high.

At nearly 90 to 1, the gold:silver ratio may fall sharply, causing silver to vastly outperform gold.

This past summer, the ratio ran up toward the top of a 20-year range that was only exceeded during the 2020 pandemic panic.

Silver's charts may look bad at the moment, but the opportunity for buyers to obtain the "poor man's gold" at an extreme discount is too good to ignore.

Money Metals Insider

published by **Money Metals Exchange**

PO Box 2599 • Eagle, ID 83616

Office: **1-800-800-1865**
Secure Fax: **1-866-861-5174**

7:00 a.m. - 5:30 p.m. (Mountain) M-F, Saturday 7:00 a.m. - 3:00 p.m.

Stefan Gleason, President

Mike Gleason and **Clint Siegner,** Directors

General – inquiry@MoneyMetals.com
Depository – depository@MoneyMetals.com
Monthly Program – monthly@MoneyMetals.com

www.MoneyMetals.com

5 Big Lies About Precious Metals Investing Exposed

Physical precious metals serve a unique role in an investment portfolio. Unlike stocks and bonds, gold and silver bullion can be held entirely outside of the financial system. They carry zero counterparty risk and represent wealth in tangible form.

Unfortunately, investors must often navigate through a barrage of fake news, myths, misinformation, and fraudulent pitches surrounding precious metals before arriving at the simple truth.

You don't buy bullion to get rich quick. You buy it to preserve wealth over time against the threats of currency depreciation and financial crisis.

Opting for common, low-premium bullion products that sell close to spot prices is the most efficient way to invest.

That's precious metals investing in a nutshell. But if you listen to financial and monetary establishment mouthpieces, you'll likely be misled.

Lie #1: Gold Isn't Money

Neither brokers, bankers, nor central bankers particularly want the investing public to view precious metals as a core holding. They prefer we think of gold as a "barbarous relic" of the past that no longer serves as money.

In an infamous exchange in 2011 between then Federal Reserve Chairman Ben Bernanke and pro-gold Congressman Ron Paul, Bernanke stated flatly that gold is "not money." Current Fed Chairman Powell has made similar claims.

This is the big lie of fiat money-pushers and their ideological allies.

It flies not only in the face of history, but also of the fact that central bankers themselves continue to hold and accumulate gold as monetary reserves. In recent years, central banks around the world, led by Russia and China, have added hundreds of tons of gold to their reserves.

Lie #2: Silver Isn't Money

Some misinformers will concede that gold is money… but claim silver isn't.

The Founding Fathers of the United States would disagree strongly. They originally defined a "dollar" in terms of grains of silver (Coinage Act of 1792) which simply codified what was nearly universally in practice.

Specifically, a dollar was to be 371.25 grains (equivalent to about three-fourths of an ounce) of silver, in harmony with the Spanish milled dollar.

Thus, the true foundation for U.S. circulating currency was silver.

It's true that silver has since been removed from circulating coins and replaced with cheaper metals.

It's also true that silver generally isn't held in monetary reserves by central banks.

Silver, however, remains the go-to tangible money of the masses. In the event of a currency collapse that causes the public to ditch fiat dollars, silver is

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Frequently Asked Questions
About Gold and Silver Investing

We get lots of questions from the public about precious metals. Here we will answer a few of the most common, most broadly relevant questions we receive. Even if you're a seasoned metals investor, you can surely find value in this regular FAQ feature.

QUESTION: Can precious metals markets advance when the U.S. dollar is strengthening?

ANSWER: The Federal Reserve Note "dollar" has been strengthening this year on foreign exchange markets – though not in real purchasing power terms, of course. That has been a headwind for gold and silver markets.

The European Central Bank's decision in early September to hike interest rates by a record amount may finally lift the euro versus the dollar. If so, precious metals markets should get a boost.

However, long-term trends in gold and silver markets aren't necessarily tied to the exchange rates of national currencies. Over time, all fiat currencies can be expected to depreciate in value versus hard assets.

So yes, it is possible for gold and silver to gain while the U.S. dollar rises against other currencies. But a declining dollar will tend to amplify precious metals gains.

QUESTION: If demand for precious metals is strong, as you claim, then why are prices weak?

ANSWER: Fair question! When we report that buying of gold and silver is robust, we are referring to physical bullion – not necessarily to exchange-traded funds, futures contracts, or other paper derivatives.

Spot prices are set by futures traders who tend to care more about technical trends and algorithms than physical fundamentals.

And so far this year, there has been little speculative interest among bulls.

However, large commercial traders (the "smart money") have increasingly positioned themselves on the long side.

By early September, the commercial traders had taken out a net long position on silver for only the third time in history. The previous two times, such bullish positioning preceded major precious metals rallies.

Retail demand for all forms of silver bars and rounds has remained at high levels since 2020.

QUESTION: If I set up a precious metals IRA, will I have to sell my bullion when the time comes to take required minimum distributions?

ANSWER: You have two options. You can sell some of your IRA precious metals holdings and take distributions in cash. Or you can take physical possession of your bullion and account for its value as an IRA distribution.

According to IRS rules, when an individual takes personal possession of physical precious metals that were held inside an IRA, it counts as a distribution. Even if you don't sell the bullion for cash, you could still face tax consequences based on its market value.

QUESTION: What price levels would indicate gold and silver have re-entered into bull markets?

ANSWER: The charts can sometimes reveal interesting setups including potential resistance levels that, when taken out, give way to bigger upside moves.

Gold tested the $1,700/oz level in early September and held. The market will face major overhead resistance in the $1,800 - $1,825 zone. If broken, a run up to the

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Frequently Asked Questions *(continued)*

top of the post-COVID trading range above $2,000/oz is possible.

Silver tends to be more volatile than gold and will more often overshoot support and resistance levels only to whipsaw back in the other direction to shake out short-term traders.

Silver was trading at a low point for the year heading into September, then shot back up to $20.00/oz on Sept. 12th. Resistance comes in around $22.00/oz. If the bulls power through it, they will likely generate further upside momentum to carry prices significantly higher.

It's important to note, however, that no particular price level or chart pattern is deterministic. Big moves to the upside or downside can occur at any time. That's why it's generally a good idea to hold a core position at all times and avoid speculating on short-term swings.

QUESTION: Does sound money need to be based in gold?

ANSWER: Sound money can, in theory, be represented in other forms besides precious metals. However, there are good reasons why gold has uniquely filled that role throughout history.

Gold is scarce, durable, transportable, fungible, useful, and aesthetically prized – making it an excellent store of value. Importantly, gold is incorruptible – unlike politicians, bureaucrats, and bankers.

Jp Cortez of the Sound Money Defense League (a special public policy project backed by Money Metals Exchange) adroitly explains:

Sound money carries no counterparty risk (unlike a banknote, it is not simultaneously someone else's obligation). And it retains relatively stable purchasing power over time.

Sound money has two pretty simple value propositions. The first is that sound money protects capital and creates stability. People can accumulate savings and transmit value over time, allowing them to better plan, save, and invest for the future.

The second is that sound money acts as a defense against excess debt accumulation and an ever-growing government.

The current system of fiat money issued by central banks enables unlimited deficit spending by government. Inflation allows the costs to be socialized across all holders of the currency by slowly and steadily stealing everyone's purchasing power.

Is the Silver Eagle Today's "Most Overrated" Silver Coin?

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Even as silver prices have begun to rally off their lows for the year, the white metal remains one of the best bargains in the investment universe. Few other assets are as cheap on a historical basis as silver is today.

It's an opportune time for investors to favor precious metals over financial assets and to favor silver over gold.

The gold:silver ratio currently comes in around 87:1, meaning an ounce of gold costs 87 times as much as an ounce of silver. As recently as 2011, the gold:silver ratio got down to 30:1 when silver prices spiked higher. Further in the past, the ratio has often been even narrower.

Silver at current levels represents a fantastic value proposition. That said, not all silver products available to investors are screaming buys. In fact, some are overpriced. One bullion coin in particular remains shockingly popular despite the exceptionally poor value it has offered since 2020.

Silver Eagles currently command a high premium when selling but are a poor value for new purchases.

The Silver Eagle Coin Is the Worst Value in Its 36-Year History

For starters, silver stackers should be especially wary of coins touted as "rare" by numismatic peddlers. Such products command hefty premiums over spot prices, carry huge bid/ask spreads, and often aren't even particularly rare or collectible.

But bullion Silver American Eagle coins produced by the U.S. Mint aren't rare or necessarily collectible. So why are they now selling for roughly 70% over their silver melt value?

Ever since the COVID-19 lockdowns of 2020, the U.S. Mint has consistently failed to produce enough silver coins to keep up with demand. Mint officials blame supply chain disruptions and shortages of the silver blanks that are ultimately minted into coins.

Yet other mints (including sovereign mints) around the world haven't had such persistent problems with sourcing blanks or meeting production goals. Not even close.

Privately run mints in particular have quickly adapted to changing market conditions and are supplying the bullion market with plenty of rounds and bars to help make up for the shortage of Eagles.

The Silver Eagle Risks Becoming a Symbol of Government Incompetence

The U.S. Mint, like other U.S. government agencies, seems to operate based on inflexible adherence to fixed standards and procedures.

As a result, Mint bureaucrats are incapable or unwilling to find any creative ways of increasing production. Always operating hand-to-mouth on blanks, they've pointedly refused to build up surpluses of the blanks during periods of slower demand. God forbid the U.S. Mint actually have extra silver sitting on the shelf!

Furthermore, *only* the Sunshine Mint is currently supplying blanks to the U.S. Mint for its Silver Eagle program.

The U.S. Mint is reportedly difficult to work with… and, as a result, few private mints in the U.S. are interested in diverting silver production to government purchasing managers when they are already more than swamped with private demand.

Year to date, the Mint has made only 12.5 million ounces of silver bullion American Eagles available for sale. That's well less than half of what has been supplied through the first eight months of previous years when silver bullion demand has been similarly strong.

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Is the Silver Eagle Today's "Most Overrated" Silver Coin?

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The U.S. Mint Is Violating Its Statutory Duty to Supply the Market

It gets worse. U.S. Mint officials are actually violating their statutory duty to produce enough coins to meet market demand, and that violation has drawn the attention of Congressman Alex Mooney (R-WV) who sent a list of questions and stern demands to Treasury Secretary Janet Yellen.

Rep. Alex X. Mooney (R-WV) wants answers from the U.S. Mint.

The law (31 U.S. Code § 5112(e)) states, "the [Treasury] Secretary shall mint and issue, in qualities and quantities that the Secretary determines are sufficient to meet public demand coins which— (1) are 40.6 millimeters in diameter and weight 31.103 grams; (2) contain .999 fine silver; (3) have a design— (A) symbolic of Liberty on the obverse side; and (B) of an eagle on the reverse side."

The Treasury Secretary is allowed to "determine" the quantities that are sufficient, so a great deal of subjectivity is built in to the "shall mint" mandate. The market, though, has clearly determined that the quantities of Silver Eagles being minted are insufficient.

Because of the Mint's bungling and production shortfalls, Silver Eagles carry extremely elevated, numismatic-like premiums.

Yet, due to inertia from the coin's previously deserved credibility and popularity, demand remains strong today – despite the stomach-churning, sky-high premiums over the spot price of silver.

All this makes Silver Eagles, in real-estate parlance, the most overpriced house in the neighborhood. The upshot is that the neighborhood of silver bullion products contains a multitude of better buys – and value-focused investors are increasingly turning to other options.

Money Metals customers have exchanged their Silver Eagles for larger silver bars, gaining 25% more ounces!

Some Investors Are Selling Overvalued Eagles to Buy Other Forms of Silver

Various other silver coins, rounds, and bars that contain the same 99.9% purity of Eagles can be purchased at a discount of up to $10 per ounce versus Eagles in many cases!

Buying Silver Eagles now is a decision to sacrifice as much as 50% of the eventual return when selling down the road. It's unlikely the bulk of that extra $10 per ounce will be recovered.

But those who purchased these coins *in the past* are sitting pretty. They have a potentially viable arbitrage opportunity. In recent weeks, customers have been able to sell their Eagles to Money Metals for between $8 and $9 over spot – the highest bid prices ever offered on Silver Eagles – and use the extra cash to buy privately minted bullion products or other sovereign coins.

The net benefit of switching out of Eagles at this unusual moment and into lower-cost forms of silver will be owning more ounces without having to commit any new cash.

There is a potential for tightness in supply of available physical silver to emerge. In recent weeks, silver inventories on the benchmark London Bullion Market Exchange have fallen rapidly – but there is not currently a true shortage of silver.

That said, silver spot prices may need to move higher – perhaps much higher – in order for the market to keep physical supply and demand in balance.

Were an actual silver shortage to develop, then it's theoretically possible that the entire retail bullion market could begin to trade more like Silver Eagles. Any available coins, rounds, or bars would be valued at a premium.

For now, though, most retail silver products can still be had on the cheap. Unless you have special reasons, we suggest you avoid buying the "Most Overrated Silver Coin in the World" until conditions change.

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more likely than gold to be used as barter money in everyday transactions.

Lie #3: Precious Metals Are Too Risky for the Typical Investor

This lie is propagated by Wall Street and by Main Street financial advisors who have bought into anti-gold propaganda.

Their conflict of interest is obvious. The financial industry loses out on commissions and fees when investors park wealth in hard assets. So they portray gold and silver as "exotic" and "risky" investments.

It would indeed be risky to bet everything on gold and silver. But no responsible voices in the precious metals community advocate that for the typical investor.

Instead, they advocate a prudent allocation to the precious metals sector – from around 10%, perhaps up to 25% of a portfolio.

Gold shows virtually no correlation to stocks and bonds, meaning it can rise when paper assets fall.

When the U.S. suffers a debt-driven currency crisis, as many economic forecasters think is inevitable, the biggest risk of all will be not having adequate exposure to precious metals.

Lie #4: Cryptocurrency Is More Valuable Than Hard Currency

The crypto coin craze has spawned a number of misconceptions, such as the notion that Bitcoin is "digital gold." Whatever their merits (and there are certainly some), cryptocurrencies backed only by digits cannot be equated to gold and will never replace it.

Unfortunately, some cryptocurrency promoters are trying to sell their digital storylines by bashing gold.

Grayscale Investments, which runs an exchange-traded Bitcoin product, produced an anti-gold TV commercial on CNBC portraying gold buyers as "living in the past" and out of step with the "digital world." The commercial's narrator states, "Digital currencies like Bitcoin are the future… and unlike gold, they actually have utility."

The lie that gold lacks utility is an old one propagated by the financial establishment. It's now being regurgitated by overzealous Bitcoin bugs.

The truth is that gold came to be recognized as money precisely because it has utility outside of monetary use. Gold is useful not just to jewelers and artisans, but also to rocket scientists in space technology applications.

Bitcoin has speculative value, which can be fleeting.

Gold's value, on the other hand, is real, immutable, and eternal. Its unique physical properties combined with its rarity ensure it will always be worth something substantial.

Lie #5: "Collectible" Coins Are Better Investments than Bullion Coins

Sadly, some of the misinformation being spread about gold and silver investing comes from bad actors within the precious metals industry.

The biggest culprits are numismatic promoters who try to trick people into paying huge markups for supposedly "rare" or "collectible" coins.

High-pressure salesmen will sometimes pitch nonsense about numismatics being "confiscation proof" or fantasies about how they'll appreciate more than ordinary coins.

They almost certainly won't after factoring in bid/ask spreads. The truth is that these high-premium and relatively illiquid products are unsuitable for the vast majority of investors who are simply looking to acquire ounces of gold and silver. Common, low-premium bullion products are the better buy.