SPRING 2022

MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Four Scenarios for BIG Moves in Precious Metals Markets

By Stefan Gleason
President, Money Metals

World events are driving a volatile and potentially pivotal environment ahead for investors. Huge swings in financial markets are likely still to come.

Direction, magnitude, and timing are difficult to predict. But precious metals bulls are eying massive upside potential for gold and silver as war and inflation stoke safe-haven buying.

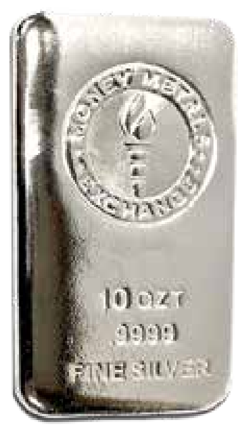
What follows are four major macro scenarios that could impact metals markets in a big way in the months ahead.

Scenario 1: Recession Incoming

In recent weeks, rising yields have stuck bondholders with big losses. Higher borrowing costs also threaten to hit the housing market and force businesses to scale-down spending.

Economists are paying particularly close attention to the shape of the yield curve.

A flattening yield curve (meaning long-term rates are converging closer to shorter-term rates) suggests a slowing economy. An inverted yield curve (with long-term bond yields falling below shorter duration paper) is a classic indicator of an incoming recession.



Money Metals' poured silver bars are highly cost-effective compared to silver coins.

In March, a key zone of the U.S. Treasury yield curve inverted for the first time since September 2019. Yields on the two-year note moved slightly above those on the benchmark 10-year note.

Federal Reserve officials may be afraid to hike their ultra-short benchmark rate much farther into this yield curve setup.

If recession warnings continue to build, the Fed may opt to pause on tightening – and possibly even reverse course by next year with rate cuts.

In the event of a recession, though, industrial metals and other economically sensitive commodities could suffer sharp sell-offs – at least until the Fed reinflates the economy.

Gold, being uncorrelated to the economic cycle, is likely to hold up relatively well in a recession scenario.

Scenario 2: Summer of Shortages

Recent spikes in energy and food prices are raising

See Four Scenarios for Big Moves, next page

Inside This Issue:

Four Scenarios for BIG Moves
continued from previous page

fears of widespread supply shortfalls.

A devastating war in agriculture-rich Ukraine combined with sanctions on Russian fertilizer exports could deliver a massive shock to the global food supply chain. Some are warning of a famine in food-insecure countries.

By the summer, it will be too late to recapture losses from a diminished planting season.

Summer also typically sees peak demand for gasoline. But with global energy markets thrown into chaos by war and sanctions, supply may be insufficient to meet that demand.

Any shortages in food, energy, and other essentials are likely to extend to precious metals markets at the retail bullion level – and possibly the physical delivery mechanism on futures exchanges as well.

Scenario 3: Global Monetary Disorder

The world monetary order based on the U.S. dollar as world reserve currency is becoming unstable.

In waging a currency war on Russia, the U.S. government may have inadvertently accelerated the process of dethroning King Dollar. The U.S. has essentially announced to all countries that wish to trade with Russia that they must seek alternatives to the dollar. (Or if they ever envision themselves going crossways with the U.S. in the future.)

Russia, meanwhile, declared that those who wish to obtain oil, gas, and other Russian exports should be ready to pay in rubles or in gold.

In a surprising twist, Russia has seen an influx of demand for rubles – and the currency actually strengthened in value.

In part, that is because Moscow announced an intent to use surplus rubles to buy gold.

Gold could suddenly become a lot more relevant to other countries, including China, as the ultimate money and a facilitator of international trade.

Even if no new formal gold standard emerges, a large increase in central bank buying of gold around the world would pressure precious metals prices higher in terms of depreciating U.S. currency.

Scenario 4: World War III

The final scenario is the bleakest for investors and for humanity overall: an escalation of U.S.-Russia tensions past the point of no return.

Vladimir Putin's government has said it won't use nuclear weapons unless it perceives an "existential threat." A U.S.-led campaign for regime change

Continued on next page

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

Four Scenarios for BIG Moves in Precious Metals Markets

continued from previous page

would likely constitute such a threat.

In March, President Joe Biden asserted in supposedly off-the-cuff remarks that Putin "cannot remain in power."

Biden's foreign policy handlers scrambled to issue statements denying that the administration intends to pursue regime change in Russia.

They understand the dangers of such talk even if Biden himself doesn't.

A single misstatement or diplomatic blunder could start World War III. The nuclear Doomsday Clock is ticking closer toward midnight than at any time since the height of the Cold War.

Among the economic consequences of war are huge spending commitments, a scramble for resources, and ramped up pressure on inflation.

The time to hunker down is before the first bombs are dropped. Hunkering down financially means holding assets outside the banking system and far removed from Wall Street.

It means holding the highest-quality, most durable, most universally recognized assets. It means holding gold and silver in physical form.

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: Will Fed rate hikes scare away bullion buyers?

ANSWER: It's possible that anti-gold takes in the financial media will scare some would-be bullion buyers away. But the reality is that the Fed's rate hikes are nothing to be afraid of – and won't be unless and until the central bank actually gets out in front of inflation.

Fed officials opted for only a baby-step rate hike of a quarter point in March despite staring at the worst inflation problem in decades. Their rate-hike campaign may not get far, especially if market volatility and geopolitical turmoil continue to pose risks to the stability of the financial system.

The threats of inflation, supply disruptions, war, and soaring debt levels should make investors nervous.

And it's likely more of them, not fewer, will find physical precious metals attractive as a safe haven in this environment.

QUESTION: What price would gold need to reach in order to make a new high in inflation-adjusted terms?

ANSWER: A specific price objective would be somewhat arbitrary since inflation itself is constantly in motion and can be measured in many different ways.

The most popular inflation gauge, the Consumer Price Index, is running at a 40-year high of 7.9%.

As alarming as that number is, it understates the true reality of price level increases faced by American households.

The American Institute for Economic Research puts together what it calls the Everyday Price Index.

Based on its 24 components, Everyday Prices are up 9.5% from a year ago.

Meanwhile, the ShadowStats Alternate Inflation Index shows a whopping 16% year-over-year jump in consumer prices. That's double the headline CPI number!

Even the Bureau of Labor Statistics' understated inflation data shows that gold is far from an inflation-adjusted high. Despite rallying to over $2,000/oz in March, gold prices remain below their January 1980 peak of $850/oz in real terms. That old high would be equivalent to $3,100/oz after merely adjusting for the portion of currency depreciation actually reflected in the Consumer Price Index.

Gold prices could easily exceed that $3,100 level before being at a real peak.

QUESTION: In the event of a shortage of physical gold and silver, will bullion dealers run out of product to sell?

ANSWER: Recent events have certainly put pressure on product availability. Customers have faced higher premiums and delivery delays on some bullion products, though Money Metals has committed significant resources to keeping those delays to a minimum and has performed better than its competitors in this regard.

While there doesn't appear to be an actual shortage of silver at the moment, there are shortages in the pipeline from refiners to mints to wholesalers.

In March, the dysfunctional U.S. Mint announced that

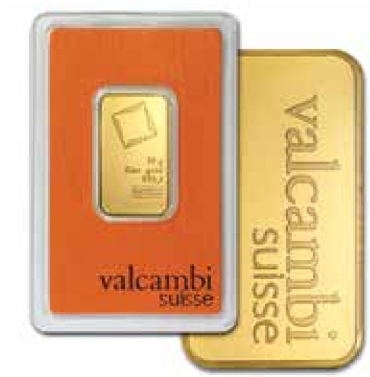
Continued on next page

shortages of silver blanks for striking coins will force the cancellation of some planned products. The Mint will no longer be producing replica Morgan and Peace Silver Dollars for 2022 – a big disappointment for fans of these historic coins minted from 1878 to 1935.

The world's most recognized mint can't figure out how to source the raw materials needed for striking its products.

For the past two years, it has blamed COVID for failing to produce coins in sufficient quantities to meet demand. Now it's just looking incompetent.

Investors can avoid the elevated premiums associated with U.S. Mint products by opting for privately minted rounds and bars instead. Or even the bullion coins produced by other government mints.



Money Metals has a wide selection of low-premium gold bars.

Even if all mints were to suspend operations, there would still be a large secondary market for coins, rounds, and bars that have previously been purchased. Dealers can get new inventory from customers who sell back to them, though it is possible for demand to overwhelm supply and make acquisition difficult at any price.

QUESTION: Isn't investing in platinum and palladium risky given that governments are moving to abolish gasoline-powered cars?

ANSWER: Platinum and palladium are used in pollution-scrubbing catalytic converters for conventional automobiles. They have many demand sources beyond that, including from high-tech industries, jewelers, and mints.

Catalytic converters won't go away anytime soon, especially given rising demand for cars from billions of people in India and China who can't afford Teslas.

Meanwhile, zero-emission vehicles may start more widely employing fuel-cell technologies that require platinum-group metals – along with silver.

That said, platinum and palladium markets can be more volatile and less liquid than gold and silver. The platinum group metals don't have a history of being used as money like gold and silver, so they may not offer the same level of protection from a currency crisis.

But when either metal can be obtained at a lower price per ounce than gold – and currently platinum can – it tends to be a great value opportunity.

State Reserve Funds Are Dangerously Exposed to Inflation

By Stefan Gleason
President, Money Metals

The recent explosion in inflation rates caused by runaway debt-funded federal spending and Fed money printing has sparked renewed interest by state legislators in the role gold and silver play in hedging against systemic risks.

With expanding concerns about financial leverage, debt defaults, volatility, and an erosion in purchasing power of the Federal Reserve Note "dollar," Ohio, Arkansas, West Virginia, Wyoming, Louisiana, and Arizona recently joined dozens of other states in removing tax penalties on buying, selling, and holding gold and silver.

Most of these sound money bills were passed, in large part, through the efforts of Money Metals' public policy project called the Sound Money Defense League – and with the grassroots lobbying help of Money Metals customers in those states.

Meanwhile, several states are considering an allocation of state funds to the monetary metals – a way to hedge their investments in fixed income and other assets vulnerable to inflation.

Ohio recently followed Texas in making a 3-5% gold allocation in its public pensions, and New Hampshire, Oklahoma, Wyoming, and Idaho recently examined legislation to empower state treasurers to hold gold and silver as reserve assets.

By way of example, the state treasurers in both Oklahoma and Idaho each have $10 billion in taxpayer funds under management – the value of which is rapidly bleeding away through negative real interest rates.

That's because these two states – like most states – have invested almost exclusively in low-interest debt paper, such as, U.S. Treasuries, money market funds, corporate debt, repurchase agreements, and other dollar-denominated debt.

Substantial debt-paper holdings carry both counterparty risk and low nominal yields. With inflation now running at well over 7%, the real rate of return for taxpayers is deeply negative, at least 5% negative.

A state reserve fund with the objective of maintaining the value of principal ought to include an allocation to the money actually prescribed to the States in Article 1, Section 10 of the U.S. Constitution, i.e. gold and silver.

The monetary metals help preserve purchasing power over the medium to longer term and have a low correlation to other assets, providing important diversification and financial insurance.

Gold and silver are liquid, traded around the clock at full market value, and don't suffer from negative interest rates.

The financial security precious metals provide is part of the reason central banks around the world hold them on their balance sheets (with Russia, China, Germany, France, Hungary, Serbia, and Thailand all known to have bolstered their holdings in recent months).

Idaho House Bill 522 and Oklahoma House Bill 3681 are measures that would permit – but not require – the treasurer to hold a portion of funds in the monetary metals to hedge against the risks of inflation, financial turmoil, and debt default while potentially securing capital gains.

The treasurers' new authority would be limited to

Continued on next page

holding gold and silver directly and without the counterparty risks inherent in virtually all other state holdings.

That's why neither the Idaho nor the Oklahoma bill empowers treasurers to invest in electronic instruments, futures contracts, or other gold and silver derivatives. The authority is confined to physical gold and silver, directly owned by the state, insured, unencumbered, and stored in secure bailment.

It's as prudent as ever to provide state treasurers with options to hedge against the accelerating inflation that's been foisted upon savers, wage-earners, retirees, and the states themselves by short-sighted politicians and central bankers in Washington, D.C.

States are likely to pay a high price if they fail to diversify into gold and silver. Inflation is the match that threatens to set the states' big piles of negative-yielding debt paper on fire.

Rep. Ron Nate of Idaho is a leader on the sound money issue.

World Investment Authority Renames Money Metals "Best Overall" Precious Metals Dealer

Money Metals Exchange has just been named the "best overall" dealer in the United States for 2022 by Investopedia.com, a top authority in the world's investment industry.

"Its customer-centric focus has translated into highly competitive pricing, personalized service, a pathway for new investors, and one of the best online reputations, making Money Metals Exchange our choice as the best overall online gold dealer," wrote Investopedia's analyst Richard Best after he carefully examined all major online dealers and reiterated Money Metals' #1 ranking from the prior year.

"Customers can easily navigate its website to shop for coins and bullion by category and weight.

"Beginning investors can get their feet wet in gold investing with an automatic monthly savings plan starting at $100 a month or by purchasing a prepackaged portfolio... [Money Metals] has highly competitive prices, low shipping costs, vast product selection, and an exceptional customer experience," Investopedia noted in its investor alert announcing the latest rankings.

The top investment news and information hub made special mention of Money Metals' secure, insured depository (one of several integrated services that no other major U.S. dealer offers).

Money Metals Isn't Admired Only for Great Prices, Fast Shipping

Investopedia also lauded the significant news and educational content, along with other investor tools, Money Metals provides daily to assist and educate its customers.

"Money Metals provides responsive customer service during business hours via live chat, phone, or email. Its website also has an extensive resource library to help new investors learn and experienced investors stay on top of the market," Investopedia noted. "Money Metals also provides price alerts for investors waiting for their price to buy."

"We're deeply honored to have received this incredible distinction from the world's leading investment authority, especially given the U.S. precious metals industry is so competitive," said Stefan Gleason, president of Money Metals Exchange.

"While Money Metals is known for fair, transparent pricing and fast delivery of customer orders, we're especially proud of our no-pressure sales approach, wide array of services, public policy initiatives, and significant educational efforts," said Gleason.

Investopedia is the world's leading source of financial content on the internet, ranging from market news to retirement strategies, investing education, and insights on financial products.

Investopedia has a reputation for providing unbiased and accurate investment information, and its website is visited by literally tens of millions of investors worldwide each month.

The top Investopedia recognition is by no means the first #1 ranking Money Metals has received from a global ratings group. In 2015, Bullion. Directory named Money Metals "Best in the USA" after comparing hundreds of precious metals dealers and surveying over 20,000 investors.