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MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Physical Gold Flows East as Manipulated Paper Markets Lose Credibility

By Stefan Gleason
President, Money Metals

This spring, the center of gravity in the gold trading universe shifted eastward. China's Shanghai Gold Exchange launched a yuan-denominated gold price fix on April 19th. The new Asia-centric gold pricing mechanism highlights the fact that for many years physical gold has been flowing from the West to the East.

Coordinated sales by Western central banks kept the gold price suppressed from the mid 1980s through the early 2000s. Britain infamously dumped half its reserves of gold bullion into the market right at the bottom in gold prices (from 1999-2002)!

The U.S. government has ceased selling gold – at least officially – because it is prevented by law from doing so. However, many gold analysts believe that large quantities of U.S. gold reserves have been subjected to lease or swap agreements that call into question who really owns the bullion. (Using these mechanisms, the U.S. circumvents the restriction on selling America's gold by borrowing gold from another country and then selling *that* gold into the market.)

Meanwhile, the government of Canada has sold off virtually its entire gold stockpiles. Earlier this year, a drawdown took Canadian gold reserves down to a trivial 77 ounces – effectively 0% of total reserves. At one point in the 1960s, Canada held over 1,000 *tonnes* of the yellow metal. Now, not even 1,000 ounces.

Western Central Banks Unload Gold Hoards, Asians on Buying Spree

As gold flows out of Western vaults, it accumulates in Eastern vaults and homes. India imports nearly 1,000 metric tonnes of gold per year, mainly to satisfy jewelry demand. And even though China is the world's largest gold producer, domestic production isn't enough to meet the country's own demand. China competes with India for the title of world's biggest gold importer.

The People's Bank of China is widely believed to be accumulating more than 200 tonnes per year on its way to a total hoard of close to 4,000 tonnes. Reliable numbers are hard to come by, as China doesn't fully disclose its purchases. But so far this year, it appears that China's appetite for gold is being surpassed only by Russia's.

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Physical Gold Flows East

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Asian demand has been overwhelming. China is even encouraging its citizens to buy gold!

Last year, the Central Bank of Russia added a record 208 tonnes of gold to its reserves. It is on pace to accumulate at least that much in 2016 (slightly more than China). Both Russia and China are effectively de-dollarizing by replacing U.S. Treasuries with gold and forming regional economic partnerships that bypass the dollar.

At some point, Shanghai may challenge New York and London as the centers of trading activity for precious metals. For now, though, the new Shanghai gold fix gives China greater autonomy (it will no longer have to convert to a dollar price in international transactions) and solidifies China's regional dominance in the gold trade.

China is the world's leading producer and consumer of gold. Therefore, it makes sense that China wants more control over the gold pricing mechanism.

The current leading gold benchmark is the London Bullion Market Association Gold Price Fix. It emerged last year as a modern, electronic-based replacement for the old London Gold Fix. The new system is more efficient and no longer relies on a small group of backroom traders to set the price.

However, the problem of large-scale manipulation of precious metals prices in London, New York, and elsewhere has *not* been solved. Far from it.

Massive Gold and Silver Manipulation Scheme Exposed

In April, Deutsche Bank settled a U.S. lawsuit over charges that it conspired with multiple banks to rig gold and silver prices. The plaintiffs say individual investors were hurt.

According to *Reuters* (April 14, 2016), plaintiffs contended the German bank "manipulate[d] prices of gold, gold futures and options, and gold derivatives through twice-a-day meetings to set the so-called London Gold Fixing. They also accused Deutsche Bank, HSBC, and ScotiaBank of a similar conspiracy to manipulate silver prices by rigging the daily Silver Fix."

By settling (for an undisclosed amount), Deutsche Bank essentially admitted that it couldn't refute the allegations. On top of that, Deutsche Bank agreed to provide evidence of the manipulation by other banks.

The Chinese certainly aren't averse to interfering in markets either. However, there is one critical difference between the Shanghai Gold Exchange and futures markets in Europe and the America: The Shanghai Gold Exchange processes transactions

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Full Lineup of PAMP Suisse Bars Now Available from Money Metals

By Mike Gleason
Director, Money Metals

In our pursuit to provide you with the very best precious metals products, **Money Metals** recently made a special arrangement to offer bars made by PAMP Suisse, widely considered to be the premier name in the retail bullion market. The Swiss-based mint's products are well known throughout the world for their classy and popular design.

The addition of the PAMP product line means **Money Metals** now carries gold bars in a wider array of sizes. We can offer bars of the yellow metal in 1-gram, 2.5-gram, 10-gram, 20-gram, 1-ounce, 50-gram, 100-gram, and 10-ounce sizes.

Each of our new PAMP Suisse gold bars are .9999 pure, is packaged with a tamper-evident assay card to guarantee weight and purity, and also contains the brand new Veriscan® technology – exclusive to the PAMP Suisse refinery. This technology uses microscopic topography to identify products in PAMP's database. When manufactured, each bar is scanned and is able to be re-scanned later to verify the authenticity of the gold bar.

Four metals in one!

This new partnership gives our customers a chance to purchase smaller bars in both platinum and palladium as well. We are pleased to introduce the 1-gram platinum and 1-gram palladium bars to our ever-growing product lineup. A full troy ounce contains 31.1 grams, meaning a single gram is about a third of the size of a 1/10th-ounce product.

Own All Four Precious Metals at Once!

But perhaps the most exciting new product of all is the PAMP Multigram Portfolio. Each pack contains 4 bars of each of the 4 precious metals (gold, silver, platinum, and palladium) in barter-ready 2.5 gram sizes.

The Multigram Portfolio is designed to be separated into 16 individual sections, each containing a bar and marked with the PAMP name, serial number, weight, and purity. It can also be separated vertically to include a sheet of one 2.5 gram bar for each of the four metals or horizontally if one wishes to keep each specific metal together and separate from the others.

Precious metals stackers can buy PAMP products with the utmost confidence. Their security technology mentioned above is pioneering in the industry. The beautiful PAMP design is coveted around the world, and the quality is second to none.

Swiss Refinery Is Known for Quality and Beauty

Aside from PAMP Suisse's technological advances, this Swiss refinery also sets itself apart with the designs that ornament their bars. The PAMP Suisse bars are adorned with the image of Lady Fortuna, a Roman goddess who is believed to bring individuals good

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Our Readers Want to Know

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: I'm planning to buy some precious metals, but I'm wondering about the timing. Metals have been on a very good run this year, so maybe I should wait for a pullback?

Answer: It depends. In the short run, metal prices can go either way, and you might catch a dip by waiting.

However, where prices are going in the next day or two, or even the next month or two, is impossible to answer with certainty. So we suggest asking a different question first:

How much, if any, physical bullion do you already own?

If you have a holding significant enough to serve the purpose for which you bought it – defending against inflation, crisis preparedness, diversification from paper assets, etc. – you can afford to speculate on lower prices.

If prices go higher, you are still invested. Those who do NOT own the metals they wanted are at great risk.

We are wired with a propensity for gambling and, unfortunately, that tendency paired with human emotion wreaks havoc on our decision making. We forget the fundamental drivers for buying (or selling) and chase illusory bottoms (or tops) instead. We hold out for even lower prices when markets fall. When prices rise, we wait for a dip and then hold out some more for even lower prices.

It is easy for investors forget their first priority was not to buy metal at the exact bottom. It was simply to own a meaningful number of ounces and get prepared for what they see coming.

We live in uncertain times, and the metals markets can move fast. If you don't have an adequate holding, there are much bigger considerations than saving a few dollars in price.

Question: I have an IRA. Last year, it basically went nowhere, and I am now worried about holding so many paper assets as well as another big stock market correction. My problem is the penalties and taxes associated pulling out funds from the IRA to buy physical bullion. Should I bite the bullet and liquidate some of my IRA anyway?

Answer: There is a simple way to buy physical bullion and avoid the taxes and penalties associated with liquidating an IRA prior to age 59 ½. You can set up a Self-Directed IRA with a firm that specializes in them and buy and hold your bullion obtained from **Money Metals Exchange**. (We recommend a couple of self-directed IRA firms – who have treated our customers well – via MoneyMetals.com/programs/iras).

Simply transfer funds from your existing IRA into a self-directed IRA account, choose a depository that can provide storage, then buy the physical metals you want. It is all done within IRA guidelines and completely without consequences in terms of taxes or penalties.

Unfortunately, a lot of investors aren't aware of this option despite the fact that people have been using self-directed IRAs to hold assets such as real estate, privately held company shares, and bullion for decades. The IRAs marketed so effectively by banks and brokerages

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Our Readers Want to Know

never include the self-directed option. Instead, most IRAs are limited to the usual lineup of stocks, bonds, and mutual funds – all of which are financial instruments, of course. The reason is that self-directed accounts will not generate the handsome fees and commissions that Wall Street loves.

Bring up the idea of opening a self-directed account and using it to buy physical gold or silver and your broker will probably shudder and try to talk you out of it!

Now *does* appear to be an opportune time to switch some of your investments in stocks into bullion. Stock prices are near all-time highs. Precious metals, on the other hand, are enjoying a great start in 2016, but have a very long way to go before recovering to the 2011 highs.

And, yes, the financial system looks like trouble. Banks are even larger than they were in 2008 and, by many measures, are even more leveraged than prior to the last financial crisis. Investors are starting to pay attention to that fact.

The share price of Deutsche Bank, one of Europe's largest, is near its crisis lows as the market is factoring an increasing risk of failure. The potential ramifications of default at Deutsche Bank (DB) would be hard to overstate. DB is a much larger institution than Lehman Brothers, whose collapse set off the chain of events that led to the 2008 catastrophe.

Question: I have been reading a lot about massive gold buying from Asia – China and India in particular. However, the price of gold is about $600 below its 2011 highs. If demand for gold is really that high, how come the price is saying the opposite?

Answer: Gold and silver prices are increasingly disconnected from fundamentals in the physical markets. This is possible because the price is set in markets where the vast majority of participants care nothing about the physical metal. The bulk of selling is on paper, and the supply of paper gold is now hundreds of times more than what is actually available to make delivery. And large banks playing in those markets have admitted to rigging prices and cheating their own customers.

In other words, the markets setting the price of gold and silver aren't functioning the way most people might think. And they are neither free nor fair.

Most people assume gold and silver investors must be selling more than they are buying. But ask any dealer who buys and sells coins, rounds, and bars, and you'll find the opposite is true. There have often been shortages of these products as mints and refiners could not keep up with demand. Because of rising premiums, the price of a one-ounce coin has often been much higher than the spot market price. If you wanted the actual metal, you had to pay up to get it.

There is very good evidence that metals prices have been capped through sales of *paper* supply well below what the physical supply and demand fundamentals might dictate. The list of parties with a motive and the wherewithal to do this include the bullion banks seeking to profit by rigging the casino, central banks who consider gold and silver as a competitor to their increasingly unsound fiat money, and opportunistic nations – such as India and China – who would like to accumulate physical metal at the lowest possible price.

The demand from Asia and elsewhere will eventually be reflected in the price. The leverage in the paper markets could finally unwind as traders learn that a paper contract for metal is really an empty promise. At that point, we can expect a new mechanism for price discovery – one that reflects physical fundamentals. Or the paper price will rise high enough to encourage sellers to deliver more physical inventory.

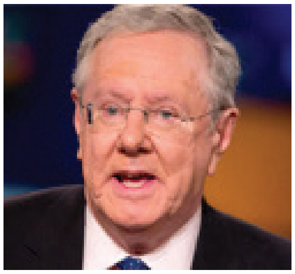
The leverage has been exploding higher in recent months, leading some to believe a reckoning will soon be at hand.

9 Pithy Insights from Our Expert Podcast Guests

Each Friday, **Money Metals** Director Mike Gleason hosts a freewheeling discussion with a leading expert of interest to our customers and readers. Subscribe to these fascinating podcasts for free on I-Tunes or listen to the audio or read the transcripts at MoneyMetals.com/podcasts. Here are some pithy insights from recent podcasts...

Dr. Marc Faber

"Basically, gold is an honest currency. You can increase the supply somewhat through the opening of new mines and the exploration and the discovery of new deposit, but you cannot print it and double the supply of gold overnight. That simply doesn't exist. And that quality of gold being a store of value is a disaster for the interventionists that we have at central banks and, by the way, in government."

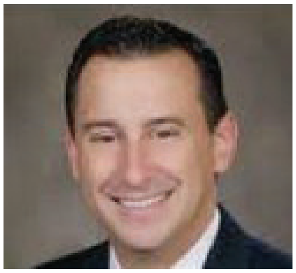


Steve Forbes

"In terms of gold, unless you're a jeweler, I see it as an insurance policy. It doesn't build new factories or things like that, new software. What it is is insurance that if things really go wrong, you've got something that will balance your portfolio. So whether it's five percent, ten percent, it shouldn't be dominating your portfolio… The price of gold has come down since 2011 when it looked like the U.S. Government might default, but today in this kind of environment, is probably a good time [to buy]."

Frank Holmes

"Just be thankful. We all woke up today. We're all listening and talking with each other, and that's the most blessed part of life. And there's lots of great research that when we are grateful, we are being mindful, and that thoughtfulness allows us to see opportunities. I think that's really key if you want to be able to capture opportunities… is just be grateful. You know, we've lived through these past three years that we've been in the gold cycle. It's been really challenging, but we're alive, and we're going to continue to seek more opportunities..."



Craig Hemke

"The world is changing. You have to be prepared for it. You have to remain aware of the changes that are going on around you and again, one of the best ways you can protect yourself financially is the acquisition of physical precious metal, both gold and silver."

Steve St. Angelo

"Something is going to break and people will get precious metal religion very quickly."

"Wait till the thing really starts to implode. That's when we're going to see a lot more, especially the wealthy and institutions move into the precious metals. I'm not saying it's going to happen this month, but it's better to be in the metals now than wait or try to time this market, because it can change on a dime… You do not want to be in paper assets when that occurs, and this is not a 5, 10-year timeline. This will happen within the next several years."

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9 Pithy Insights

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David Morgan

"Telling the truth during times of universal deceit is a revolutionary act. Well welcome to the counter revolution. We have gone from a constitutional republic into a fascist system... Now it's time for a counter revolution to bring us back to the principles that our forefathers found worth dying for.

Gerald Celente

"Tell me any time in history that we had a zero interest rate policy. Who made this stuff up? They've not raised interest rates since 2006, and the zero interest rate policy has been in line since the end of 2008. Everybody now admits what [I've] been saying since they began doing it. It's a cover-up, it's not a recovery. The only people it's helped are the financial markets in terms of the hedge funds and the high frequency traders, mergers and acquisitions, and stock buybacks. End of story. They're in a trap. They don't know what to do."

Keith Neumeyer

"Silver is a much more rare metal than people actually realize. As a human race, we're consuming more silver today than we ever have. And above ground supplies are dropping substantially. I think we're going to have a huge supply squeeze in silver. It's not showing up in price, yet. It will over time. I'm confident with that."

Michael Pento

"And [recent market conditions are] indicative of how bad the economy is on a global basis. Look, this is worse than 2008, and the reason... is because in 2008 we had an over-leveraged consumer and banking system. And everybody knows that now, we had an over- leveraged consumer, they had too much credit debt outstanding, mortgage debt outstanding. These loans went bankrupt, and of course, banks were rendered insolvent."

"Gold is... a hedge against negative real interest rates."

Physical Gold Flows East

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for *physical* metal. It's a real physical market, not a market for mere paper contracts.

Physical Metal Backing Western Exchanges Now Dangerously Low

In recent months, paper speculators have driven leverage on the U.S. COMEX gold and silver futures markets to unprecedented extremes. Registered inventories of physical metal have plummeted as the number of paper claims on each available ounce has multiplied.

Paper precious metals markets are on the verge of losing all credibility. If just a small percentage of the people who now hold long paper contracts on gold and silver demanded physical delivery, or sold their contracts into the market and used the proceeds to buy physical, the buying pressure could lead to physical shortages and price spikes.

Perhaps the Chinese and Russians foresee the day when physical gold will be difficult to obtain and command a much dearer price. They – and all those who hold precious metals in physical form – will be in the position of setting the terms in the coming new Asia-centric monetary and economic order.

STORE YOUR METALS: Open a Money Metals Depository Account

Our all-new **Money Metals Depository** service is raising the bar in the industry – offering you affordable, convenient, maximum security, and *fully segregated* storage so you can have total peace of mind.

On top of all that, your metals are insured by Lloyds of London. And you avoid all shipping costs whenever you buy or sell.

If you own $5,000 or more in precious metals and prefer not to store them in your home or bank, call our team at 1-800-800-1865 for options and pricing.

MONEY METALS DEPOSITORY

Full Lineup of PAMP Suisse Bars Now Available from Money Metals

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luck and fortune. This design depicts the goddess bestowing countless riches upon an unknown recipient.

Lady Fortuna is shown blindfolded signifying that she can't see to whom she is extending the cornucopia filled with coins. Investors are particularly impressed with the bar's attention to detail in the design.

On the reverse side of the bar, the PAMP name is engraved in another meticulous design followed by the bar's weight, purity, and certificate number. The information provided on the back of the bar further establishes its authenticity.

Money Metals is extremely excited and proud of this new relationship with PAMP. This arrangement will provide our customers with some of the very best bullion options in the industry.

For pricing, information, or to place an order for any of these new PAMP products please visit www.MoneyMetals.com 24 hours a day, seven days a week. Or call one of our no-pressure and non-commissioned Precious Metals Specialists at 1-800-800-1865. You can reach us anytime between 7 am and 5:30 pm Mountain Time, Monday through Friday.