EXCLUSIVE STEVE FORBES INTERVIEW: *The Fed, the 2016 Race, and More...*

WINTER 2016

MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Peak Gold and Silver Have Arrived

By Stefan Gleason
President, Money Metals

Have we reached peak precious metals? Many analysts think so.

Just to be clear, however, the idea of peak gold and peak silver *doesn't* refer to a peak prices. The precious metals put in a cyclical price high in 2011 and are likely to rise much higher in the future. But annual mining production levels may have peaked for all time in 2014-2015. This is what is meant by "peak precious metals."

There is good reason to believe that newly mined supplies of gold and silver will decline in 2016 and beyond. The main culprit is low prices. In 2015, gold and silver prices spent most of the year trading below miners' all-in production costs (which average \$17/oz for silver and \$1,150/oz for gold).

Primary silver production is already on the decline in the major producing countries. Last year, silver output fell in Chile by 4.6%, in the United States by 6.5%, and in Canada by more than 20%!

Inside This Issue:

What Scalebacks in Base Metals Mining Mean for Silver

It's important to keep in mind that the majority of silver that is mined comes as a byproduct of mining operations for other metals. Fully 55% of all silver produced comes from copper, lead, and zinc mining. Another 13% comes as a byproduct of gold mining.

In order to understand the supply dynamics of the silver market, you have to take a look at what's happening with base metals mining. Much like gold miners, copper producers are struggling to cope with low spot prices. One of the ways they are trying to survive is by cutting production. Nine of the largest copper producers announced they would cut output by 200,000 metric tons in the first quarter of 2016.

The contraction in the base metals mining industry will contribute to supply tightness in silver. The silver market has experienced an annual supply deficit for most of this decade. That deficit could widen in 2016 and beyond.

The Silver Institute notes, "While such deficits do not necessarily influence prices in the near term, multiple years of annual deficits can begin to apply upward pressure to prices in subsequent periods."

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Peak Gold and Silver

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Drilling Down on the Demand Outlook

Industrial demand for gold and silver may turn out to be tepid for 2016. This is less of a factor in gold markets than for silver, where manufacturers require a good portion of what is produced annually.

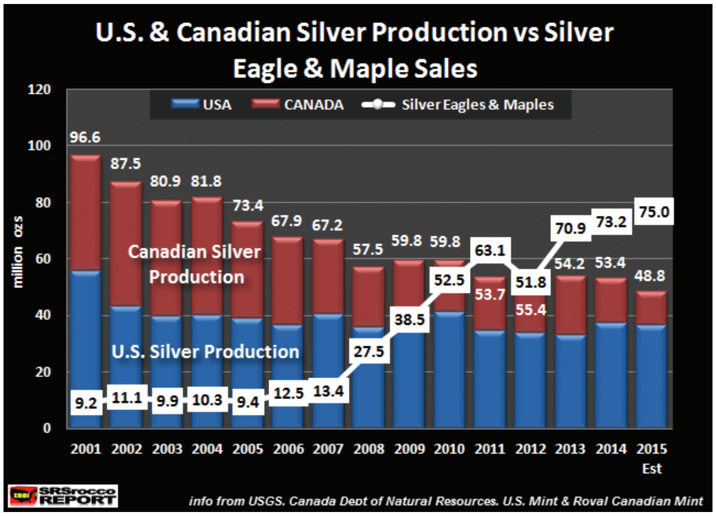
Some economists worry about the possibility of recession in the months ahead. Any slump will weigh on demand for items such as jewelry and other goods. However, a lot of industrial demand comes from high-growth sectors which have proven resilient during past recessions. Electronic, solar, and healthcare-related applications for silver come to mind.

It would be a big mistake to analyze silver demand as if silver were just another industrial metal.

It's true that industrial applications remain the biggest single component of silver demand. But unlike with zinc, nickel, iron, and other industrial metals, silver is also sought after by investors as a precious metal and a form of money. Demand for silver coins, rounds, and bars has grown steadily in recent years, accounting for 19.5% of the total silver market in 2015, according to the Silver Institute.

U.S. and Canadian Silver Production Can No Longer Satisfy Coin Demand

Surging investment demand for physical bullion was perhaps the biggest story in precious metals for 2015. Mints and refiners spent much of the 2nd half of the year unable to keep up. Investors had to contend with higher premiums and delivery delays.



Silver coin demand has completely outstripped U.S. and Canadian mine production.

Steve St. Angelo of the SRSrocco Report put out a striking analysis showing how U.S. and Canadian silver coin demand has now eclipsed silver production from the two countries. That would have been unthinkable a few years ago.

He notes that "in 2001 U.S. and Canadian silver production totaled 96.6 million oz (Moz)… That year, Silver Eagle and Maple Leaf sales totaled 9.2 Moz." A net surplus of 87.4 million ounces.

Fast forward 14 years, and we have a "net deficit of 26.2 Moz in 2015 as total Silver Eagle and Maple Leaf sales reach a record 75 Moz versus combined mine supply of 48.8 Moz." That means investment demand is single-handedly outstripping all American and Canadian silver production.

It's indicative of a broader trend. According to a 2016 forecast for precious metals markets issued by Commerzbank, "rising physical demand will meet with falling supply." That is surely a formula for higher prices – eventually.

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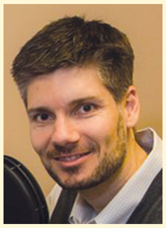
Steve Forbes Speaks Out on the Presidential Race, Fed Recklessness, and Gold

Forbes Pulls No Punches in His Special Briefing for Money Metals Exchange Customers

Exclusive Interview

Mike Gleason,
***Director*, Money Metals Exchange:**



It is my great privilege to welcome Steve Forbes, Editor-in-Chief of Forbes Magazine, CEO of Forbes, Inc. to speak to our **Money Metals Exchange** customers. Steve is also author of many fabulous books, including *Flat Tax Revolution*, *How Capitalism Will Save Us*, and his latest work, *Reviving America: How Repealing Obamacare, Replacing the Tax Code and Reforming the Fed Will Restore Hope and Prosperity*. He's also a two-time Presidential candidate, having run in the Republican primaries in both 1996 and 2000. It's a tremendous honor to have him with us today. Mr. Forbes, thank you so much for joining us and welcome.

Steve Forbes,
CEO of Forbes, Inc.:

Good to be with you, Mike. Thank you.

MG: I want to start out by getting your take on the 2016 Presidential election cycle, especially given your first-hand experience in the whole process. We're seeing an anti-Washington voter revolt of sorts… it's the anti-establishment candidates that have been getting all the momentum. This is especially true on the Republican side, where we see an outsider like Donald Trump currently leading and guys like Ted Cruz, Ben Carson, and others having garnered a lot of support. But also on the Democratic side we're seeing admitted socialist Bernie Sanders starting to overtake Hillary Clinton with his outsider bid. What's driving this phenomenon, and is this a good thing or a bad thing?

SF: What it demonstrates is the intense, deep voter dissatisfaction with where the country is and fears about the future. There's contempt for the political class for not being able to handle things. There's the feeling that those who are in charge either don't know what to do, or if they do they don't know how to do it, so people are looking for outsiders for a fresh perspective. Just as in business where incumbents get too comfortable, you always find the entrepreneurial outsiders to challenge the status quo and upend things, and you're seeing the same thing happening on the political side.

So who knows if Trump will go all the way, how far Bernie Sanders will go, but it's a way of (at least for now) voters expressing dissatisfaction, unhappiness, and saying we want positive change. You cannot continue doing what you're doing.

MG: The issue of sound money has been getting more attention during the GOP debates than it has in several decades. It's quite encouraging to us at Money Metals Exchange, as proponents of precious metals ownership, to hear Cruz, Paul, Carson, and even Trump bring up issues related to sound money such as reigning in the Federal Reserve, returning to some sort of a gold standard, and adoption of other measures to get America's fiscal house back in order. I'm guessing you probably felt like a lone voice in the wilderness when you raised these subjects during your Presidential runs. So among the current candidates, who do you think best understands the problems created by our current monetary policy and might actually do something about it if elected President?

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SF: I think it's encouraging that a growing number are recognizing there is a problem. Even before you get to solutions you've got to recognize and acknowledge that the way things are being done is not working and that the Federal Reserve has been a huge factor in the sluggishness of the U.S. economy – very, very destructive actions they've taken. I was delighted that Ted Cruz in one of the debates brought up the idea of a gold standard. Rand Paul of course was suckled on the idea of safe and sound money. Ben Carson has made reference to it. Donald Trump has made noises about the Federal Reserve. I think that's a good sign.

One of the things that really most of the economics profession doesn't seem to get is that money is simply a means for us to buy and sell with each other. It's like a claim check. You go to a restaurant, check your coat, the claim check has no intrinsic value, but it's a claim on the coat. Money is a claim on products and services. It has no intrinsic value. What it does, it's like a claim check on products and services. It works best when it has a fixed value.

> ***"The best way to get stable money is precisely to link it to gold the way we did for a hundred and eighty years."***
> ***– Steve Forbes***

Money measures value the way scales measure weight or clocks measure time or rulers measure space and length, and it works best when it's stable. The best way to get stable money is precisely to link it to gold the way we did for a hundred and eighty years. It works. Gold is like a ruler. It has a stable value. When you see the price fluctuate, that means that it's the dollar's value that's fluctuating, people's feeling about it for the present and for the future. But gold is like Polaris. It's the North Star. It's fixed.

MG: That leads me right into my next question here. About a year ago you and Elizabeth Ames co-wrote the book titled *Money: How the Destruction of the Dollar Threatens the Global Economy and What We Can Do About It*. You proposed a modified gold standard... and I'll quote here, and then I'd like to get your comments.

> *The twenty-first century gold standard would fix the dollar to gold at a particular price. The Federal Reserve would use its tools, primarily open market operations, to keep the value of the dollar tied at that rate of gold.*

What would be the main benefits of such a reform? And also I'm curious why you stopped short of calling for an end to the Fed altogether and a return to true free markets when it comes to gold and the rate of interest?

SF: In terms of the role of the Federal Reserve, I think you've got to take one step at a time. One of the fears is that if you didn't have the Fed you get a panic, which happens for whatever reason every few years, the thing would spin out of control. I think the key thing now is to get the dollar fixed in value, which we propose in that book, whether it's a thousand dollars an ounce or eleven hundred dollars an ounce, etc.

I think the best way to understand this is to imagine what would happen if the Federal Reserve was in charge of the "Time Bureau," and the Fed decides to float the clock – sixty minutes to an hour one day, thirty-five minutes the day after, ninety minutes the day after that! Everyone would know that if you had a fluctuating clock, if your timepieces couldn't keep accurate time, life would be chaotic. The same is true of money when it has a floating value. If you had the floating clock, imagine baking a cake. It says bake the batter thirty minutes. Is that inflation adjusted minutes, nominal minutes, a New York minute, a Mexican minute?

Gold is the best way to fix that value. The only role for the Fed, at least for now, would be to keep that fixed value and then deal decisively with the occasional panic, just as the British showed us a hundred and fifty years ago. If you have a panic where banks need

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the temporary liquidity, they go to the Fed with their collateral, borrow the money at above market interest rate, and then, as the crisis recedes, they quickly pay it back and it's done. So the Fed's role could almost be done by summer interns if they knew what they were doing, so it would not be the monster that it is today where the Fed tries to dictate where credit goes, what happens to the economy, etc. It's really bizarre and destructive.

MG: They certainly have a whole lot of control and a lot of people have a lot of interest in Fed policy, way too much for our liking, and I'm sure yours as well.

SF: One other example on that is Janet Yellen, the head of the Federal Reserve, says that we should have two percent inflation, which in her mind is seeing the prices rising two percent a year. If you take a typical American family making fifty thousand bucks a year, that means their costs would go up a thousand dollars a year, two percent of fifty thousand. Who gave her the authority to raise the cost of living, which is an effective tax, a thousand dollars on a typical American family? Yet Congress, they just nod their heads. It's a travesty.

MG: Looking at the current economic landscape and the debt-based dominated markets that we have now, the situation appears to have only worsened since the '08 financial crisis. How do you envision this playing out? Are we looking at some kind of economic collapse again or will the Fed and the central planners be able to keep the wheels on this thing?

SF: Those words "central planners" get to the very problem with the Fed. The idea that the economy is a machine is a preposterous one. The economy is individuals. The idea that you can control people the way you can modulate an automobile… that's how you get tyranny. That's why in the third part of our book, *Reviving America*, we talk about Soviet-style behavior by the Federal Reserve and by economic policymakers. When you look at the great disasters of the past – like the Great Depression, the terrible inflation of the 1970s, what happened to us in the panic in 2008-2009 – all of those had at their roots in disastrous government policy errors.

MG: I want to talk to you about the role that gold, and to some extent silver, can play into all of this. In your book you've written about gold and its role in an investor's portfolio, but we shouldn't necessarily look at it as an "investment." Talk about that and then also whether you view gold ownership as more or less important now versus say ten, twenty, or thirty years ago.

SF: 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. But since you cannot trust this right now, what politicians do, what you have here is a situation where yes, 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. Not that you're going to make quick money on it, but it's like an insurance policy. You hope it doesn't have to be used, but if it does you've got it.

MG: We talked about how anti-establishment forces are starting to get some momentum. Do you see any real change coming about in our monetary system without some kind of crisis event forcing it? Generally it seems like things don't change unless they're forced. Is now the time in Washington for some of these politicians to seize on the fact that a lot of Americans are very frustrated and maybe there is the ability to get some traction with some of these reforms to get us back to sound money?

SF: Well, this is one of the reasons why we did the book. It was to lay out what needs to be done so, if the opportunity or the crisis arises, we have the tools to do it. We had this terrible crisis in 2008-2009, but because policymakers were still holding these obsolete theories and dangerous notions about money, which got us in the crisis in the first place, they not only made mistakes, they invented new mistakes such as Quantitative Easing or zero interest rates.

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Zero interest rates sounds great, like price controls sound great. You're in an apartment, you only pay ten dollars a month. Boy, that sounds great if you don't mind having no maintenance. But when you suppress prices you distort the marketplace, deform the marketplace, people don't invest, and you get stagnation. If the Federal Reserve announced that it was going to put price controls on Big Macs at McDonald's and what you pay for a rental car and things like that, people would say that's outrageous. And the Fed would say we want to suppress prices to stimulate the economy so you have more money to spend. We know it just wrecked the economy.

Yet when they do the same thing with interest rates, Congress hardly says boo! The Fed has distorted markets to the point where on zero interest rates, what the Fed, in effect, did was seize almost four trillion dollars of assets out of economy, made it very easy for those assets to go to the government and the large companies, and starved credit to small and new businesses.

Just one statistic, in the last five years the growth of credit to government has gone up thirty-seven percent, growth of credit to corporations thirty-two percent, growth of credit to small businesses and households only six percent. As you know, small and new enterprises are where the bulk of the jobs are created. So the Fed is in the business of credit allocation. That is profoundly wrong and must be changed.

MG: Where do you see Fed policy going? Are they truly stuck between a rock and a hard place? What do you think their policies are going to be as we go throughout the year?

SF: They'll be tempted to stop allowing the market interest rates in the name of saving the economy, which is like taking an anemic patient, a patient suffering from anemia, and bleeding them. With the Fed, the "rock and a hard place" [idea] is only in their minds. What [the Fed] should do is just step aside, let borrowers and lenders determine what interest rates should be, and let the markets function again instead of trying to control them like commissars in the old Soviet Union. Free markets always work when you let them, but the Fed has to be pushed on that.

MG: As we begin to close here, what do you think it's going to take for gold and silver to become a mainstream asset class again? For example, will it be China or Russia backing its currency with precious metals because the devaluation has gone too far too fast? Something like that? What are your thoughts there as we wrap up?

SF: Well I think if they see precious metals for what their historic role has been, we have gold-based, gold-backed money today. Remember, gold is a ruler. Because it has that fixed value, it makes sure that the politicians don't muck around with the integrity of the U.S. dollar. We had a gold standard from the 1790s right through the 1970s, a hundred and eighty years, and it worked very well. We had the most phenomenal growth of any country in the history of the world.

Since then, we've had more financial crises, more dangerous banking crises, lower economic growth, and we see the stagnation that we have today. So maybe the Russians will get it, maybe the Chinese will get it, but the reason we have this book *Reviving America*, is to help activist citizens have the tools they need to push and get integrity back to the U.S. dollar, get rid of this horrific tax code, and get patients in charge of healthcare again. We do those things, and you'll see the American economy will roar off like a rocket. You should have your gold as that insurance policy and life will be good again.

MG: Mr. Forbes, I can't thank you enough for your fantastic insights and for being so generous with your time. I very much enjoyed reading your latest book in advance of this interview. You give the reader a great explanation of the history behind all of this, and then also more importantly some practical things that they can do to protect themselves, and we certainly urge everyone to check that out.

SF: Great pleasure to talk with you. Don't lose faith. Markets are people, and people thrive most when they are free.

Silver Bars: A Wide Range of Sizes at Low Prices

By Mike Gleason
Director, Money Metals

One of the frequent questions our Specialists hear from first-time buyers of silver, and even experienced investors, is: What form of the metal is best to buy?

Money Metals now offers silver bars in 1-oz, 5-oz, 10-oz, kilo, 100-oz and 1,000-oz sizes.

Before answering that question specifically, we first and foremost urge our customers to buy silver in bullion form only and avoid any "rare," numismatic, graded, or proof coins like the plague. As long as an investor insists on bullion products with low bid/ask spreads – meaning the difference in price between what one pays to buy versus what he or she would get to sell, assuming no change in the spot price of the underlying metal – the options are all good.

Whether you buy from a top national dealer like **Money Metals Exchange** or from another company, we simply cannot overstate the importance of avoiding products sold at premiums well above their melt value.

Silver bars, which range in size from 1-oz all the way up to 1,000-oz, provide silver stackers with a fantastic low-premium option – even when compared to other bullion products such as higher premium 1-oz government-minted coins like the Silver American Eagle.

And in an effort to continue to seek the most value and variety for our customers, **Money Metals** now carries bar sizes spanning the entire gamut in our ever-growing product lineup. As such, we are pleased to announce both the return of the 1-oz size bar and also the addition of the new kilo bar (32.151 troy ounces).

Prior to last summer, we offered the Johnson-Matthey brand of 1-oz silver bars. But, unfortunately, when JM was bought out by Japanese refiner Asahi, the JM 1-oz bar (along with some other JM branded products) was discontinued.

Due to major physical silver supply tightness in the bullion market at that time, we regretfully were unable to come up with a reliable replacement for the 1-oz bar size. Until now!

New One-Ounce Bars Released

Thanks to our deep supply lines, we have now secured a reliable supply of 1-oz bars in hopes of never being out of them again. We will have inventory of at least one of the following manufacturers… Elemetal (formerly Ohio Precious Metals), Sunshine Minting, and/or Highland Mint... for the foreseeable future.

One-ounce bars, which come in either tubes containing a stack of 20 or a sheet of 20, do cost 10 to 20 cents more than the more mass-produced 1-oz round size. But they still offer a less expensive alternative to 1-oz government coins.

Kilo Bars Now Available Too!

The new one kilo (32.151 troy ounces) silver bar offers a fantastic alternative to the larger size bar products, fitting perfectly in between the widely popular 10-oz and

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Silver Bars at Low Prices

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100-oz sizes. Made by Republic Metals Corporation, the largest North American precious metals refiner, the kilo bar costs approximately $500 as of this writing and will cost 5 to 10 cents less than the 10-oz bars on a cost-per-ounce basis.

Additionally, during the extreme tightness in the physical silver market during the middle of 2015, we added an option for those larger buyers looking to gain exposure to the low silver prices who didn't want to be stuck paying the high premiums that resulted due to massive supply tightness...

1,000-oz Bars for as Low as 29 Cents over Spot!

Therefore, we now offer 1,000-oz COMEX approved bars. For those storing their metal through a physically segregated **Money Metals Depository** account, 1,000-oz bars can be purchased for a mere $0.29 over silver spot per ounce! It should be noted that we do not suggest any investor take possession of these 1,000-oz bar as bars not held in a COMEX storage facility will also need to be melted and assayed – at the seller's expense – when it is time to sell.

However, because 1,000-oz bars stored by **Money Metals Depository** clients will remain inside a COMEX-approved warehouse (but will be physically segregated from anyone else's metals), selling back is quick and easy and will not require any such assaying/melting fees. For more information on purchasing and storing 1,000-oz silver bars (or any other bullion products), please call 1-800-800-1865, and a specialist will be happy to discuss this.

So whether it's 1-oz, 5-oz, 10-oz, kilo, 100-oz, or 1,000-oz, silver bars offer great options for those looking to accumulate .999 pure silver and do so at a cost savings to certain other bullion products.

Silver Bars Are Great for IRAs and Storage Accounts

Bars especially shine when it comes to storage. They can easily be stacked on top of one another, and the space requirement is reduced, especially compared to the bags of 90% silver or sealed boxes of 1-oz government minted coins, for instance.

We do suggest accumulating a good amount of smaller-form silver bullion first before moving on to large bars. But once you've done that and are ready for bars, just be sure to buy a product stamped with its weight and purity.

And insist on dealing with a reputable source that has tight controls over their supply, meaning those that either have a direct mint source or have invested in the necessary testing and assay equipment to verify the purity of the bars (**Money Metals** satisfies both of these condtions).

Peak Gold and Silver

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When Will Physical Realities Override Paper Machinations?

In the long-term, physical supply and demand is everything. But in the short term to intermediate term, the fundamentals are almost meaningless. Big institutional futures markets traders can move markets in any direction for any reason… until, at some point, they no longer can.

Leverage recently surged to record levels in the paper-traded gold and silver markets. Physical inventories of silver on the COMEX fell from 184 million ounces in July 2015 to 158 million by the end of the year. A run-on-the-bank scenario becomes a very real possibility if just a tiny proportion of futures contract holders stand for delivery of physical metal.

Holders of physical metal would be wise to hang on tight to it and keep a long-term perspective. At some point – perhaps soon – the major price trend will turn back in favor of the bulls as the bullish supply and demand fundamentals on the physical side overwhelm the paper bears.