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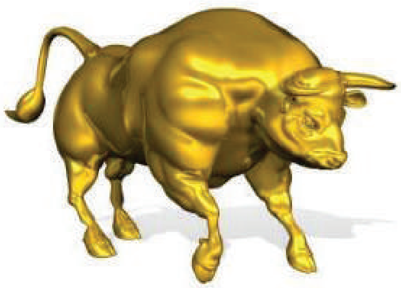
MONEY METALS INSIDER

An Insider Report for Clients of Money Metals Exchange

Five Catalysts for a Renewed Bull Market in Gold and Silver

BY STEFAN GLEASON
President, Money Metals

So far in 2015, gold and silver prices show strong resilience. Even in the face of persistent U.S. dollar strength versus foreign currencies. The precious metals never broke below the respective lows they put in late last year. But prices have yet to break out decisively from their months-long trading range and enter a sustained new cyclical uptrend.



What will it take to spark a renewed bull market? Here are five likely catalysts:

Catalyst #1: Federal Reserve delays its telegraphed interest rate hikes

Federal Reserve chair Janet Yellen told investors to anticipate interest rate hikes from the Fed later this year. Expectations of a tighter monetary policy have helped lift the U.S. dollar versus the euro and most other currencies. And despite the much stronger dollar compared to other fiat currencies, gold has held up well.

But if the Fed fails to follow through on its rhetoric with actual rate hikes, the dollar will likely tumble. And if that happens, it would be bullish for precious metals.

Fed governors say their decision will depend ultimately on whether the economic data – especially pertaining to employment – comes in stronger or weaker in the months ahead. Monetary and financial analyst Jim Rickards is among the Fed skeptics. He doubts the Federal Reserve's optimistic economic forecasts will pan out any more than its previous rosy forecasts have. Weaker than anticipated economic numbers will make rate hikes less likely. And that scenario will boost the odds of a new stimulus program and higher precious metals prices along with it.

Catalyst #2: Real Interest rates turn deeply negative

The mainstream financial media can be counted on to heavily cover every rhetorical nuance regarding the Fed's coming decisions about interest rates. Yet there is typically scant coverage about the most important rate of interest: the real (after inflation) rate on benchmarks such as the federal funds rate and the 10-year Treasury note.

Continued on next page

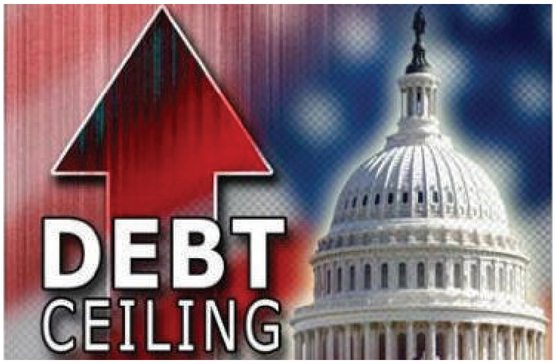
Inside This Issue:

5 Catalysts for a Renewed Bull Market

continued from previous page

Real interest rates are positive when nominal rates exceed the inflation rate. When nominal rates are running below the inflation rate, then negative real interest rates are in force. Holding interest-bearing instruments that sport negative real rates is unappealing to savvy investors. Many will choose to hold precious metals instead.

It's important to recognize that interest rates can be going down in real terms, even when they're rising in nominal terms. In other words, if the Fed starts raising rates but inflation is rising at a *faster* pace, the net effect is that monetary policy is actually becoming looser.



That's why gold and silver prices went on a tear in the 1970s, even as interest rates rose. It was only after then Fed Chairman Paul Volcker raised short-term rates into the high teens that interest rates went higher than inflation. Only then did the metals prices finally come down.

Catalyst #3: Debt crisis hits home

In March, the federal government reached its statutory debt ceiling of more than $18.1 trillion. There's little doubt that the debt limit will eventually be raised once more. But reckless political brinksmanship along the way could rattle the markets.

Of course, when Congress inevitably moves to raise the debt ceiling again, it won't solve the nation's debt problems. In fact, it will only exacerbate them. Since the financial crisis began at the end of 2007, total worldwide debt levels have increased by $57 trillion, according to The New York Times. Economist Laurence Kotlikoff estimates the total U.S. fiscal gap to be $210 trillion at present.

In order for these liabilities to be met, untold trillions in new currency units will have to be created. That is the real debt crisis the U.S. faces – and with it the potential for a massive inflation.

Catalyst #4: Geopolitical turmoil drives flight to safety

We have entered a period of sharply rising international tensions.

The recent controversy over Iran's nuclear ambitions and the Obama administration's deal to lift sanctions on them is just one of the many simmering geopolitical threats. From unrest in Yemen, to the terrifying spread of ISIS, to the dangerous provocations of Russia, a breakout of international conflict would drive massive demand for safe-haven assets.

When fear is on the rise, gold stands to benefit. The U.S. dollar sometimes competes with gold for global safe-haven inflows. But war is ultimately inflationary, especially if it disrupts the production or transportation of oil and other vital resources.

The prospect of the U.S. being drawn into yet another foreign war and having to ramp up military spending would not be particularly bullish for the dollar. While conventional financial assets such as

Continued on next page

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5 Catalysts for a Renewed Bull Market

continued from previous page

stocks are vulnerable to rising investor fears, gold can actually benefit from bad news.

Catalyst #5: Declining mining production leads to a supply crunch

Of all the potential catalysts for an up move in precious metals prices, the most direct factor would be a shortfall of supply relative to demand. It's Economics 101.

The silver market saw a three million ounce surplus in 2014. But after several months of silver prices falling below all-in production costs at many mines, silver production stands to decline. Now unprofitable mining operations will scale back or even shut down. HSBC analysts project an 11 million ounce silver supply deficit for 2015.

> ***HSBC projects an 11 million ounce silver supply deficit for 2015.***

Platinum and palladium also face supply deficits of close to 1 million ounces each. On the high end, Mitsubishi estimates a platinum deficit of around 1.2 million ounces this year. They also project a record palladium deficit of 1.6 million ounces.

All the precious metals, including gold, now face supply difficulties going forward. Mostly as a result of high mining costs and a devastated mining industry. Desperate to stay in business, many mines have resorted to "high-grading" (mining only the richest, lowest-cost deposits).

That means what is left are the lower-grade deposits. Higher spot prices will be required to make mining at the margins economical. It will take a renewed bull market in precious metals to justify the capital investment needed to expand those operations or re-start shuttered mines.

We can't know when these supply deficits or other potential catalysts will kick in and drive rising price breakouts on the charts. But we do believe investors like yourself would be wise to increase your positions in physical precious metals now. Before it becomes much more expensive to do so.

Alarming Crackdown on Businesses and Consumers Who Use Cash

By Clint Siegner
Director, Money Metals

Cash is king. That held true for centuries. But these days, cash is treated more like a criminal suspect than royalty.

When it comes to larger purchases, the advantages once conferred by carrying a wad of the green stuff in your wallet are fading fast. Justice Department officials in the U.S. (and officials elsewhere) are ratcheting-up their decades-long war on cash. To hear them tell it, cash is mostly useful for terrorists, drug dealers, and low-down criminals. So even though your use of any significant amount of cash may be totally legitimate, you'll have to convince somebody first.

Maybe you will be able to persuade your bank teller. Simply attempt to withdraw or deposit a few thousand dollars in cash, and you may be required to. Expect some questioning about your intentions for the cash. If you answer with "it isn't any of your business" or something equally unsatisfactory, then you will be inviting your bank to file a Suspicious Activity Report on you. Banks and a select group of other businesses filed more than 1.6 million of them in 2013!

Or, your teller might forgo questions and just call the authorities right away. The head of the Justice Department's Criminal Division, Leslie Caldwell, would certainly like to see banks reporting on customers more often. While speaking at the ACAMS Anti-Money Laundering and Financial Crime Conference on March 16th, she said:

> *"The vast majority of financial institutions file Suspicious Activity Reports when they suspect that an account is connected to nefarious activity. But, in appropriate cases, we encourage those institutions to consider whether to take more action: specifically, to alert law enforcement authorities about the problem, who may be able to seize the funds, initiate an investigation, or take other proactive steps."*

Caldwell's statement hints at what is really just an escalation of a decades-old policy: enlisting banks to rat out their own customers. Like you and me.

It started with the Bank Secrecy Act back in 1970. The new law required banks to report cash transactions of more than $10,000. If you have gone into your bank trying to withdraw a few thousand in cash, you may have sensed banks aren't "encouraging" that kind of activity. You likely encountered days of delay while the bank "ordered" cash. Maybe you got funny looks and probing questions from suspicious tellers.

While the treatment you get from your bank may be awkward, there may be even worse coming from the police. Authorities who happen to find significant quantities of cash in your possession could assume the worst about you and seize your cash. Civil asset forfeiture is on the rise. Sadly, no one with a badge has to convict you of a crime to take your rightful belongings. Victims of seizures are assumed to be guilty until proven innocent. And that can be a long, difficult path.

It's Not Just Cash Being Targeted… Introducing "Operation Chokepoint"

The government war on cash is escalating into something even more sinister. Under Operation Chokepoint, officials are now targeting entire industries where cash transactions are commonplace. Industries including precious metals and gun dealers.

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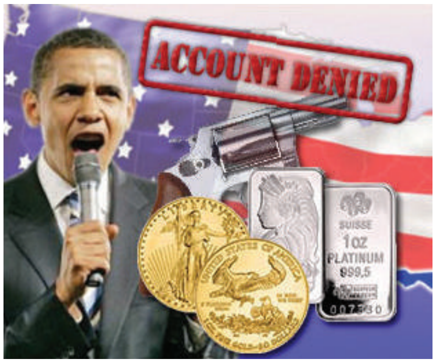
Alarming Crackdown on Cash

continued from previous page

Banks are the cornerstone of the federal government offensive against cash. Reliant on bureaucrats for taxpayer bailouts when things go bad and eager to avoid more regulation, bankers have a long history of cooperating with Washington, DC. In the modern age, most of us find banks to be just about indispensable for daily life.



Leaning on banks is an attractive workaround for the feds. Government officials can simply enlist a relatively small number of bank executives and get wide access to millions of Americans' transactions. With this approach, they can avoid a contentious and protracted fight in Congress. One where they risk stirring the anger of the public. In fact, they would very much prefer to avoid any kind of public debate. And they caution bankers not to discuss the details of "Operation Chokepoint" with anyone.

The strategy is to threaten banks with increased scrutiny, regulation, and even penalties if they do business with certain kinds of companies. Perfectly legal businesses deemed by the Justice Department to be at higher risk for money laundering and fraud.

They are making real headway on this. Gun store owners in Wisconsin and Massachusetts are among those who have gotten a call from their squeamish bankers telling them their accounts will be closed. Because of all the extra regulatory burdens and federal pressure, some banks no longer want to do business with people like them.

It's a textbook scenario. The past 40 years are a classic case study in how government-sponsored financial tyranny evolves, step by step:

You start small: People doing reportable cash transactions with their bank in 1970 were a relative few – $10,000 was worth way more back then.

Then seize opportunities to expand control: Fear in the midst of some event such as 9/11 is perfect. As the political opportunists in Washington say: "never let a good crisis go to waste."

Don't worry about public opinion or inalienable rights: For example, if circumventing the 2nd Amendment in a public battle to pass gun control laws is too difficult, find another way to skin that cat. Just make it difficult for people in the gun business to operate by limiting their access to banks.

Threaten any bank or merchant who thinks the public should know what regulators are up to. Tell them to keep quiet – it's in the interest of "national security." And make it clear that violators will be punished.

The war on financial privacy started slowly and quietly more than four decades ago with the Bank Secrecy Act. But events are rapidly escalating now. Be vigilant. And prepare yourself accordingly.

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:

Is it better to buy coins with .9999 purity than those that are only .999 pure or even less?

It seems reasonable to assume that the higher the purity, the more desirable and valuable the coin will be. We see some mints, including the Royal Canadian Mint, capitalizing on this assumption by issuing all of their modern bullion coins and bars at .9999, or even .99999, fineness. However, we recommend investors not worry too much about purity, especially at these very high levels.

What matters is the actual metal content. The difference in silver content for a 1 ounce silver coin at .9999 vs .999 is theoretically only .0009 ounces. At current spot prices, that equates to a value of about a cent and a half. For gold, the same difference amounts to just over a dollar. When the coin is valued at more than $1,200 overall, that isn't much.

Many popular coins are intentionally alloyed to lower purity levels. This approach is based on formulas designed to improve wear characteristics back when gold and silver coins actually circulated. Older 90% silver and gold U.S. coins come to mind. So do the modern gold American Eagle – .9168 pure – and the gold Krugerrand – also 22 karat or .9168 pure.

What is important for you to understand is that coins sold by reputable dealers are advertised and sold based on the net weight of precious metal contained. For example, a one ounce gold Eagle contains a full troy ounce of pure gold, plus a bit of silver and copper alloy. So the coin is actually slightly heavier than one ounce in gross weight. You can directly compare the value of a 1 oz Eagle with a 1 oz Canadian Maple Leaf. Even though they do not have the same purity level.

The same principle is true when valuing older 90% coins – buyers only pay for the ounces of pure precious metal contained.

I see many of the items on your website are labeled "IRA Approved." What does that mean?

The IRA Approved label goes on products that are approved to be held inside a precious metals IRA. There are actually two sets of rules governing which coins, rounds, and bars are allowed. The first set is laid down by the IRS, while the second set is implemented by the custodians who offer metals IRAs.

The IRS rules pertain primarily to purity. Eligible gold bullion products must be at least .995 pure (.999 fine minimum for silver), with an exception for gold American Eagles, which are 22 karat purity. Krugerrands, which are also 22 karat, and Pre-1965 90% silver coins are examples of products not allowed. But most of the items we offer will pass muster according to the IRS rules.

The requirements put in place by IRA custodians are a bit more stringent. They generally insist that products be made by either a government mint, a COMEX-approved mint or refiner, or by mints and refiners with ISO 9001 quality control standards.

The intent is to protect IRA account holders from potentially unscrupulous dealers who may attempt to ship oddball or unrecognized items into IRA storage. Custodians and vault managers want all products delivered into IRA storage to be quality – guaranteed for weight and purity by a reputable, well-established manufacturer.

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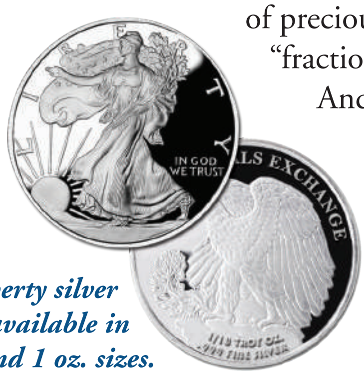
Why Are Fractional Gold and Silver Exploding in Popularity?

Have you ever considered how you would go about getting the things you and your family need if our paper money became worthless overnight? Or the ATM's stopped working? Or all the banks were closed due to a financial crisis?

Might sound far-fetched at first. But there are many examples in history, even recent history, where people were forced to confront this problem. Unfortunately, most are caught unprepared. Even something as common as a storm can shut down our everyday systems. Ask anyone who lived through Hurricanes Katrina or Superstorm Sandy.

Many preparation-minded **Money Metals** customers have certainly thought about it. They are recognizing the increased practical utility of smaller gold and silver coins, rounds, or bars.



Walking Liberty silver rounds are available in 1/10, 1/2, and 1 oz. sizes.

These items containing less than one ounce of precious metal are often referred to as "fractionals" in the precious metals world. And they continue to gain popularity. Especially among those of us who want to have a barter stash of monetary metals on hand. Valuable metals in a super-practical form. And ready to use in a pinch.

These smaller sizes are much more convenient than a larger sized coin or bar when trading for goods or services.

Think of it like this: you wouldn't walk into a convenience store with nothing but $100 bills in your pocket to buy a loaf of bread or a bottle of water. Well, the same is true when it comes to the practicality of using a 1-ounce gold coin to purchase some eggs or gasoline for your vehicle.

Continued on next page

Our Readers Want to Know

What does "BU" condition mean? Does condition matter?

"BU" stands for brilliant, uncirculated condition. The term is applied to coins without tarnish and without the major scratches and wear that come when a coin has been circulated as working currency. Most bullion coins and rounds can be considered BU. Unless otherwise stated, you can expect them to arrive in the same condition as they were when they left the mint.

By contrast, in the world of numismatics, condition is a vital consideration. The difference between one grade and the next can mean thousands of dollars difference in value. Many coins are evaluated by expert coin grading services and then encased by them in plastic "slabs" with holographic seals. This is to ensure the grade assigned won't be tampered with.

Numismatic coins are best left to experts. Inexperienced buyers are at serious risk of getting railroaded by unethical dealers. Sadly, our **Money Metals** Specialists have heard many tales of woe from customers who have been burned in the past by dealers of "rare" and "collector" coins.

When it comes to bullion, the exact grade or condition matters far less. The pieces are typically valued by their precious metal content. Coins and rounds are "bullion strike" quality, which means the mints producing them are not aiming for absolute perfection (apart from tightly controlling the weight of the piece, of course). That helps keep fabrication costs, and dealer premiums, as low as possible. Even heavily tarnished or damaged coins will only be discounted a few percent when it is time to resell them.

Fractionals Exploding in Popularity

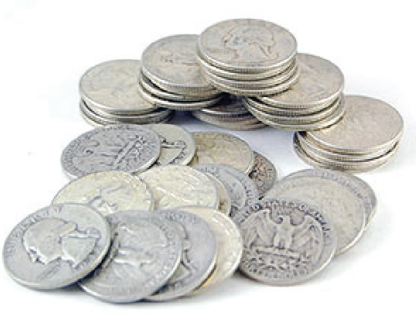
continued from previous page

That would be like pulling out a thousand dollar bill! Or even more should metals rise in a future crisis situation.

Of course, silver is more likely to be your barter metal of choice, due to its lower value per ounce to gold. But even just one full ounce of silver might be too large to be practical. It could make it difficult to do an agreeable deal for a small item. Or for the other party to make change.

That's the great appeal of fractionals. With their smaller units, they are much more flexible and practical for most real-world bartering scenarios.

For decades, the best known "fractional" silver in the retail bullion market has been pre-1965, 90% silver U.S. coinage – dimes, quarters, and half dollars. This is also known as "junk silver." Each unit contains a fraction of an ounce. For example, one silver dime contains about 1/14 of an ounce of silver (0.0715 ounces on average, after factoring in typical wear).



Pre-1965 U.S. coins made of 90% silver.

These silver dimes, quarters, and half dollars are widely recognized. And they have been popular in the past among silver investors. But they have weaknesses. The conversion of face value to silver content requires a bit of math. Junk silver isn't stamped with its weight and purity. And it's not pure silver either. That's why many silver investors now prefer newly-minted, pure silver fractional-sized rounds which are clearly marked with their metal content.

Lots of Great Options

Money Metals launched the 1/10-oz Walking Liberty .999 pure-silver round last year. We made these available at prices unmatched in the marketplace. The response has been overwhelming – buyers have snatched up over one million of these little beauties to date.

Money Metals' popular 1/10 oz. .9999 pure gold rounds.

In December, we introduced our beautiful half-ounce Walking Liberty design as an alternative to the Paul Revere half-ouncer we've offered since 2012. And 1/4 ounce Walking Liberty rounds are coming soon.

In gold, the 1/10-oz size rounds and coins are the clear winners in terms of popularity. But other sizes – such as 1/4 ounce, half-ounce, and 1 gram (note: there are 31.1 grams per troy ounce) are also sold in big numbers.

The unique, wallet-sized 1-oz and 50-gram CombiBar made by European-based Valcambi are popular as well. The pre-perforated CombiBars easily break into smaller individual sections of gold – either ten 1/10-oz pieces (in the case of the 1-oz CombiBar), or 50 1-gram sections (with the 50-gram CombiBar). Some folks like that easy divisibility, and premiums on CombiBars tend to be low when compared to other fractionals.

And finally, for those looking for the smallest value in a single unit, we also offer copper rounds and pre-1983 copper pennies. In terms of getting the most copper for your money, the copper pennies are the best value. They don't have the added cost of fabrication, as with the copper rounds.

These fractional coins, rounds, and bars do tend to carry higher premiums as a percentage over the melt value, due to the extra labor involved in minting. So buyers mainly looking for the most bang for their buck will want to put the bulk of their precious metals investment dollars into the one ounce (and larger) sized products.

But having a stash of easy to use "barter" metals could come in extremely handy one day. You never know when you just might need it. Plan accordingly.