Outlook 2015: The Year Ahead in the Money Metals

By Stefan Gleason President, Money Metals

The "year that was" brought mostly disappointment to precious metals bulls. Silver prices fell for the third straight year, while gold mostly flat-lined around the \$1,200 per-ounce level.

So what about the year to come? On the one hand,

the charts looks ugly. On the other, it is rare for any metal to fall in price four years in a row.

As for the fundamentals of precious metals, they are actually getting better. The down-trending prices we've experienced improve

the fundamentals for physical precious metals in two important ways:

• First, by discouraging new supply from coming on line. In 2014, many miners were forced to suspend operations as gold and silver spot prices fell below production costs.

demand is forecast to grow 27% through 2018

Silver's total industrial

Silver is used in batteries, computers, automobiles, cell phones, hospitals, nanotechnology, and solar panels just to name a few.

The gist of the report is that industrial demand for silver is likely to increase across the board in the coming

years. Silver's total industrial demand is forecast to grow 27% through 2018, meaning an additional 142 million ounces of silver will need to be supplied.

• Second, by encouraging more jewelry demand for

On December 10, the Silver Institute released a report

("Glistening particles of industrial silver") analyzing industrial demand for silver from various sources.

gold and more industrial consumption of silver.

It's doubtful that miners will be willing to grow their silver production at current prices.

Another positive sign for metals is the resilient and even increasing demand for physical bullion among investors. Despite price weakness in 2014, which inspired a lot of badmouthing of precious metals in the financial media, silver coin demand hit new records. The U.S. Mint sold more than 44 million Silver Eagles, up from 42.7 million last year. At one point last fall, the dysfunctional government mint had to suspend orders because it couldn't keep up with demand.

Inside This Issue:



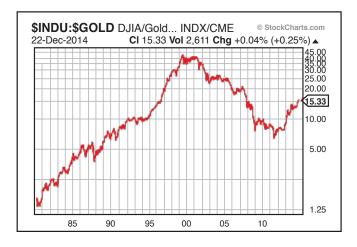
New Signs Gold and Silver Are Returning as Monetary Assets	3
A New Retirement Savings Trend Emerges 5	5
New Half-Ounce Silver Rounds Released 6)
Three Pressing Questions about Gold, Silver, and the Dollar 7	,
Silver Rounds Become a Highly	2

Outlook 2015

continued from previous page

The ongoing bull market in silver coins should translate into a resumption of the bull market in silver prices in the months ahead. Yes, silver has fallen harder and stayed down longer than most of us thought. But adverse market conditions such as these make for the greatest buying opportunities.

The other white metals are also positioned favorably for future price appreciation. The platinum and palladium markets are both projected by metals refinery Johnson Matthey to run a supply deficit in 2015. Palladium's deficit is expected to grow to more than 1.6 million ounces. That would be the biggest shortfall ever recorded.



The value now available in precious metals is especially compelling considering the major alternatives. Savings accounts still yield nothing. Bond yields are still near historic lows. The U.S. stock market is now significantly overvalued by many measures, including its trailing price/earnings ratio of 26 and its 20% premium over total gross domestic product.

The ratio of the Dow Jones Industrials to the price of gold now stands at more than 14 to 1. For perspective, the ratio got as low as in 6:1 in 2011 and 1:1 at the 1980 top in gold. The ratio has plenty of room to revert back in gold's favor.

When we finally see a major rotation out of stocks and into precious metals, silver has the potential to lead on the way up just as it has led on the way down. The gold:silver ratio moved in favor of gold to a multi-year high of 74:1 in 2014, as gold's more volatile cousin got hammered. Yet silver mining supply exists at a ratio of about 12:1, suggesting silver has plenty of fundamental room to narrow the ratio and outperform gold. And perhaps vastly outperform stocks.

Trade Overvalued Stocks for Undervalued Precious Metals

If you own a lot of stocks, now might be an opportune time to trade out of some of your stock positions for gold, silver, platinum, or palladium bullion. You can switch out of stocks and into the physical metal within an IRA without triggering capital gains tax liabilities. You can simply sell your shares and use the proceeds to fund a physical precious metals IRA.

Many prefer to hold physical precious metals outside of an IRA. For beginners, it's certainly advisable to first establish a core position in your immediate possession. But once you've established that, it makes sense to diversify your storage locations to avoid concentrating risk exposure in any one place. One way to do that is with a precious metals IRA, with your qualified metal holdings stored safely in a secure depository.

For more information about precious metals IRAs, see Clint Siegner's article on page 5. •

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New Signs Gold and Silver Are Returning as Monetary Assets

By Stefan Gleason President, Money Metals

Much to the chagrin of the financial elite, gold and silver are reentering the American consciousness and starting to shake the wing nutty image of their recent past. But it's taken a global financial crisis to get the public's attention – one that could wipe out our nation at almost any moment.

The U.S. government's role in the economy is on a seemingly

interminable upward trajectory. The government's official debt balance that just crossed the \$18 trillion mark (with additional unfunded liabilities estimated at more than \$100 trillion). Half the population now lives in households that receive government payments.

Even as private sector jobs disappear and workforce participation rates languish near generational lows, the corporate sector is seemingly thriving. Corporate profits as a percentage of the economy are at record highs. Fortune 500 corporations are using cash hoards and cheap financing – not so much to invest in capital assets or business expansion, but to buy back their own shares and send their stock prices higher.

All these dangerous excesses and distortions are made possible by our free-wheeling fiat monetary system.

What's occurring now – endless proliferations of paper flowing into the Treasury and banking sector from the central bank – is precisely the sort of thing our Founding Fathers sought to prevent.

The Coinage Act of 1792 authorized the minting of the nation's money. It defined a "dollar" in terms of a specific quantity of grains of silver (equivalent to about three-fourths of an ounce). Few people today even realize that the dollar bills in their pocket were originally intended to be silver.

The de-monetization of silver was effectively complete



in 1965, when the U.S. Mint ceased producing dollars, half dollars, quarters, and dimes containing 90% silver (from 1965 to 1970, half dollars contained 40% silver).

Of course, you can still buy U.S. 90% silver coins minted in 1964 and earlier. They are priced based on the current value of their silver content, plus a small premium. You can even use them as money in legal barter

transactions.

The last real link the U.S. still had to sound, Constitutional money was finally broken in 1971, when President Richard Nixon suspended gold convertibility. Henceforth, no foreign government could redeem their dollar reserves for gold.

After the dollar became a purely fiat currency 44 years ago, it began a course of massive depreciation. Since 1971, gold prices have moved from \$41 per ounce to as high as \$1,900. Silver went from \$1.40 an ounce to \$49.50 at its peak in 1980 – a high mark hit again in 2011. Gold and silver prices have pulled back from their 2011 highs, but are likely to rise higher still.

Meanwhile, government debt and profligacy have reached epic proportions. In 1971, the national debt stood at \$398 billion, 34% of GDP. Today's \$18 trillion debt load represents 99% of GDP.

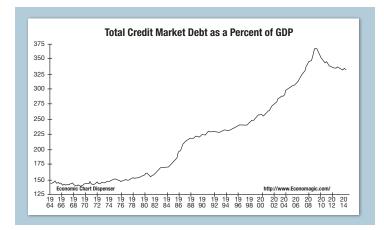
Total credit market debt comes in at an astonishing 330% of GDP – and that's off from its peak in late 2008. Since the 2008 financial crisis, the Federal Reserve has been waging a battle against credit market deflation, which is the market's way of unwinding a credit market bubble. The Fed has bought more than \$4.3 trillion worth of bonds and tried to reignite a financial bubble in the stock market by holding rates at ultra-low levels.

Continued on next page

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continued from previous page

Ironically, the promulgators of this financial madness will often try to portray advocates of hard money as loony! Yet under a gold standard, we had stable price levels, a more restrained government, and less severe booms and busts in financial markets.



Movements Emerge in Europe to Repatriate Gold

The movement to return fiat currencies to sound money has gained momentum in recent years. On November 30th, Swiss voters went to the polls to decide

on a referendum to force Switzerland's central bank to dramatically boost its gold reserves. (The Swiss franc had been the last remaining major country to operate on gold standard until 1999, when the franc went fiat.)

"France may soon make a similar move to repatriate its gold reserves."

The "Save Our Swiss Gold" referendum failed. Even so, other countries in Europe are eyeing gold as a monetary asset.

The Dutch central bank in November moved a fifth of its 612.5 metric tons in gold reserves from the Federal

Reserve Bank of New York back home to Amsterdam. "The Dutch Central Bank joins other banks that are keeping a larger share of their gold supply in their own country," the central bank said in a statement.

France may soon make a similar move to repatriate its gold reserves. The leader of France's largest opposition party, the National Front, called on the French central bank to take full possession of its gold held abroad and called for an independent audit of the country's gold reserves.

A member of the European Central Bank Executive Board, Yves Mersch, recently gave a speech discussing the potential benefits of the ECB buying real assets, including gold.

Russia this year became the world's largest ongoing buyer of gold. In October, the Russian Central Bank bought nearly 20 tons of gold, or around 8% of total world monthly gold mining production.

Americans Start Thinking about Role of Gold/Silver

Sound money efforts are spreading in the U.S. at the state level. Earlier this year, Oklahoma joined Utah, Texas, and Louisiana in passing a legal tender law that removes state taxes on transactions made with gold and silver coins. These states have asserted their power under Article I, Section 10 of the Constitution to recognize gold

and silver as legitimate currency alongside the dollar. Similar legislation is now under consideration in several other states.

Granted, it seems unlikely that the U.S. or any major country will return their currency to a classical gold standard anytime soon.

But signs abound that precious metals are re-entering the public consciousness – and will be playing a more prominent role in monetary systems as geopolitical tensions rise, debt levels become more unmanageable, and public confidence in political institutions wanes. ①

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Precious Metals IRAs: A New Retirement Savings Trend Emerges

By CLINT SIEGNER

Director, Money Metals

Retirement

Stock brokers and investment advisors typically won't mention it, but it is simple to own something other than the run-of-the-mill paper assets they are paid so handsomely to sell into your retirement account.

Nevertheless, word is getting out. Each year more people take the exit and open a self-directed IRA where they can hold tangible assets – most often physical precious metals and real estate.

As these self-directed IRA accounts gain in popularity, the firms providing them are improving the speed and convenience for customers making the switch. It is now possible to establish an account with firms such as Goldstar or New Direction IRA completely online – no need to even print or mail the forms.

Here is how a precious metals IRA works:

- Pick a custodian and transfer funds tax free.
 There are a growing number of providers. We recommend using one of the well-established firms who can offer good customer support and nice tools (such as online enrollment).
 You'll provide instructions for transferring funds from wherever your retirement account is currently held.
- 2. <u>Lock pricing</u> on the bullion products you want to hold, then complete a short one-page form with the transaction details.
- 3. Choose where to store your metals. IRS rules require the assets in your self-directed IRA be held by a third party. The dealer (Money Metals Exchange) will ship your metal directly to the depository you choose.

The fees for most accounts will be around \$200 per year – including the cost for storage. Larger accounts (in excess

of \$100,000) or accounts with many transactions may cost a bit more. That makes these accounts affordable for just about anyone.

Holding gold, silver, platinum, or palladium bullion in an IRA is a great option for lots of investors who are worried about a significant portion of their wealth being invested

in paper, be it stocks, bonds or cash. However, they will not make sense for everyone.

A precious metals IRA may not be right for you if privacy, portability, and control of your metals are your top priorities. The value of your IRA accounts will be reported to the IRS annually, and the metals will reside in a third-party vault. For these reasons and others, it is always a good idea to hold at least a portion of the metals you own outside of your IRA and directly.

For those with IRAs heavily invested in financial assets, right now looks like a great time to switch at least some of those funds into hard assets. Paper assets currently sit very near multi-year highs. Stocks, bonds, and even the beleaguered dollar have all seen big gains in recent years. Only the most ardent bulls expect that run to continue indefinitely.

Clearly the relative valuations are reaching extremes. Could this ratio widen even more? Yes. Would we bet on it? Not likely.

If you have questions about a Precious Metals IRA, we would love to hear from you. Call 1-800-800-1865 or visit the IRA info center at www.MoneyMetals.com. ①

NEW PRODUCT RELEASE: Our Half Ounce Walking Liberty Rounds!

By Mike Gleason

Director, Money Metals

The New Year brings new product offerings from **Money Metals Exchange**, starting with a silver round in a ½ oz size bearing a super popular Walking Liberty design.

Between 1916 and 1947 the United States minted what is widely regarded as one of the most beautiful coin designs ever, the Walking Liberty half dollar. And while that coin is no longer minted and has long since been taken out of circulation (the value of its silver conten far exceeds the coin's 50 cent legal tender value), a similar design lives on...

The Walking Liberty silver round bears the images appearing on the famous coin originally designed by Adolf A. Weinman. But, unlike the half dollar which is only 90% silver, Walking Liberty rounds are minted of .999 pure silver. They do not have a face value or date like U.S. coinage, but they are branded with the well-known **Money Metals**Exchange name. Our Walking Liberty round is one of the most popular silver round designs in the retail bullion market.

Fractional Ounce Silver Rounds Increasingly Popular

Money Metals Exchange has offered its Walking Liberty round in the common 1-troy ounce size since the company's inception. In early 2014, we introduced the 1/10-oz Walking Liberty round and have sold nearly 1 million of those little beauties since.

And now, after repeated requests from our customers, we are excited to announce the release of the same design in a half-troy ounce size. The Walking Liberty half-ounce round gives silver stackers yet another option for fractional silver, products that figure to be more desirable for use in a barter situation.

Packaged in rolls of 20 rounds (or 10 ounces), the Walking Lib half ounce is of course five times the amount of silver compared to the 1/10-oz Walking Lib, but available for purchase at a lower premium per

ounce due to the reduced minting costs (the smaller the product, the more energy, labor, and handling it takes for a mint to produce an ounce worth of the metal).

> The Walking Liberty features Lady Liberty, a robed female figure representing Libertas – the Roman goddess of Freedom – walking and holding an olive branch.

On the reverse of the Walking

Liberty round is a perched bald eagle, a
long-standing symbol of the United States of
America dating back to 1782 when it was chosen as the
country's emblem upon the adoption of the seal of the
United States. The eagle was selected because of its long
life, great strength, and majestic looks and because it
was then believed to exist only in North America.

Privately minted rounds, called rounds because they contain no face value amount like coins produced by government mints, are often preferred by silver bullion investors because they are a less expensive way of acquiring pure silver versus the higher priced coins.

Rounds are always stamped with their weight and purity, and each round minted by **Money Metals Exchange** includes our name on the back and includes a certificate of authenticity, certifying its weight and purity.

So whether you prefer the more popular 1-ounce size, or wish to grab the smaller versions – the tenth-ouncers or now the new half-ounce size – visit www.MoneyMetals.com or call 1-800-800-1865 and pick up some of these gorgeous rounds today.

Three Pressing Questions about Gold, Silver, and the Dollar

At **Money Metals Exchange**, we believe a significant part of our mission is to educate customers and the public at large about the many aspects of the precious metals market.

Our precious metals Specialists enjoy addressing the many excellent questions posed by our customers on an individual basis, but we like to share some of the most relevant questions and answers in a more public way...

John writes: Most investments are denominated in U.S. dollars. If the dollar falls through the floor, do all our investments suffer the same fate? Can investments held in brokerage accounts be protected?

The reality is that all assets in your brokerage accounts, including foreign stocks and foreign currencies and even gold, will be *priced* in dollars. But that *doesn't* mean they are dollar-based investments. The assets are simply valued in dollar terms for accounting and tax purposes. The dollar price reflects the exchange rate on any given day for that foreign asset or ounce of gold.

Unless the dollar becomes worthless, we should always be able to assign some dollar value to non-dollar assets. If the currency of measurement collapsed to zero, then any investment that derives any value from a source other than that currency would theoretically go to infinity.

U.S. stocks would still have worth, since corporations have real assets on their books (although many would have difficulty selling their products in the kind of economy that might accompany a dollar collapse). Stocks, foreign currencies, and gold would continue to have an exchange rate with other currencies.

U.S. bonds, though, would have no value. Investors wouldn't be willing to pay anything for a worthless income stream, so a U.S. bond would be worth nothing in terms of any currency.

Anonymous writes: (1) Can I bring gold and silver coins out of the country? (2) Do I need to declare them to Customs if so? (3) How many of them (or how many ounces) can I bring?

The U.S. government says you must declare to Customs all cash or "monetary instruments" that amount to more than \$10,000. This reporting requirement does not apply to non-monetary assets such as gold jewelry and would technically not apply to bullion rounds or bars, either, because they are not legal tender.

How it applies to gold coins isn't entirely clear. According to the Federal Reserve, gold isn't money at all! But one-ounce Gold American Eagles DO have a legal tender value of \$50. You could theoretically take 199 Gold Eagles out of the country without hitting the \$10,000 threshold. We wouldn't suggest it, though. If privacy is a high concern, then stay well below the \$10,000 limit or convert your wealth into something that clearly isn't a "monetary instrument."

3

Sarah writes: What do you think might happen to gold owners if the USA returns to the gold standard?

There are a number of scenarios in which a return to a gold standard in some capacity could occur. But under just about any scenario, the gold price would have to go much higher than it is today. A gold price of roughly \$10,000 would be required to back all the currency now in circulation. That's because reported U.S. gold reserves today account for less than 15% of the monetary base. (In 1980, gold prices rose to sufficient heights to back the currency 100%.)

It's possible that gold could be quickly reinserted into the monetary system during a global financial crisis, and Asian countries are slowly but surely moving in that direction regardless. However, we believe the most likely path is that gold and silver steadily reassert themselves over time as money on their own and trudge their way toward *de facto* 100% backing of the currency.

Silver Rounds Become a Highly Popular Way to Buy Silver

Value-minded precious metals buyers have been purchasing pure silver rounds in record volume, and there's a good reason for that... more silver for

their money!

Silver rounds are similar to coins, except they are not legal tender and are produced by private firms rather than by government mints.

Like coins, they are round in shape and stamped on both faces with symbolic and meaningful designs. They are marked with their metal content and purity. Unlike coins, rounds do not carry a currency denomination (25 cents, 1 dollar, etc), they typically do not have a date, and they may not be mint marked.

Rounds are a great alternative to coins – offering lower premiums than their government-issue counterparts for the same metal content. And they are extremely liquid. Dealers trade them in quantities rivaling popular coins such as the American Eagle or Maple Leaf, providing assurance rounds will be easy to sell when the time comes.

Savvy investors currently stand to save as much as \$1.00 - \$3.00 per ounce by choosing rounds versus legal tender coins – including the American Silver Eagle, Canadian Maple Leaf, and a few others. Buying rounds means getting more silver for your money, while still getting beautiful, highly liquid, investment grade silver.

Supply of Rounds More Reliable than Government Coins

Premiums can be volatile when it comes to bullion coins, making silver rounds even more attractive during periods of higher coin prices. In recent years, the availability of some sovereign silver coins has been spotty, as the dysfunctional governmentrun mints that produce them have been unable to meet the strong demand. The U.S.

or rationed sales of Silver Eagles on a number of occasions. This inevitably pushes premiums higher and often creates

Mint, in particular, has suspended

delays in shipping.

Meanwhile silver rounds have been plentiful and affordable – because the private businesses are far more efficient and forward thinking than

government bureaucrats. Even though much of the demand for coins shifts to rounds whenever government mints sell out or impose rationing, private mints have so far been able to keep up with the demand.

Buying rounds

means getting

more silver for

your money.

Of course, investors can save even a few more cents per ounce buying silver bars instead of rounds. But such buyers sacrifice a small amount of flexibility. Larger 10 ounce and 100 ounce bars can, of course, only be sold or traded in increments of 10 ounces and 100 ounces respectively. Not ideal if you only wish to trade an ounce or two. It is also a safe bet that 1 ounce rounds will bring a bit higher price per ounce than bars when it is time to sell.

There are good options in rounds for people looking for silver to barter with. **Money Metals Exchange** offers silver rounds as small as 1/10th ounce. Compared with Pre-1965 U.S. silver coins – perhaps the most popular product for use in barter – the 1/10 ounce rounds have the advantages of beauty, condition, and simplicity to valuing. The older 90% silver coins can be tarnished or worn, and calculating the silver value requires a bit more math. ①