21ST CENTURY

GOLD RUSH

LEARN HOW TO SAFELY BUY, SELL, SHIP, AND STORE PHYSICAL PRECIOUS METALS

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SD BULLION

The Lowest Price. Period.

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DISCLAIMER

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FOREWORD (December, 2017)

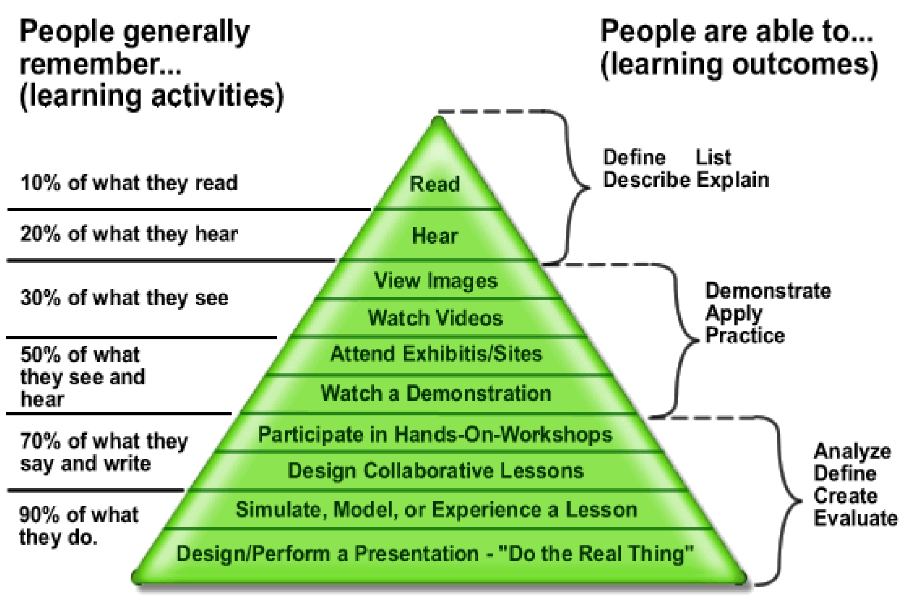
This is for those concerned with keeping the purchasing power most rightfully earned and saved through the applications of life discipline and one's precious time, energy, and labor.

Every effort has been made to ensure that the following content and information is useful, applicable, and accurate. My experiences contained should likely help you both better identify and hopefully avoid common mistakes myself and others have made.

As you read or scan through this document you will notice many blue linked and underlined sections, these simply denote additional information and media behind the claim or terminology. Simply ignore or click them as you read along.

If you are in a rush to buy bullion, skip ahead to the sections on how to so intelligently and not get scammed, then return to study the fundamental sections as to why you are doing so. Until current fundamental structural factors change, your bullion position should remain robust.

One regret I already have in creating this document is in the methodology used to pass along this critical information. It is not as effective as you actually "*Doing the Real Thing*" in real life.



Source

There are many potential mistakes a beginner can make when trying to buy or invest in precious metal price action. I know, I have made many of them myself. I will try and help you sidestep the most dubious choices, some of which can be very hard to detect. The truth remains, there are various ongoing and potential scams within this industry.

I never want to hear after the spot price of silver or gold has perhaps doubled, that somehow you are still sitting on a loss (e.g. bait & switch), have your funds tied up in a lawsuit (e.g. bankruptcy), waiting for a precious metal mining company to one day turn profitable, or possibly lost precious capital in some silly leverage play (either on an exchange or off of them).

For now we will use the easiest most convenient methodologies we have at hand to learn: *reading, hearing, viewing data / charts / graphics, watching videos, etc.*

This is a guide for bullion buyers with the intention to gain foundational wealth long term. For most successful books, it is often suggested to produce 8th grade level prose. Yet given the complexity of some of the subject matter and my limitations as a writer, boiling these subjects down to adolescent grade level writing is a difficult task. I ask that you have patience with my writing limitations and respect my effort to neither patronize you, nor belittle the matters at hand.

I am personally not a 'goldbug', such condescensions should be set aside. I do not believe that physical precious metals are the *one and only* asset class one should own. Yet there is a strong and growing case for having some of your wealth allocated in physical bullion now and ahead.

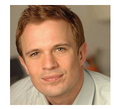
My intention is to give you useful information based on my more than 10 years of first hand experience in the real world physical bullion market: *researching, buying, selling, shipping, storing, making painful costly mistakes, and more*.

Having attained and more than doubled the supposed expert level +10,000 hours required, I suppose I have some valuable insights to share with you on the matter. It is an honor to do so.

I sincerely want all mankind to flourish and prosper, and that includes you dear reader. Yet we must be sober and agnostic with our situation. There are current, growing, and imminent issues we often delude ourselves to ignore regardless of which nation state we currently call home.

Many of the decisions I have personally made using the following information have paid dividends in my peace of mind, whilst simultaneously establishing proven wealth protection and privacy in foundational financial matters.

I am confident if you study and consider the information contained herein, your likely intelligent actions to follow will prove warranted and sound.

 @JamesHenryAnd

WHY BUY & OWN PHYSICAL BULLION?

What is bullion?

Bullion - *(n) physical precious metal in a bar, coin, or round form almost entirely valued by its melt value alone.*

How bullion differs from other asset classes?

Physical precious metal bullion products are one of the lone investment vehicles or assets one can own without the risk of other parties failing or underperforming on promises made.

Nearly all equities, bonds, fiat currencies, crypto currencies, and even most forms of real estate require the performance of others or their infrastructure for value.

Conversely physical bullion products do not rely on someone fulfilling a duty to maintain their values. Physical bullion is by nature protected from bankruptcy and thus able to retain its value amongst future investors yet born.

Precious metal coins, rounds, and bars have and will remain inherently valuable given the special respective properties each precious metal fundamentally possesses.

Although many may claim bullion has no counterparty risk, this is not technically true.

Outright theft or physical seizure could certainly be classified as a risk posed by other parties. Further along in this book we will discuss various methodologies and means to lesson, insure against, and most likely avoid this ever present threat.

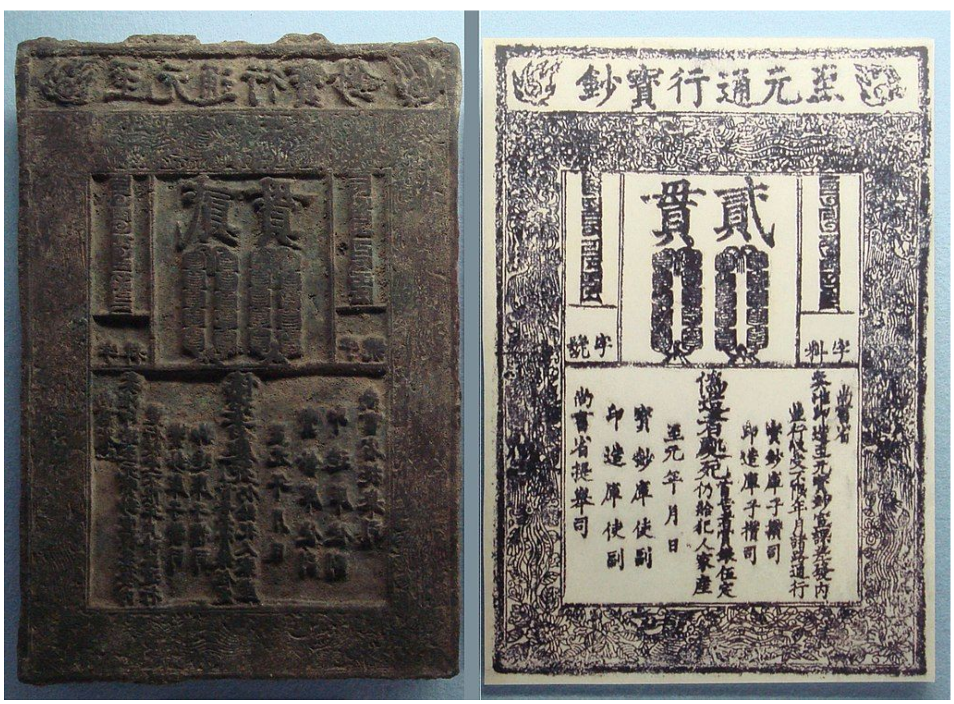
Bullion in hand is also one of the most private assets you can own outright today. It is difficult to locate, track, and trace. Both bullion buying and selling privacy nuances will be discussed in later chapters of this book. Of course with any capital gains or losses you make when buying or selling bullion, consult a tax professional on the matter.

Fiat Currencies

> [Fiat Currency](#) - *(n) currency without intrinsic value, which derives its perceived value from government decree, mandated usage in the payments of taxation, and man made laws. It differs from commodity or specie money actually made of a precious metal such as gold or silver. Historically all fiat currencies ultimately end in worthlessness.*

Ever since [August 15, 1971](#) the world for the first time ever, has been running on a global floating fiat currency exchange standard. For nearly 50 years the world's financial system has mostly been propped up by debt instruments (bonds) and oil purchases using trade agreements in US dollars (yet [changes are clearly ahead](#)).

For nearly 1,000 years, various fiat currencies have come in and out of existence. China is where they were first successfully implemented and used as a medium of exchange.



Chinese Yuan printing plate (left) and banknote (right), 1287 AD

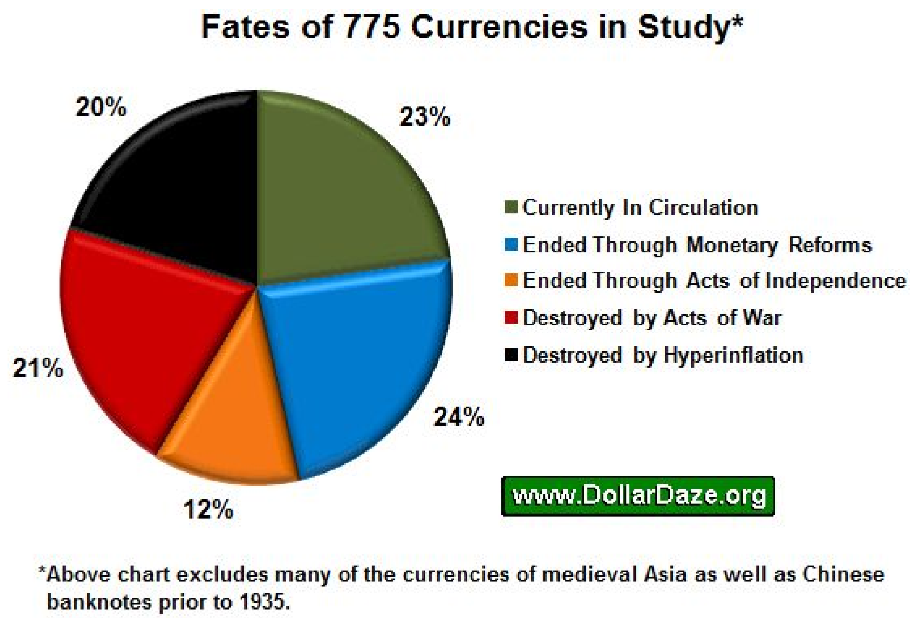
[Source](#)

“All these pieces of paper are issued with as much solemnity and authority as if they were of pure gold or silver... and indeed everybody takes them readily, for wheresoever a person may go throughout the Great Kaan's dominions he shall find these pieces of paper current, and shall be able to transact all sales and purchases of goods by means of them just as well as if they were coins of pure gold.”

- Marco Polo, *The Travels of Marco Polo* (13th Century AD)

A historic study of 775 different fiat currencies produced by DollarDaze.org stated that there is no record of a single fiat currency which has effectively held its value over the long term (e.g. a century or more).

Their study found 20% or 155 fiat currencies examined failed through hyperinflation, 21% were destroyed by war, 12% revoked by independence, 24% were “monetarily reformed”, and 23% are still in circulation perhaps approaching one of the prior mentioned endgames.



This exhaustive study also found that the average life expectancy for a fiat currency is 27 years, with the shortest life span being merely 1 month. An even more sordid and thorough detail on various fiat currency follies throughout history can be found here.

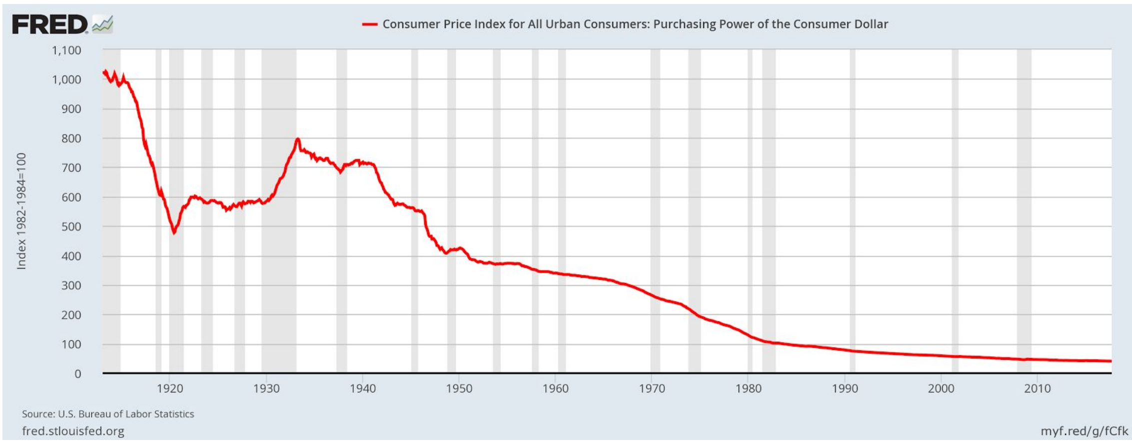
From ancient Rome, to modern day Venezuela, history is replete with examples of poorly managed fiat currency systems ending in broad ranging crisis.

The current British pound sterling has been a defacto fiat currency for 86 years yet it can arguably trace its history and lineage back over 1,200 years. For the vast majority of the pound sterling's history it existed as hard specie money, defined as 12 troy ounces of silver (and later defined in gold).

The British Empire's pound sterling became the reserve currency of the world in 1815 before the US dollar took over the reserve currency role around 1920. After Britain ended the pound sterling's ties to the gold standard in 1931 and following the destruction from WWII, its value as a fiat currency precipitously fell.

The once proud reserve currency of the world, the British pound sterling is now worth less than 1/154th or 0.65% of its original 12 troy oz silver value. In other words, the most successful long standing currency in existence has lost nearly 99.5% of its value since its official Bank of England inception some 324 years ago.

The US dollar has also been debasing steadily and similarly to the British pound in purchasing power, most especially since the founding of the private Federal Reserve central bank in 1913. See below.



Source

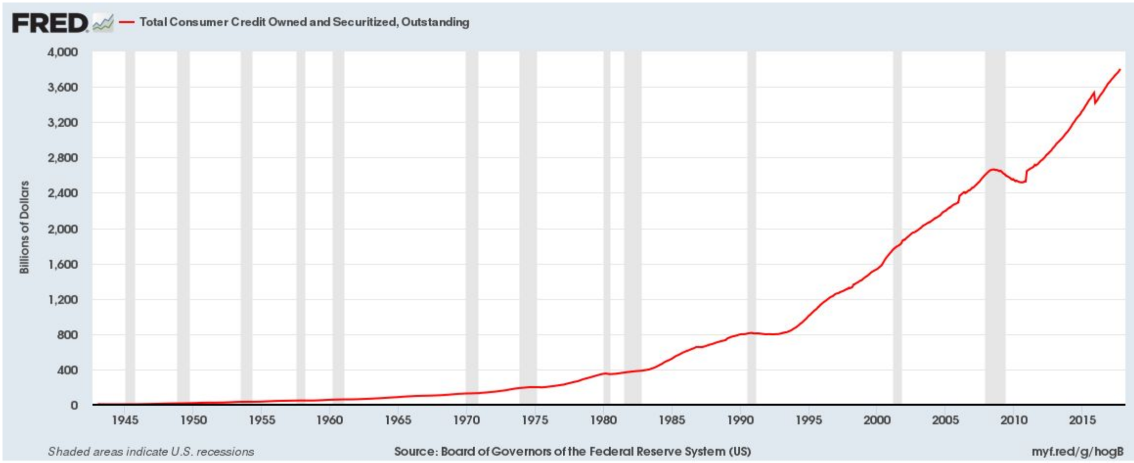
Contrary to the proverbial running lie that gold standards provoke banking crisis, the truth is ever since 1971, the world has seen more and more bank crisis than ever before. Financial lockdown laws recently implemented, are likely preparing for further future instability.

Government fiat currency systems today are based on an ever expanding debt and infinite supply design, yet they ironically reside and operate in a world of finite resources.

Nations and central banks who use fiat currencies have historically battled between runaway inflationary spells and deflationary debt collapses (e.g. global central bank QE programs were used to quell this).

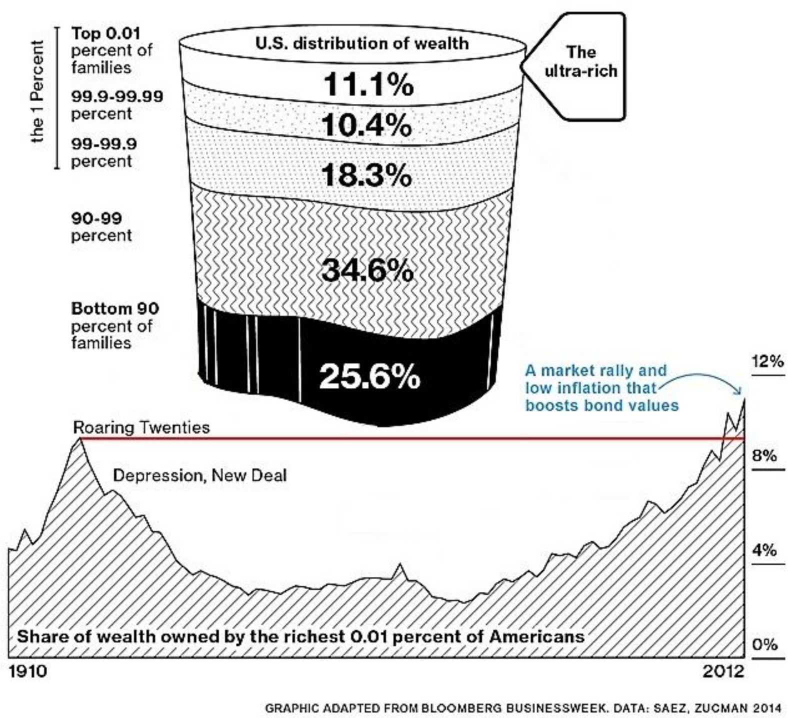
In the vast majority of cases, government sanctioned central bank policies ultimately favor price inflationary outcomes which mostly benefit and grow the size, power, and wealth of those entities which tend to feed closest to the fiat currency creation spigots (governments, central banks, large commercial banks, lobbying corporations, financiers, etc.). Those who have first access to currency and credit tend to grow most.

Wealth Inequality & Financialization



Source

Fiat currency creation sprung forth from the Nixon Shock 1971 and the repeal of the Glass Steagall Act have both contributed to growing consumer debt levels, the outsized financialization of the economy, and thus growing wealth inequality in the US economy today (1,2).



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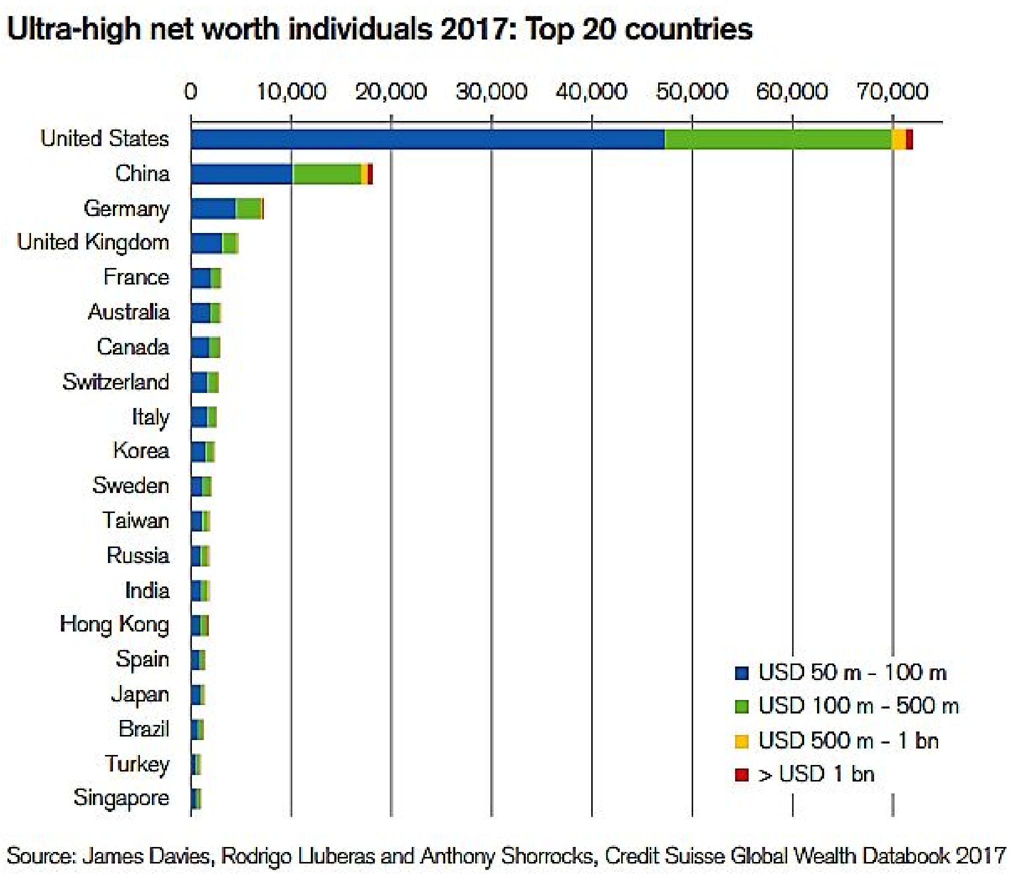
The power of innovation, financialization, and compounding returns have led to exponential increases in ultra high net worth individuals.

In the USA alone there are now more than 70,000 estates worth more than $50 USD million. This is about ½ of the world's super wealthy population, on paper.

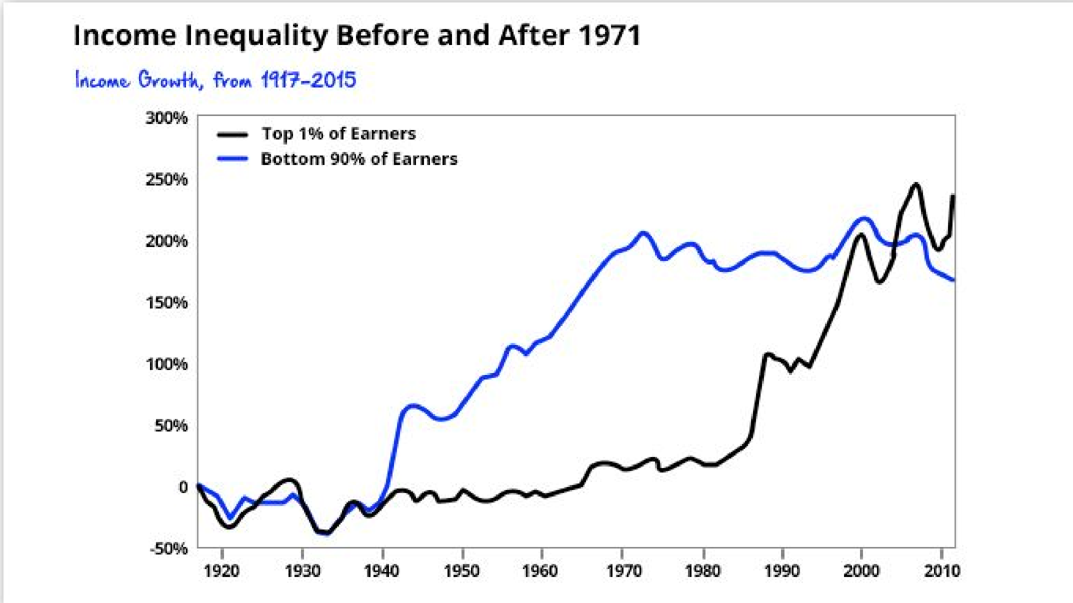
The publicly known wealthiest men on paper, are now over and nearing [$100 billion fortunes](#).



[Source](#)

The USA's large financial markets, systems of high net worth favoring laws, and reserve currency status have helped exacerbate the growing disparity of wealth on display today.

Perhaps this can continue so long as political rule rigging and mass confidence in such a system remains intact. Historic [outlier events](#) tend to balance scales in time.



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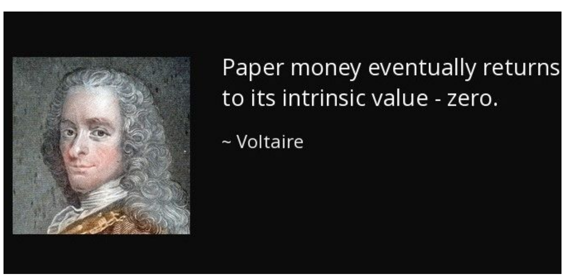
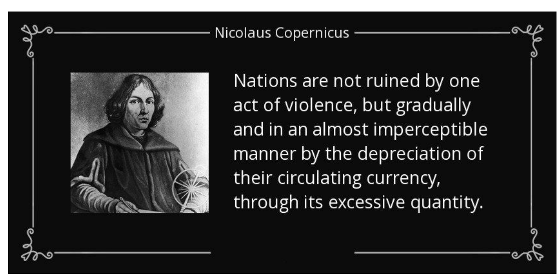
Are these growing disparities in wealth mostly a symptom of who the 'rules of the game' currently favor most?

Regardless of the answer, politically speaking the current trends are not just destabilizing, but likely untenable over the long term.



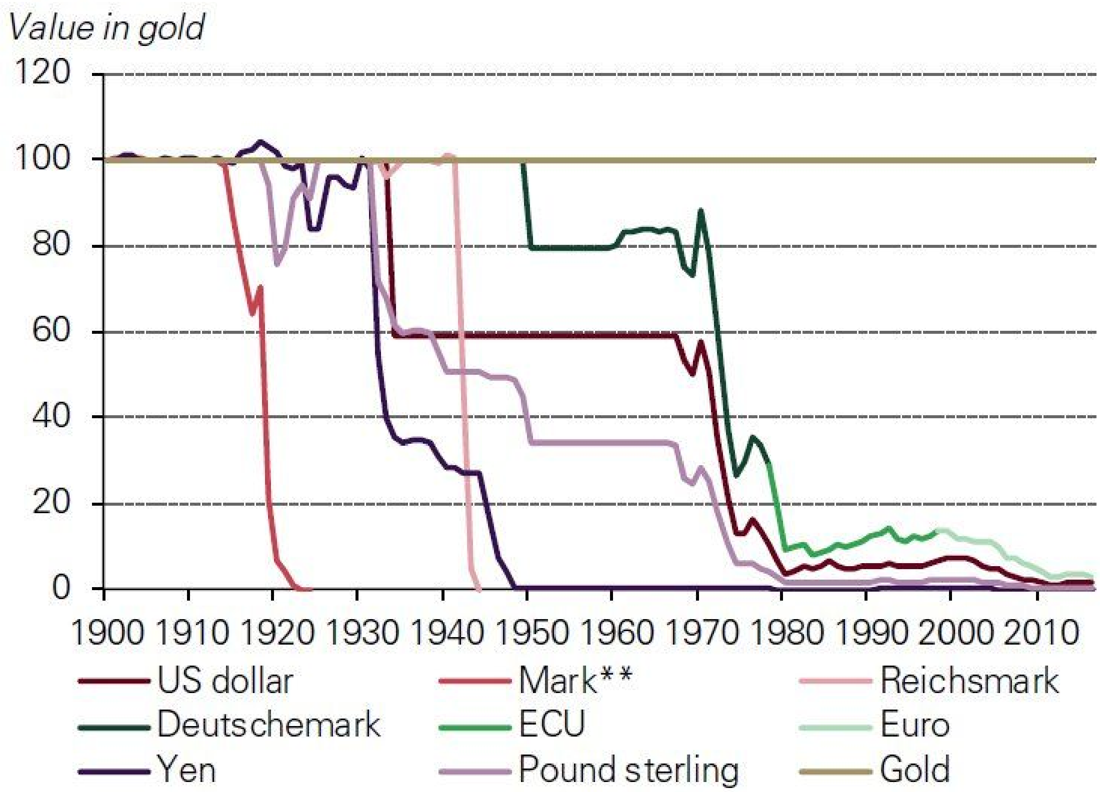


The father of modern central banking is John Law. His life's story warns how badly managed monetary policy can end with a vanishing middle class, high or even hyperinflation, mass violence, political upheaval, emerging strong-man dictatorships, and potential neo-fascist policies.

Sound minds can surely hope for the best, yet also simultaneously prepare for more supposed improbable events to come (e.g. 2008 financial crisis and other recent consistently occurring [banking crisis](#)).

Chart 3: Gold has outperformed all major fiat currencies over time

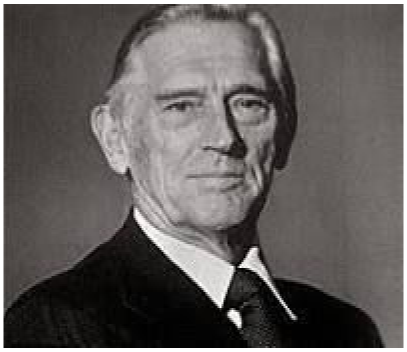
Relative value between major currencies and gold since 1900*



[Source](#)

Fiat currencies will continue to lose their value to non-technologically driven goods and services over the long haul. By the sheer essence and functionality of fiat currencies, this has and will continue to remain so.

John Exter's Pyramid Then & Now



> *"The U.S. and world economies are on the threshold of a deflationary crash that will make the 1930s look like a boom. Gold will be the single best investment to own. Buy it now while it's still cheap."*
>
> \- John Exter

John Exter (1910 - 2006) was an American economist, member of the Board of Governors of the United States Federal Reserve System, and founder of the Central Bank of Sri Lanka.

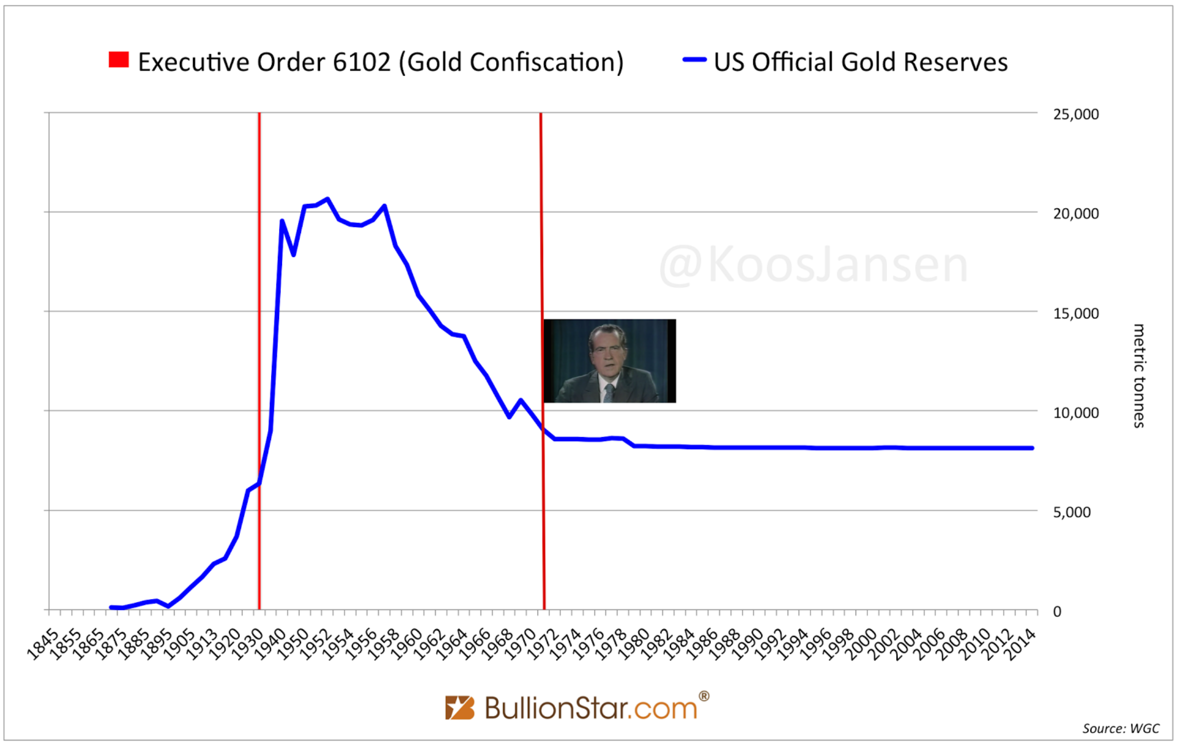
Growing up during the Great Depression, John Exter saw his Chicago bond trading father lose everything when the US stock market crashed in late 1929. This shocking incident spurred a young John Exter's interest to study and better understand what factors were responsible for the Great Depression of the 1930s.

After graduating from the College of Wooster (1928-1932) John Exter went on to study at the Fletcher School of Law and Diplomacy and in 1939, to Harvard for graduate work in economics.

After a stint at MIT during World War II, Mr. Exter began work on the Board of Governors of the Federal Reserve System as an economist. In 1948 he first served as adviser to the Secretary of Finance of the Philippines, and then as the Minister of Finance of Ceylon (now Sri Lanka) to develop its central bank. He eventually became the first governor of the newly organised Central Bank of Sri Lanka in 1950.

In 1954 the Federal Reserve Bank of New York appointed John Exter as vice president in charge of international banking and gold and silver operations.

While speaking at the Detroit Economic Club in 1980, Mr. Exter stated that when he took charge of gold and silver operations at the New York Fed in 1954, US gold reserves were valued at $24 USD billion (gold was valued then at $35 USD oz). The attempt to contain gold prices soon followed.



Source Chart + Addendum

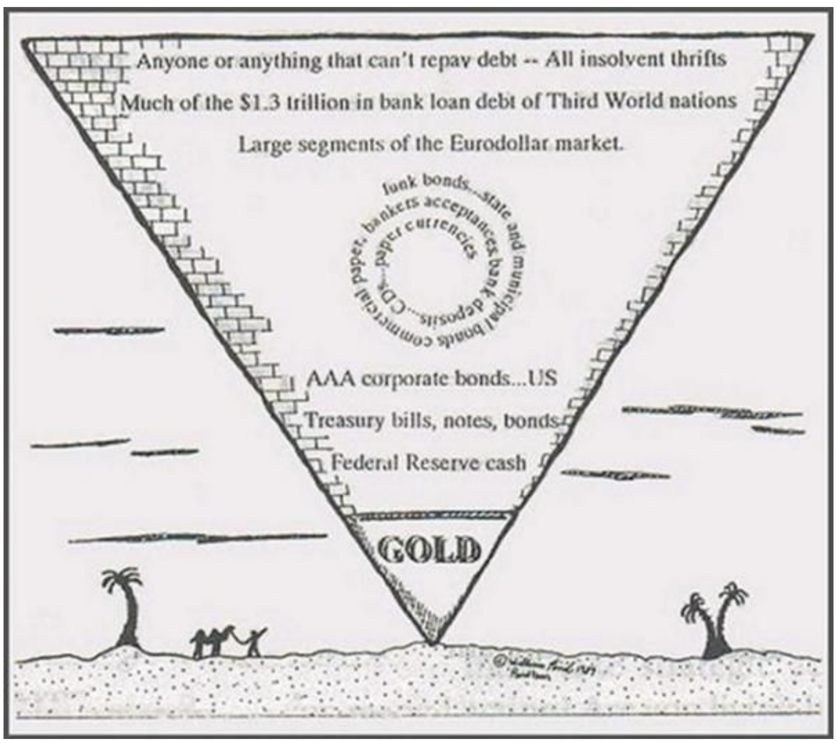
By 1962, as the western led London Gold Pool price suppression agreement was well underway, US gold reserves had fallen to $16 billion. Then by 1966, US gold reserves had dropped to $13.5 billion (all while still valued at a 'fixed' $35 oz price the whole time).

Shortly following Exter's tenure at the Federal Reserve the Bretton Woods agreement was broken and the US dollar became a fully fiat currency without gold redemption by middle August 1971 (note Nixon's head in the chart above).

Now all government issued currencies everywhere still have no formal ties to gold at all, hence they are all fiat currencies (which will continue to lose value to bullion by design with time).

Even as the US nearly spent all the gold it confiscated from its citizens in 1933, the London Gold Pool ultimately failed to control the price of gold as France and other nations continually demanded gold over US dollars in balance of trade settlements.

Today, John Exter is mostly known for creating Exter's Pyramid, which he designed and used about 50 years ago to help visualize the organization of asset classes in terms of their overall risk of default (potential for bankruptcy) and overall notional value.

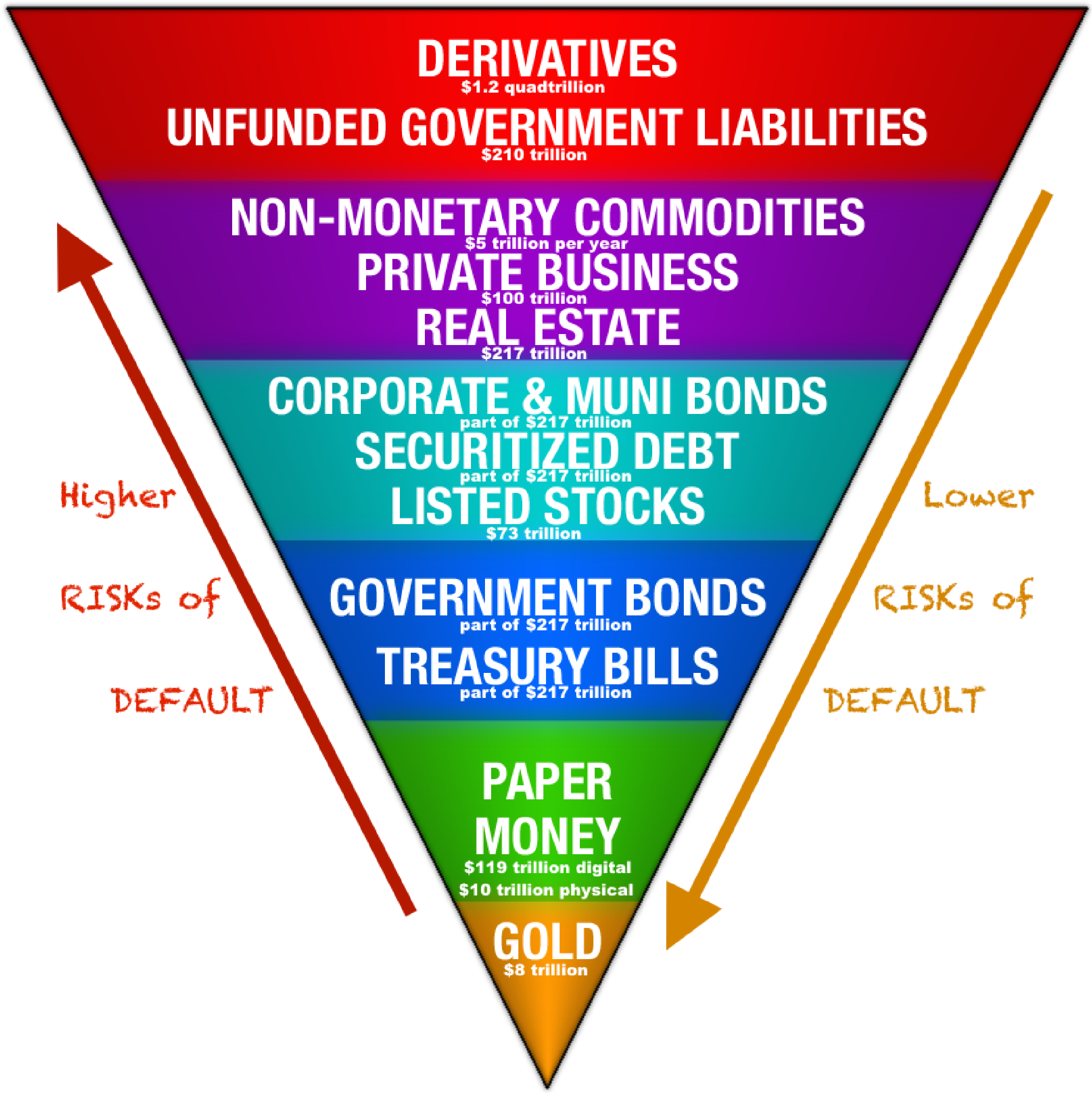


Source

In Exter's original illustration, gold bullion forms the tiny base as the most reliable asset class, while other asset classes built on higher levels are progressively more risky.

The larger width of asset classes at higher levels of the inverse pyramid represent their larger total worldwide notional value at the time. Exter's original pyramid placed Third World debt at the top.

Today derivatives hold this questionable honor. Below is a more modern version.



Source

Exter's debt pyramid has been able to keep expanding as financial innovation and economic financialization has introduced ever more leverage into the global economy.

The mushrooming derivatives market with its credit default swaps, collateralized debt obligations, mortgage backed securities, etc. have all taken top risky residency in this more modern inverted Exter pyramid.

According to Exter's model, those derivatives with the weakest and furthest links from base money are the first to be rejected and potentially bankrupted. As confidence vanishes and a broad based liquidation process ensues, higher risk asset class values cascade into their underlying collateral. The financial spillover effects flow down the pyramid even into the least risky securities and, near the tip of the pyramid, paper currency itself.

In crisis, paper currencies are unlikely to default in the short term within the nation states they have legal tender status in. But unlike physical gold bullion, government fiat currencies can be printed and devalued at will. Measuring the masses confidence in them is difficult to so, the breaking point it unknown. What is indeed known is that throughout history and without exception, all monetary proxies stemming from bullion eventually become worthless, given enough time.

Gold bullion forms the smallest base in the inverted pyramid of risk. This is because physical gold bullion is the most default proof asset an investor can own. It is for this reason central banks own 1 out 5 ounces of gold ever mined within their vaults.

Related to gold bullion, all other physical precious metal bullion items (silver, platinum, and palladium) are similarly default proof, as they are extremely scarce and do not require the performance of other parties to always maintain some measure of value in the financial market.

Finally below, a 3-dimensional rendering of the modern day Exter pyramid. Those large green walls represent stacked pallets of $100 US dollar bills. Illustrated at scale, each division of the inverted pyramid is drawn respective to the size of each asset class it represents.

See if you can spot landmarks like the Statue of Liberty, the old World Trade Center Towers, the physical supply of gold bullion at the tip of the pyramid itself.

Source

Growing Global Debts

About 10 years ago, a series of rolling credit shocks and bank crashes led to the deepest worldwide economic recession for more than a generation. Following the 2008 global financial crisis the world has experienced a decade of sluggish growth and sharp accumulating debt loads.

Over 55% of the $230 trillion in cumulative global debt currently owed, has been newly issued since the beginning of the global financial crisis beginning in 2007.

On August 9, 2007, the European Central Bank propped its money markets with billions of euros in emergency cash injections in order to prevent a seizure in the EU banking system after France's BNP Paribas shut down investment funds hobbled by a U.S. mortgage and asset-backed bond market collapse.

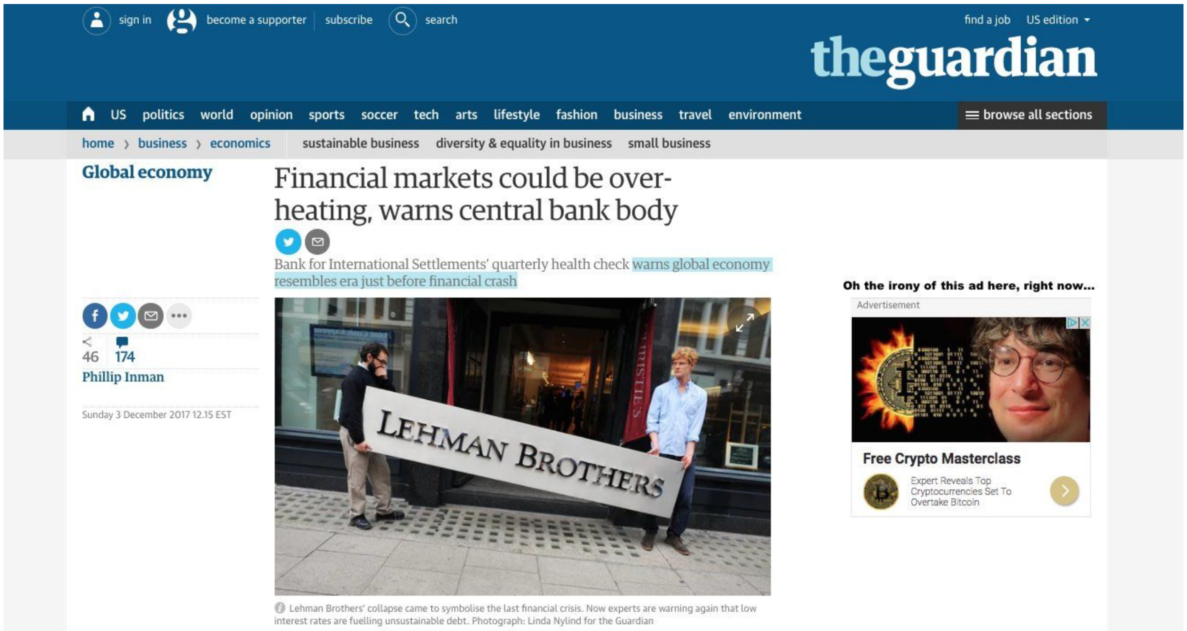
Several bank collapses in Britain, the USA, Germany, and elsewhere ensued over the following 18 months. The culmination of the financial crisis was when a 157 year old investment bank in the USA, called Lehman Brothers, was allowed to go bankrupt in September 2008. This whole saga triggered a worldwide financial panic, deep recession, and eventual financial rescue packages launched by the U.S. government, its Federal Reserve central bank, other G20 nations and their subsequent additional unprecedented central bank actions undertaken.

Since the 2008 global financial crisis, for the most part governments and their central banks opted to bail out banks and the financial system engaging in quantitative easing (QE) programs which certainly aided many potentially bankrupt banks and their dubious 'mark to model' balance sheets, whilst further indebting government and central bank balance sheets and their citizenries at large.

Although credit bubbles and excessive borrowings were the causes of the 2008 financial crash, the attempts to deleverage in this painful recovery have woefully failed globally.

In other words, the inputs and conditions that led to the 2008 crisis have not been structurally addressed, rather they have grown and expanded around us since.

The central bank of central banks (Bank for International Settlements) is now putting out pre-crisis warnings in large financial media spaces echoing the aforementioned points.



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Global economy

Financial markets could be over-heating, warns central bank body

Bank for International Settlements' quarterly health check warns global economy resembles era just before financial crash

46 | 174

Phillip Inman

Sunday 3 December 2017 12.15 EST

Lehman Brothers' collapse came to symbolise the last financial crisis. Now experts are warning again that low interest rates are fuelling unsustainable debt. Photograph: Linda Nylind for the Guardian

Oh the irony of this ad here, right now...

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December 3, 2017 - BIS warns global economy resembles era just before financial crash. Source

Figures from the Institute for International Finance (IFF) show total global debt has continued to aggressively rise since the 2007-2008 financial crisis and by Q3 2017 stood over $230 trillion, over 327% of total global (GDP).

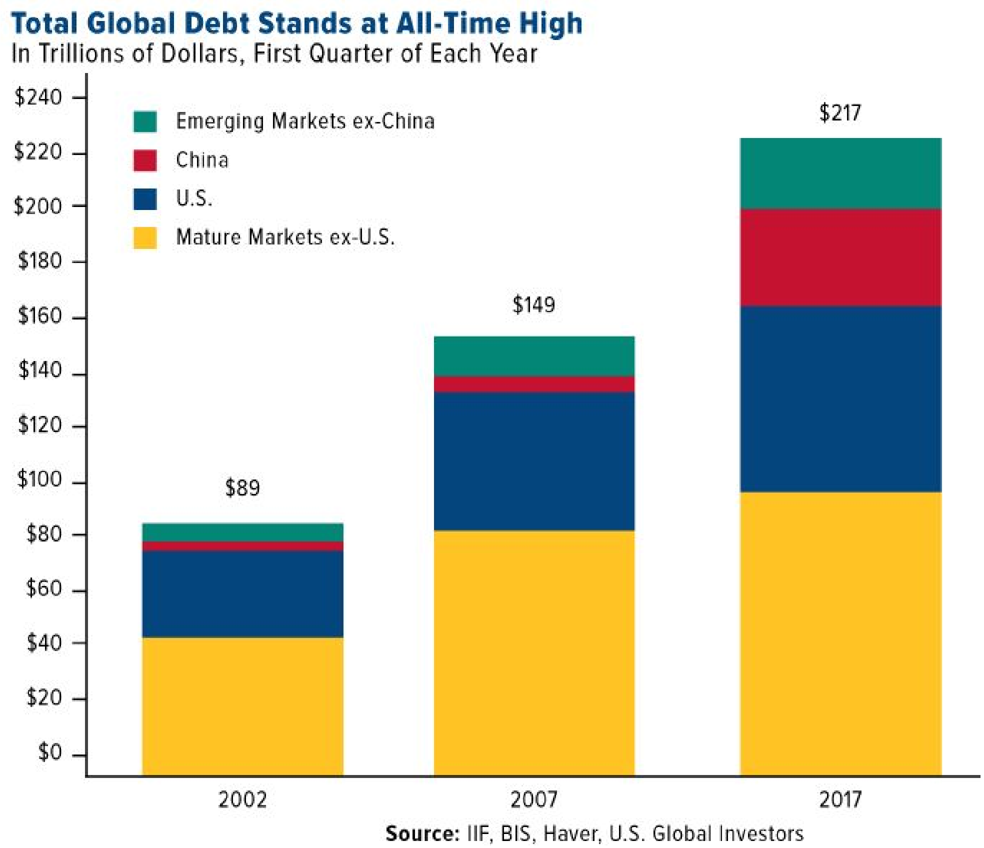


Chart Source + Debt Update

Since the financial crisis began in 2007, the world's total current debts (public and private) have increased by over 55% in a ten year timeframe.

How sustainable is this?

Much of the new debt growth over these past 10 years has come via China's more than tripling of its M1 & M2 money supplies.

None of these aforementioned debt figures take into account unfunded liabilities and promises made by many western governments.

The USA alone using basic accounting standards (GAAP) has a conservative estimate of over $100 USD trillion in unfunded liability on its hands. Such a large figure is difficult to put into context. If current US unfunded liability was converted into time, in 1 seconds per $1 US dollar, the timespan would last longer than 3,000,000 years.

Governments are left with a choice between continuous fiat currency purchasing debasement, further debt expansion and borrowing, or a deflationary depression and economic collapse. Ultimately vast government debts will either be defaulted upon or debased.

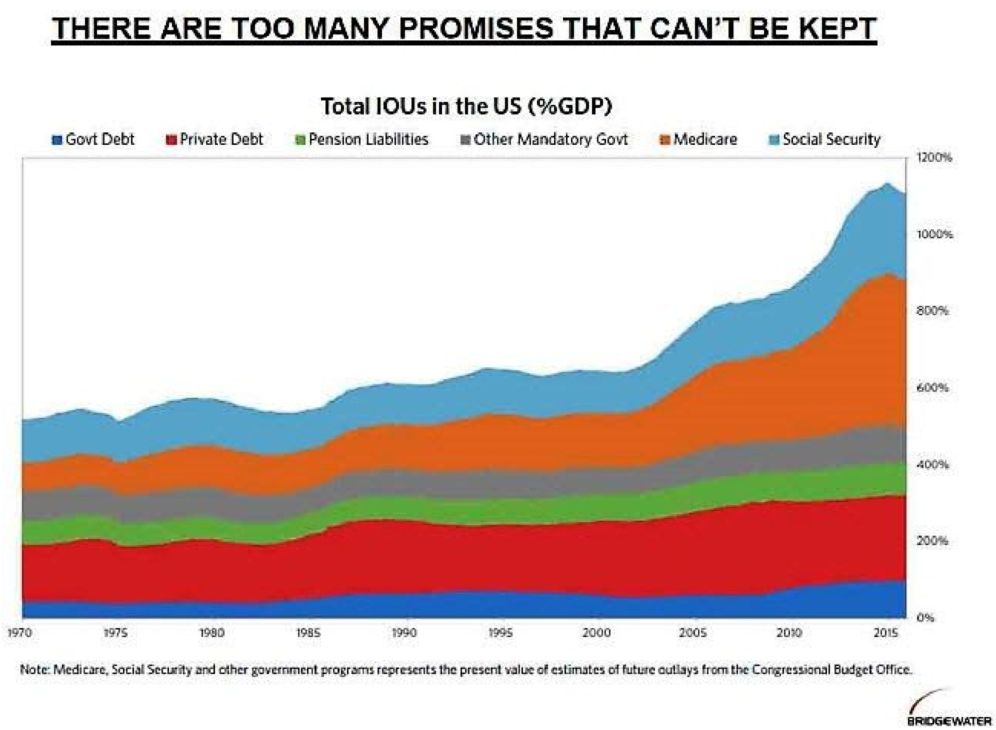
Average human confidence in the financial system and fiat currencies could falter drastically further. If record low currency velocity somehow sharply reverts and gets out of hand, runaway purchasing power debasement would be but one of the end results.

An Unfunded Future

Often we hear of the USA's ever growing $20 USD trillion debt which is about equal to our nation's annual gross domestic product. This figure tells but a fraction of the true current and future situation we face.

What often gets ignored are the much larger, legally required, mostly unfunded payment liabilities ahead for pensions, Social Security, Medicare, private debts, and other mandatory government IOUs.

Some expert estimates state the USA has a current fiscal gap of about $210 USD trillion in net present value.



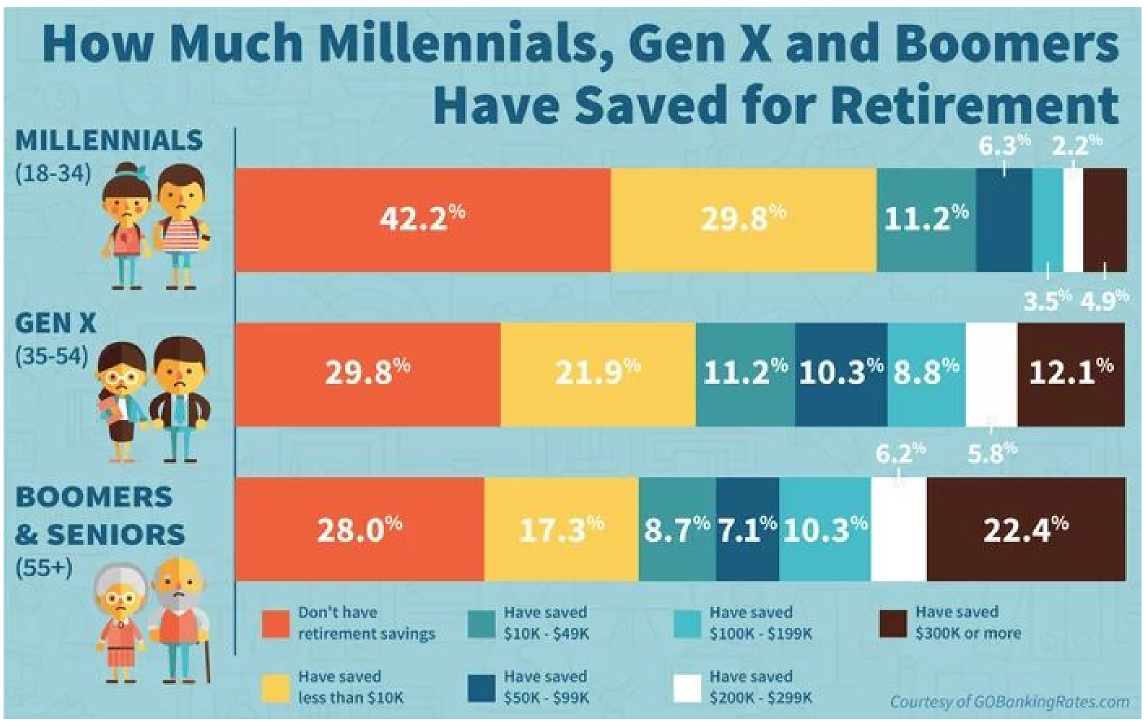
Source

The price of this ongoing mathematical delusion and denial will most likely be paid in part by dramatically lessened future currency values, higher taxes (VAT), unprecedented negative interest rate policies, punitive cash withdrawal fees, financial and capital controls, etc.

Poor demographics are not helping the situation either. About 1/4th of the USA's population is made up of elder '[baby boomers]' who are actively retiring at a clip of about 10,000 per day from the workforce.

Given the combined consistent loss of the US dollar's purchasing power over the last 15 years specifically and the virtually nonexistent growth of [median incomes] over the same timeframe, it's difficult to foresee to whom in mass these retiring investors will sell their assets to help fund their retirements with.

Consider our elevated late 2017 [Everything Bubble] prices ranging across many large city center real estate markets, current stock market valuations, bond values, etc.



Source

Based on demographic math and general investor ages in the west, the 2020s should become very volatile for interest rates, bonds, equities, currencies, and thus bullion valuations as well.

10% Bullion Allocation Fallacy Backtested (1968 - 2016)

Over the past decade I have worked and invested in the physical precious metals industry and throughout this same timeframe Jeffrey Christian and the CPM Group has consistently produced accurate market projections.

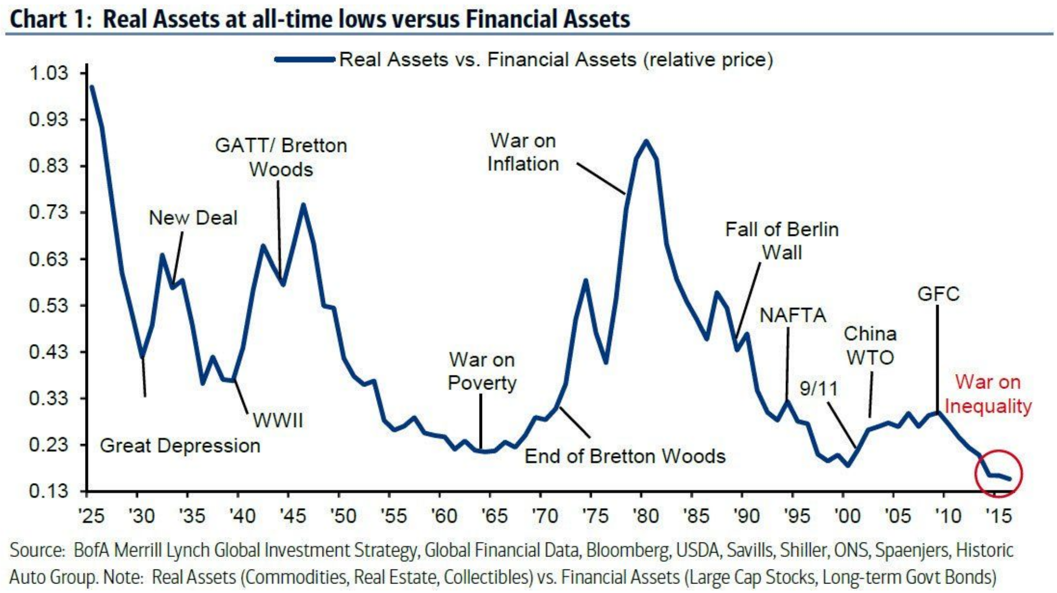
Jeffrey Christian is also a somewhat controversial figure amongst many long term bullion buyers mostly due to his explicit citing in a 2010 CFTC hearing of the common usage of about 100 oz paper derivatives to 1 oz bullion leverage in bullion price discovery mechanisms (note moment 5:30 here). Mr. Christian was correct in the year 2010, when he cited the virtually unbacked leverage in use then and now for gold price discovery.

Also he continuously shakes off mounting evidence of modern day gold and silver price rigging collusion(s) which can have continual negative effects on bullion price discovery mechanisms. We'll examine more on the topic of 'gold price discovery' in the Gold Fundamentals section shortly.

My experience studying Jeff and the CPM Group's work suggests not to bet against his nor his research firm's analysis. Jeff was bearish as we reached interim price highs for silver in the spring of 2011 and gold in the fall of 2011 whilst myself and most other precious metal bullion buyers and sellers had little clue we would endure a cyclical bear market (aka bear trap) for as long and as pronounced as we have had to date.

While this 2000s secular bullion bull market appears to be stretching about 2.5Xs the timeframe as the last 1970 to 1980 version, Mr. Christian has recently been on record stating good years are ahead for both silver and gold bullion prices.

Given where we stand today in terms of outsized financial asset price valuations vs tangible real asset values, perhaps Jeff is not sticking his neck out all that far.



Source

Regardless, the point of this preamble is to merely set up an important study Jeff and his CPM Group recently released on the already mentioned '*10% Gold Allocation fallacy*'.

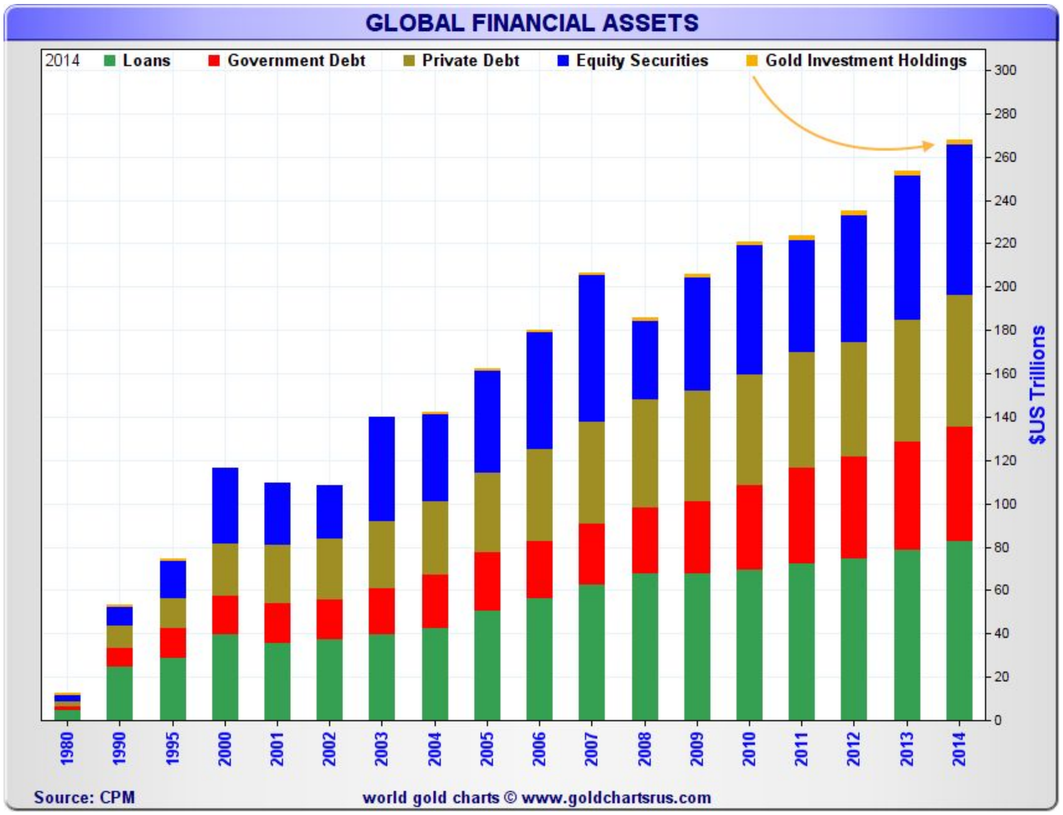
More often than not, if you have studied the gold space, you've heard experts asked what percentage people should hold in precious metals like gold or silver bullion for instance.

Often, even financially worshiped names politely make 5 to 10% suggestions for bullion allocations. This misnomer according to Jeff, stems from studies produced in the early 1980s back when gold's investment and physical valuations versus other financial and real estate assets were much larger than they are today.

Currently gold is dwarfed by other more illusory financial assets valuations.

How much longer will this remain so?

What might a reversion look like?



Backtesting 10% Gold Allocation Suggestions from 1968 - 2016

According to this new study by Mr. Christian and CPM Group, adding physical precious metal bullion products to equity and bond allocations improves the return to risk profile of the entire investment portfolio.

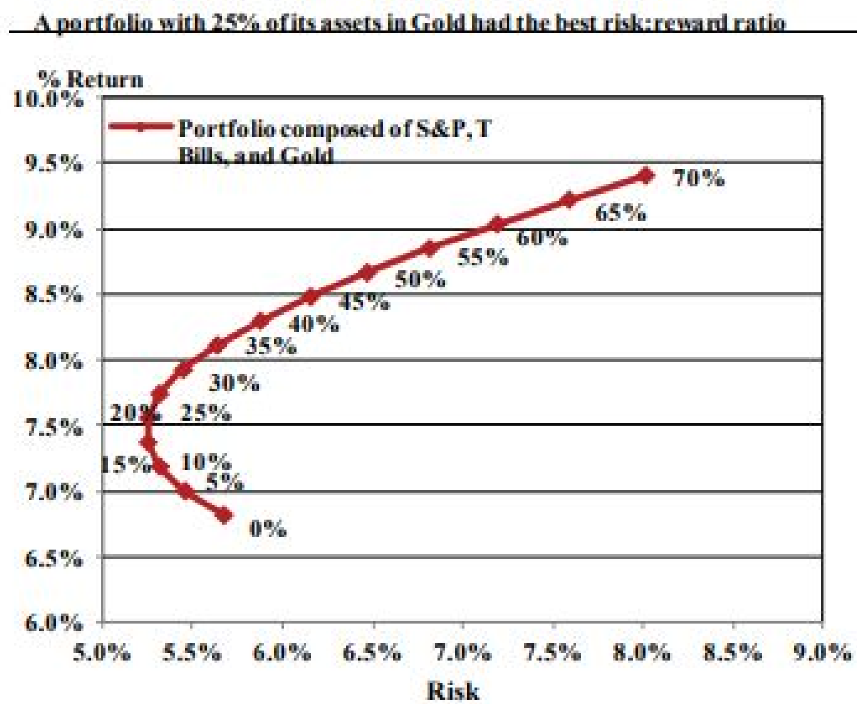
This conclusion was made based on a study of 450 separate investment portfolios, which contained equity, debt, and various combinations and weightings of the 4 precious metals we are covering as well – gold, silver, platinum, and palladium.

Monthly data spanning from January 1968 to December 2016 was used in this backtest study which is a rather important time span as from August 15, 1971 the world has been on a fully floating fiat currency exchange standard. This fact basically ensure bullion's solid performance over the same time frame, even with any potential price suppressions ongoing.

The S&P 500 was used as a proxy for the equity markets and US T-Bills or US T-Bonds were used as a proxy for the debt component of the model portfolios.

The precious metals weightings ranged from 0% to 70% of the various backtested investment portfolios. When more than one precious metal was included in a portfolio they were equally weighted and never exceeded 70% of the portfolio. Total precious metals weightings were raised in increments of 5% per annum. The first backtested investment portfolio had a combination of equity and debt with zero precious metal price exposure. The final of the 450 various backtested investment portfolios contained as high as 70% precious metals allocations.

What they found was from 1968 to 2016. if you took a portfolio of 50% S&P and 50% T-bills and you added gold to it in 5% increments annually, the *optimal risk reward allocation* was actually about **25% gold** depending on whether you used T-bills or T-bonds respectively.



Source

When adding only individual metals to a debt and equity investment portfolio, gold bullion alone was the best choice for improving the return to risk ratio from 1968 through

2016. Of course there are smaller time frames where either palladium, platinum, and certainly silver bullion outperform gold bullion. This study took into account nearly 50 years of data as a whole.

With allocations above 25% precious metals exposure, the risks to the portfolio's volatility rose faster than the returns from having more precious metal exposure within the portfolio. The benefit of adding each of the other precious metals individually to the portfolio peaked at 5% and the improvement in the return to risk ratio was relatively smaller compared with a portfolio that added only gold price exposure.

Again note that this recent CPM Group study on 25% gold allocations spans almost the *entire full fiat currency era* in which we have lived under, where all nations states have and continue to only issue paper and digital currencies backed by the full faith, credit, and taxation powers of their respective nation states.

This study also only took into account US equity markets (S&P 500) without dividends reinvested. Other studies backtesting over 100 years have done this.

Guess what their conclusions are?

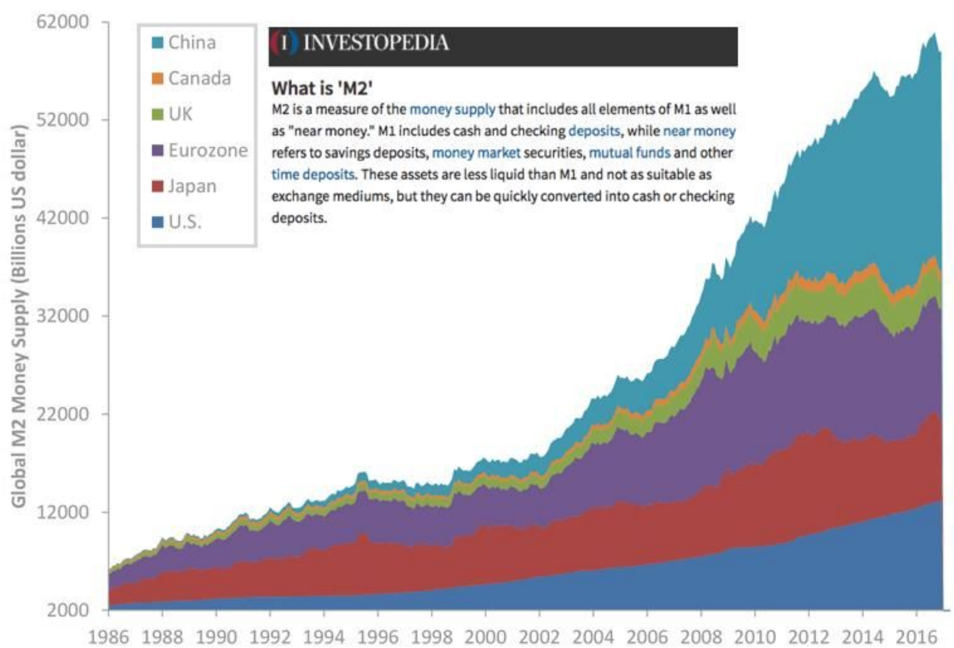
> Gold is the only asset sure to rise in a thorough liquidation, yet few are able to stomach the percentage holding that history and theory suggest is prudent. Since the Federal Reserve began operations in 1914, for example, annually rebalancing a portfolio to consist of 20% gold (as recommended by the storied Swiss private banks of old) and 80% S&P 500 boosted overall returns by 8.2% compared with the S&P 500 alone while reducing the annual standard deviation of returns by 15%.[1] The math and theory are clear, but how many current market participants maintain 20% of their assets in gold bullion?
>
> 1 Myrmikan's May letter gave an optimal figure of 26%, but this ignored S&P 500 dividends. The figures presented here include the addition of dividends taxed at the highest marginal rate then in effect. Assuming the tax rate on dividends had been consistently 37% (the current top marginal rate) a rebalanced portfolio including 14% gold would have outperformed by 5.7%. At the top "qualified dividend tax rate" of 15% (a scheme introduced in 2003), the optimal gold holding would have been 11%, which would have outperformed the straight portfolio by 3.4% and reduced annual volatility by 13%.

FYI - "thorough liquidation" is an economic cycle when bankrupt balance sheets are recognized in mass

Source

Global physical gold and silver supplies and inventories expand slowly (it is not easy to get the out of the Earth). This is why by nature a fully sound monetary system using hard specie money tends to be deflationary over time. Historic war causing price inflations aside, when using sound specie monies, normal life expenses generally drop with time due to increasing technological gains vs slower expanding money supply levels (e.g. see the 1800s in the USA).

The same cannot be said for the 180 various fiat currency numeraires in existence today.



Source: Central Bank M2 Money Supply Chart + M2 Definition

Simply refer to the rapid growth in the M2 chart above and look at the growth in 6 of the largest fiat currencies over the past 30 years alone. It doesn't appear this fiat currency expansion trend is reversing any time soon.

Especially since 2008, much of this recent currency creation has gone into Chinese infrastructure pushes, as well to help prop up financial markets across the world.

While the big corporate banks flounder, one bank in Japan is seeing unprecedented growth. Hint: it's the one that can create money from thin air.

As part of its aggressive monetary policy, the Bank of Japan (BoJ) has spent the last few years buying up Japanese financial assets. The result: it now owns a stunning 75% of all Japanese ETFs, and 47% of all Japanese bonds.

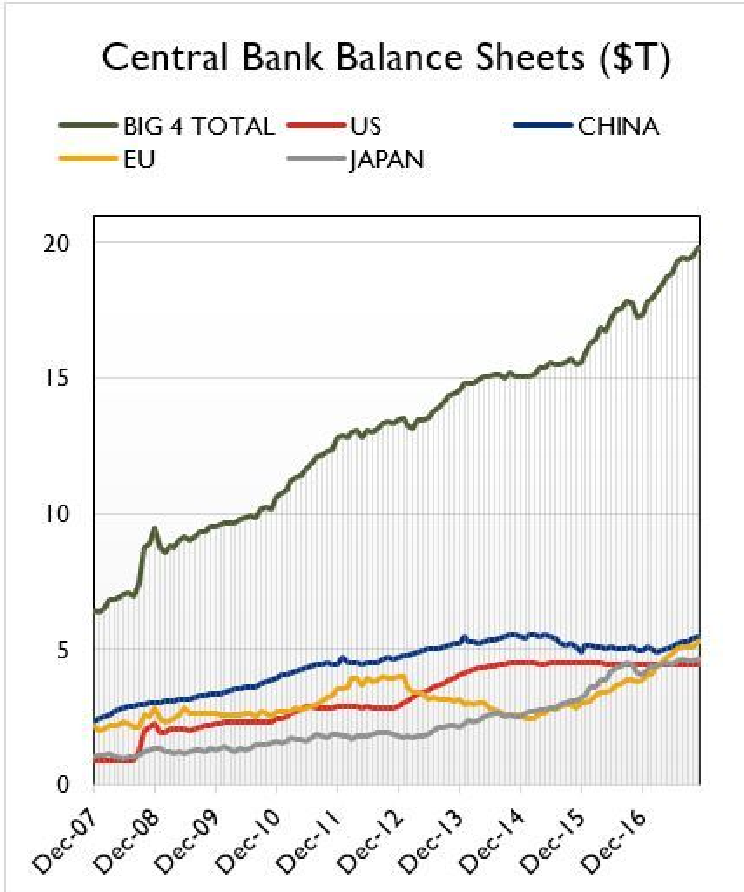
Because of the BoJ's gargantuan influence on the markets, traders and investors hang on Governor Kuroda's every word. Indeed, there's a lot of nervous chatter right now about his recent comments that the BoJ may consider scaling back its stimulus.

Markets have grown accustomed to – and some would say reliant on – the BoJ's constant injections of liquidity since 2013. Any change in the BoJ's "full speed ahead" monetary stance will likely shake up stock and bond prices quite a bit.

Source

Central bank balance sheet growth has now more than tripled since the financial crisis started in 2007 as their supposed mandate for monetary policy alone has well crossed over into helping manage the political fiscal policy-side in their government partnership.

Monetary authorities currently claim to be gearing up to, and or are, actively tightening financial markets by raising interest rates. Their promised deleveraging of their balance sheets is supposedly to come as well. I suggest we hedge on their unorderly failure to do so without inciting unintended consequences, recessions, or potential financial crisis.



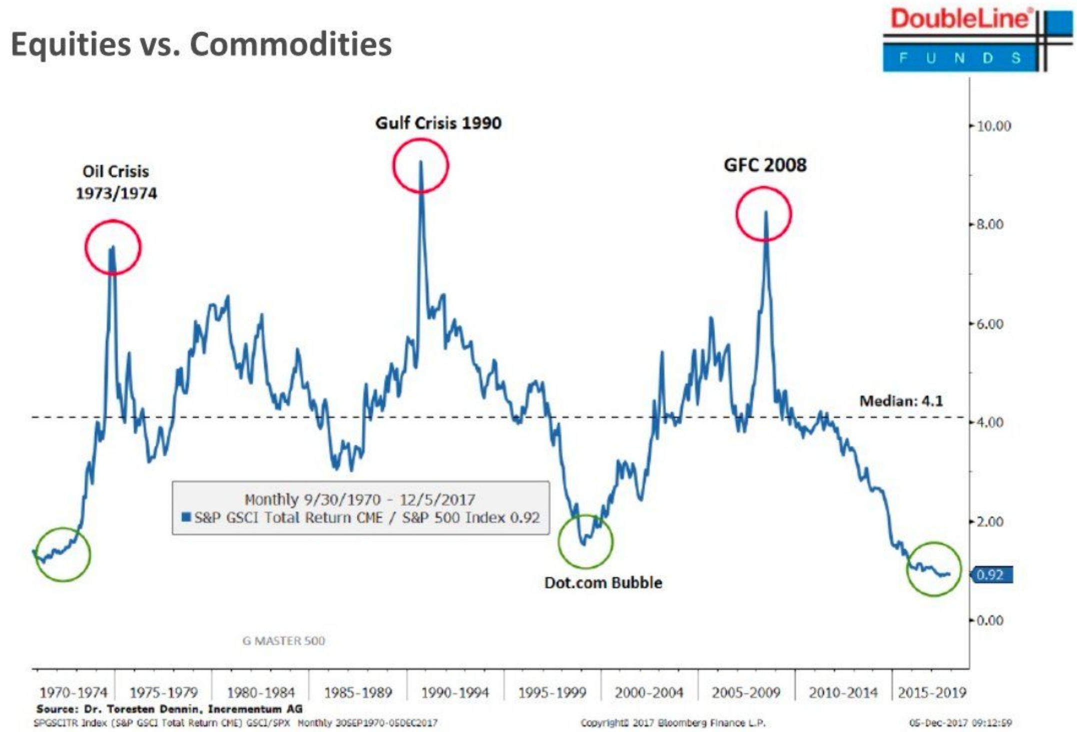
Source: Bloomberg LP, as of 12/19/17. For illustrative purposes only.

^^^ Big 4 Central Bank Balance Sheets near $20 USD trillion ^^^ Source

In less than 50 years since national currencies cut final ties to gold, all fiat currencies have exceedingly lost over 90% of their value to gold and silver. Structurally we still remain fiat with little to no discipline exhibited. Instead central banks are creating currency to buy 'assets' on their balance sheets to help prop up financial markets.

With continued lacking discipline in monetary policies, we have now reached record 5,000 year low interest rates awith mushrooming global debt levels. How much further do we continue on this path? Do we reverse this debt build-up without unintended consequences and further financial crisis to come?

We might consider heeding the suggested 1/4th allocation to bullion study we have just covered when considering what to do with our wealth now and ahead. Especially when one considers how highly valued equities and bonds are to bullion and other commodities [at the moment](#).



[Source](#)

Turn off confusing short term squawk boxes. Take the long view.

Legacy financial media models almost never fully or explicitly tell you what's going down.

Consider older world, old money practices which have allowed dynastic families to preserve wealth. Not merely for generations, but for *900 years consecutively*.

According [to this](#) and other [anecdotal descriptions](#). Long standing wealthy families focus on buying the "*things that last*" to preserve capital.

Aside from their businesses and day to day fundings, dynastic wealthy families basically spread 1/3rd allocations of capital into enduring valuable items like fine art, quality land, and gold bullion acquisitions.

In the long view, simply consider owning somewhat less of the things that do not last.

Gresham's Law: Then & Now

Gresham's law states that "bad money drives out good".

In other words, if there are two forms of commodity money in circulation and both are accepted by law as having the same face values, the more valuable commodity money will disappear into people's safekeeping whilst the other less valuable commodity money will continue being used and spent in circulation.

Only some 50 years ago we have a real life example of this principle at work. Silver coins were widely circulated in the United States until the Coinage Act of 1965 was passed.

You may have seen or even own some 90% silver dimes and quarters or perhaps much lesser issued 1970s silver half-dollars. Regardless the effects of currency debasement are undeniably obvious. Welcome to McDonald's, can I take your order?

McDonald's Menu in 1972 AD **Source**

Other nations before and around the same time like Britain, France, Canada, Mexico, etc., also debased their nation's currency supply by switching to cheaper metals for coin issuance.

Again the older silver coins disappeared from circulation choosing to use the newer debased coins in daily transactions instead. People once again displayed common sense.

According to collector coin experts, in the last silver bull market peak in 1980, nearly 75% of all the hoarded US Constitutional silver coins were melted for scrap as many silver speculators seeked to cash in on rising precious metal prices.

Silver refineries became so backed up, junk and scrap silver sales were made at less than 30% of spot according to one brick and mortar coin dealer who worked through the 1970s and 1980 price peak.

This phenomenon even shows up in increasingly debased base metal coinage.

Every government mint issues digital and physical fiat currencies in one form or another, as well as debased cupro-nickel coinage. Most of all modern day cupro-nickel coinage is worth more in face value than it is in its metal melt values.

When this is not the case, laws banning coin melting are implemented or the coinage goes missing (hoarded and eventually melted down domestically or internationally to reap higher price profits).

This axiom also gets turned on its head today by nation states.

Many government mints now issue physical precious metal coins and even bars for investors to buy. Often the government issued physical precious metal coins have legal tender face value denominations well below their precious metal melt values.

Is a 1 oz American Silver Eagle Coin only worth $1 USD?

Why do governments out low legal tender face values on bullion coins intentionally?

Doing perhaps so helps ensure debased fiat currencies continue circulating while sound valuable commodity monies stay hoarded and never fully compete or undermine the fiat currency seigniorage powers of the state.

So long as confidence and market forces continue to allow it, poor quality currency can circulate whilst hard specie money stays saved, protected, hidden, and hoarded.

Governments historically do not willingly give up fiat currency issuance powers without tantrums. It is market forces that tend to take that power away, after much strife typically.

Over the past nine years or so, rather than endure additional bankruptcies and painful structural reforms required to make the financial system more sound, the world has gone on a debt binge adding $72 trillion combined public and private debt burdens (45% more total debt than during the start of the last financial crisis).

Perhaps why the world's central bank of central bank's supranational law making body and other domestic regulatory bodies have all been so hard at work, setting up anti-financial spillover laws to contain the next potential crisis, bank runs, and all the possible spillover effects that would entail.

Think corralitos only happen in 3rd world nations?

Think again.

Many basic once long standing financial statues have been quietly adjusted since 2008. Financial lockdown laws and mechanisms to avoid spillover effects are now readied.

Money market mutual funds (supposedly almost as safe as bank accounts) can now legally be shut down. Mutual fund redemptions can be suspended, with the principal investment now possible to be paid back at less than par (the amount that was originally invested). In other words, during a real market crisis, withdrawing mutual funds may be impossible or at a substantial haircut or loss. Once the crisis subsides you still may simply receive back less than each $1 USD of principal invested into the supposedly safe mutual fund.

And even regular bank accounts and demand deposits are now also vulnerable to recent changes in financial laws. Not merely typical bank accounts in the USA, but throughout the G20 nations as a whole.

The future consequences of all this could be far reaching, perhaps all the way to the base of Exter's inverted financial pyramid.

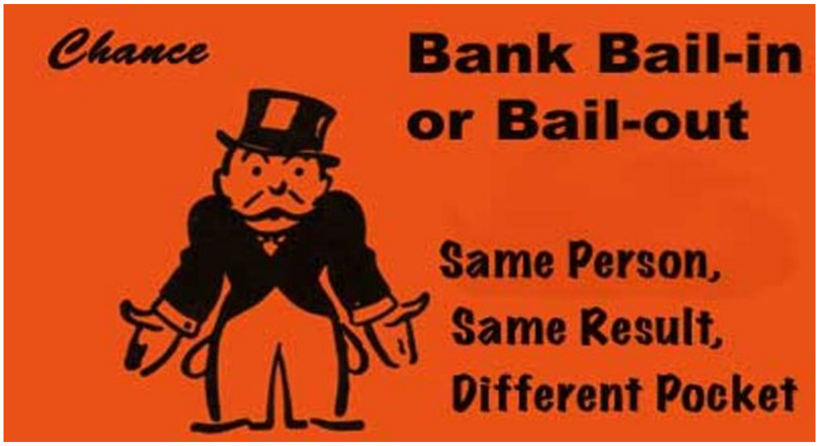
Such drastic anti-financial spillover laws have been recently put into place for real reasons. The global financial system is now more unstable and fragile than what many record nominal prices are perhaps conveying.

'Legalized' G20 Bank Bail-In Laws

Since the end of 2014, new G20 Bank Bail-In Laws have been put into place.

Bank depositors are now legally treated as unsecured creditors in the largest economies in the world.

> G20 - (*n) the world's largest 19 national economies, including the USA, and the European Union together, a group of 20. Additionally there are representatives of the International Monetary Fund (IMF) and the World Bank. The G20 finance ministers and central bank governors began meeting in 1999, at the suggestion of the G7 finance ministers in response to various financial crisis in the 1990s.*
>
> Bail-In - *(n) to restructure a financial institution that is on the brink of failure by forcing its creditors and depositors to take a loss on their holdings. Regarded as a rescue of last resort to help a troubled financial institution's ability to attract future business. A bail-in is different from a bail-out, which involves the rescue of a financial institution typically by government credit extensions into the failing private sector.*



Bail-out vs Bail-in

To address potential future bank failures, the G20 bank bail-in solution is now law.

It is a relatively newly signed supranational law and purportedly the brainchild of the IMF's current managing director, Christine LaGarde.


IMF STAFF DISCUSSION NOTE

April 24, 2012

SDN/12/03

From Bail-out to Bail-in: Mandatory Debt Restructuring of Systemic Financial Institutions

IMF Notes Leading to New 2014 Bank Bail-In Laws USA & G20 Source

What this new law changes is the "LEGAL" status of USA and other customer bank deposits within the G20 nations, placing them on par with many paper investments.

Now more than ever, if you give your currency to a bank, it is really your responsibility to know the solvency of said bank, including possible spillover effects in another potential global financial crisis ahead.

What about the FDIC?

For years bank insurance programs have lulled many main street savers to sleep soundly under the assumption that the government would always insure their checking and savings accounts. Perhaps not so on a real basis, following a real bank crisis.

As recently as November 8, 2017, the head of the European Union's central bank (the ECB) has proposed to *completely end* bank deposit insurance for any and all bank accounts throughout the EU.

In the United States the Federal Deposit Insurance Corporation (FDIC) currently offers a $250,000 USD limit in the USA per depositor, per FDIC-insured bank, per ownership category.

How solvent is the FDIC's bank deposit insurance program?

As of writing this report the FDIC has some $83.2 USD billion to insure just over $7.0 USD trillion in deposits. An additional $4.8 USD trillion in deposits appear to be uninsured and most likely above the $250,000 USD insurance threshold the FDIC currently covers.

This means essentially means for every $100 USD within the US banking system, the FDIC has just over 70¢ in its insurance coffers to pay out on. In terms of those deposits which actually fit under the FDIC $250,000 insured perimeters, the FDIC has $1.17 of insurance for every insured $100 USD in the US banking system.

The Dodd-Frank Act's supposed ban on taxpayer bailouts of the most speculative derivatives activities has been repealed by the recent Omnibus bill legislation. Thus taxpayer bailouts of potentially failing banks or financial institutions are still in play.

But most likely, the next global financial crisis will not only be met with some likely new forms of government bank bailouts, it will also be met with bail-ins with many creditors and even average Joe's bank deposits possibly being frozen and eventually taking a larger brunt of the bank's losses.

The Financial Stability Board (FSB) is obviously sanctioned by and literary works out of the Bank for International Settlements (BIS) building. This rather innocuous sounding organization, currently guides the G20 nations' bankruptcy resolution policies.

They wrote the following excerpt in their November 10, 2014 Total Loss Absorbency Capacity proposal on how all G20 banks should now have bank deposit bail-in options in the event of bankruptcies or large loss write downs.

The FSB states the following on page 5, 2nd paragraph:

> The *Key Attributes* describe the powers and tools that authorities should have to achieve this objective. These include the bail-in power, i.e., the power to write down *and* convert into equity all or parts of the firm's unsecured and uninsured liabilities of the firm under resolution or any successor in a manner that respects the creditor hierarchy and to the extent necessary to absorb the losses. Hence, the resolution strategies that are being developed for G-SIBs[5]

Source

With these new supranational laws, executed by the G20 (on behalf of the BIS' FSB), any and all winning megabank derivative gamblers are now 1st in line creditors.

Joe Public is an unsecured creditor, who would be lucky to get some diluted equity shares in a ring-fenced reformed bank as compensation for his lost checking and or savings account funds.

If you have a bank account with a 'mark to model' potentially bankrupt bank, or maybe with whom the BIS' FSB calls Global Systemically Important Banks (G-SIBs), perhaps now is the time to reconsider who you are doing business with.

A similar bank bail-in policy was already put into action in 2013 (Cyprus).

Perhaps prepare a defense, in case it ever goes global.

If you live and bank in a G20 nation.


PRICE—THREE CENTS

BANKS OF ENTIRE NATION ARE CLOSED FOR BRIEF HOLIDAY

Federal Government To Provide Temporary Medium of Exchange

Washington, March 6.—(U.P.)—The nation began a four-day emergency ... today with assurance from the federal government that a ... and other essential needs would be pro- ... corrective

Source

Digital lockdown laws and living bank wills are being readied in case of large bank or financial institution failures. All this effort is being put forth as we've not structurally changed much since the last financial crisis, the situation is in fact arguably worse.

The brutal truth of new global bank bail-in laws now in place goes well beyond its outcome. The fiat currency in our bank accounts have and will always be our liability. It is a real shame we all may have to possibly relearn this lesson in a very hard way.

Cashless Trends

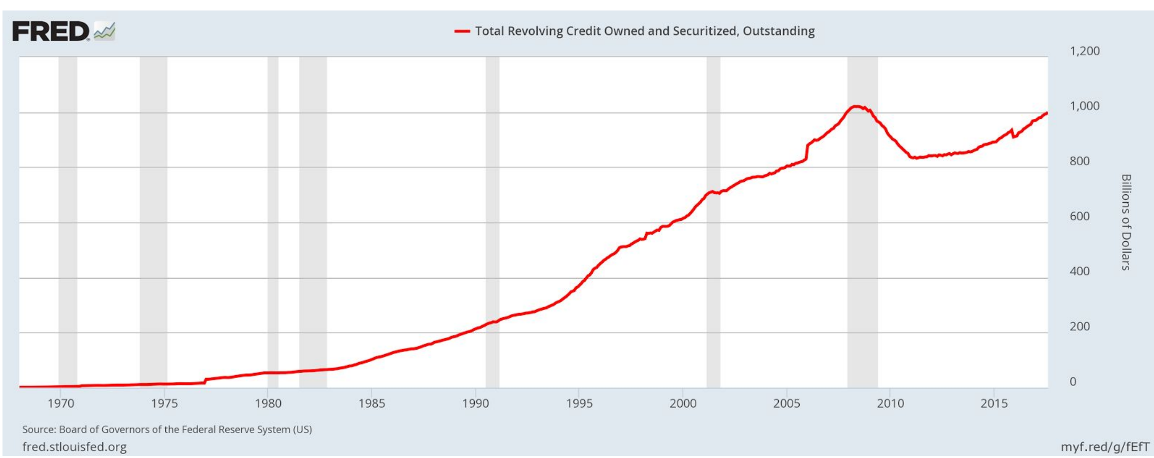
The beginning of the USA's ongoing cashless trend ramped up in earnest with the Bank Secrecy Act of 1970.

This type of legislation is referred to as 'Anti-Money Laundering Law' or AML for short.

The intention of this legislation is purportedly to thwart and track suspicious activities and capital flows which might signify money laundering, tax evasion, drug dealing, terrorism, and other criminal activities.

Following this 1970 act, there was the inception and subsequent explosion in credit card usage and subsequent accumulating consumer debts. Interestingly, even though interest rates precipitously fell from the middle 1980s onwards for decades to follow, credit card loan interest rates did not nearly fall as dramatically.

These revolving consumer loan vehicles have become some of the most profitable business models of the US banking and financial system to date. Note the growth in credit card debts from 1980 onwards.



Total Revolving Credit Card Debts Outstanding +$1 Trillion USD

Source

As we once again eclipse the $1 USD trillion mark for total credit card debts outstanding, this short 3 and half minute video will give you a better understanding of one way US citizens have switched from being savers first and credit consumers second, to a more habitualized consume via credit cards first, and save later culture.

The timing of substantial consumer credit card loans followed shortly after the USA moved from a pseudo-sound money standard (Bretton Woods era) into a full floating fiat currency standard (Petrodollar era).

This mass consumer credit cycle has also undoubtedly contributed overall to global pollution and certainly as well to the growing disparities of wealth between average citizens (creditors) and those in the higher stratas of wealth (capital, owners).

[Source]

Modern electronic banking services and digital payments have been growing not only in the USA, but also around the world in both developed and emerging markets.

Governments, central banks, large multinational corporations, and even large endowment funds have been increasingly [pushing for a more cashless world economy] (especially concentrating their efforts in high cash usage continents like Africa, throughout Latin America, and in Southwest Asia).

Cashless promoters argue that having a paper trail and digital record for all transactions could help decrease crime, money laundering, terrorism, and tax evasion. There are of course various counterpoints against these cashless promotions. Nonetheless, the war on cash is currently being won by multi-billionaire, government, and corporate sponsors.

For example in 2015, France lowered the legal limit of cash use in transactions to only 1000 euros or less. It's finance minister at the time stated he would "*fight against the use of cash and anonymity in the French economy*" in order to prevent low-cost terrorist acts which he claimed feeds off fraud, money laundering, and petty drug trafficking.

Of course tracking bullion like cash, is also eventually in the cross hairs of cashless promoters as well. In Europe the very definition of "cash" is lawfully to include gold, precious stones, precious metals, as well as anonymous prepaid electronic cash cards.

We all want to fight terror, drug dealers, and tax cheaters right?

India (the 2nd largest nation in the world) was a recent guinea pig of growing cashless policies. Of course authorities there cite the usual reasons for recently banning 500 and 1000 rupee notes... fighting terror, tax evasion, drug dealers, etc.

Source

The truth of the matter is much deeper than these face value reasons here and there.

For example on paper, the Indian banking system is one of the most transparently bankrupt in the world. Hence pushing Indian citizen's currency back into checking and savings accounts helps to bolster bank reserves so Indian banks can eventually potentially bail-in accounts and write off some of their growing non performing loans.

Source

The United States is possibly next.

In early 2016, former US Secretary of the Treasury and economist Larry Summers publicly called to kill the U.S. $100 bill.

The now perhaps most widely issued fiat currency note in the world.

Another former chief economist of the International Monetary Fund recently wrote a book on how banning $100 USD bills could not only help deter crime and tax evasion, but also possibly help central banks fight future financial crisis (e.g. implementing negative interest rate policies, fees for withdrawing from cash ATMs, etc.).

This same ‘thought leading’ author proposes raising current central bank inflation targets from 2 to 4%. Doing this would mathematically halve (-50%) the purchasing power of Federal Reserve Notes *in less than 18 years* using a forward flat rate inflation calculator.

Forward Flat Rate Inflation Calculator

Calculates an inflation based on a certain average inflation rate **after some years**.

Result

$100 with average inflation rate of 4% has the same purchasing power as **$202.58** 18 years later.

$ 100 with inflation rate 4 % after 18 years = **$202.58**

Source

With annual 4% inflation, add in further possible Negative Real Interest Rate policies (via NIRP and ZIRP) and the numbers to halve currency values get even shorter.

President Trump is now picking a potential 14 year term Federal Reserve Board of Governor who is reportedly anti-cash, so that potential Negative Interest Rate Policies (NIRP) can be more effectively implemented in the next financial crisis.

A potential combination of NIRP, physical cash killing policies, new quantitative easing policies, coupled with higher inflation targets are all possible central bank tactics to help lessen the unfunded liability and debt load overhang of the Federal Government.

Of course underlying all these points, G20 bank bail-in laws are readied with financial spillover lock-down-laws (e.g. redemption freezes for Money Market Mutual Funds) are now ready and awaiting.

Stagflation 2020s appears very probable.

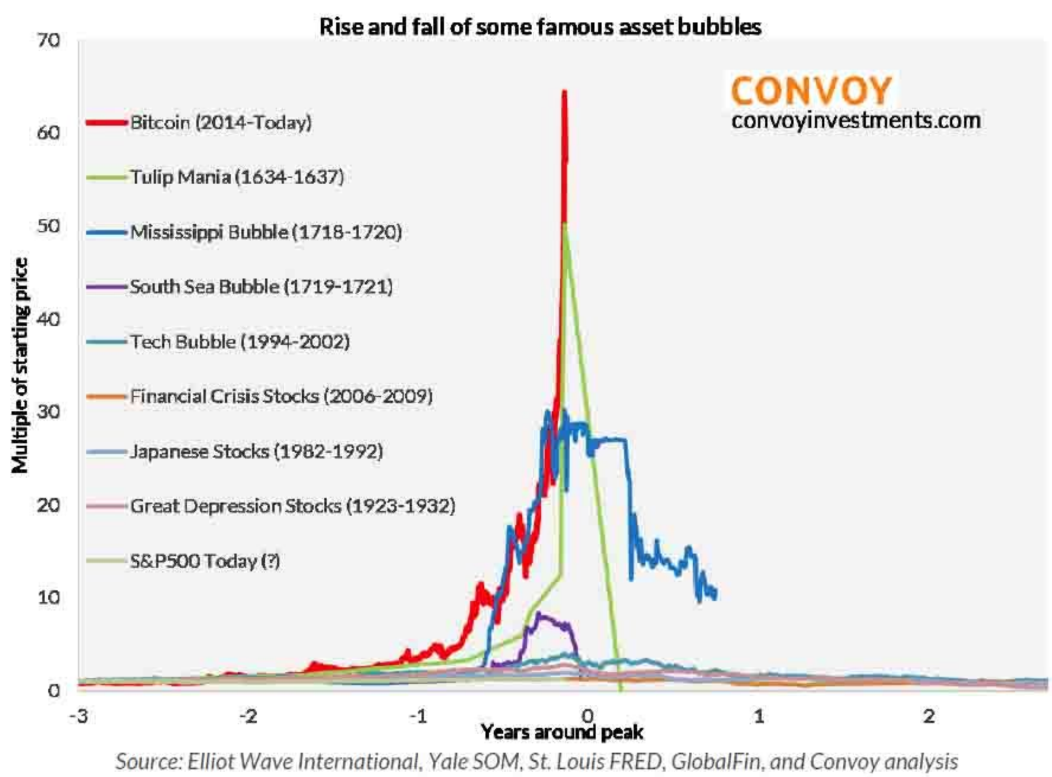
Cryptocurrency Conditioning

Within the past 10 years, there has been an explosion in the number of private digital cryptocurrencies now available.

Cryptocurrency price appreciations coupled with somewhat early stage, front page media coverage have helped alert and even condition the mass public for further digital adoption.

The most popular cryptocurrency to date is Bitcoin (BTC). With near 9 years in existence, it has recently reached a price above $19,500 USD per BTC.

With a starting price below 6¢ BTC in 2009, this marks a more than 325,000X return based on its price appreciation over this near 9 year timeframe. An unprecedented historic price rise dwarfing Tulip manias, Mississippi bubbles, or any other financial mania ever.



Source

This kind of price appreciation even surpasses virtually any other I could imagine possibly setting aside tripping over a gold nugget or creating a masterpiece of art using inexpensive inputs.

Different than any previous financial bubble, bitcoin's adoption and price potential certainly could grow further as time goes on into 2018. Yet similar to other emergent and even established technologies, you can expect much better crypto mouse traps to be coming off the coding assembly lines any month now.

New blockchain and decentralized distributed ledger technologies (DLT) can potentially liberalize finance, escrow, currency creation, payment settlements, voting, trading, etc.

Current cryptocurrency ***price manias*** aside, the power of decentralization vs hierarchical human nature threatens to potentially disintermediate many rentier dominated markets.

But at present, growing energy usage for Bitcoin mining and processing alone appears entirely unsustainable. The scalability of Bitcoin for use as a day to day currency for payment is rather underwhelming. Not only is the currency taxed like property for any capital gains made, it is also currently dwarfed by both PayPal and VISA in terms of transactions per second capacities.

At the moment, Bitcoin's explosive price rise appears to be a mix of fear, greed, increased adoption, price chasing, unregulated exchange trading fraud, and possibly highly leveraged FX traders chasing volatility. It will be interesting to see how it all plays out and how long BTC values can endure.

Cryptocurrency bulls and bears can be easily found virtually anywhere you look these days. Future price predictions range from total worthlessness to potentially 6 or 7 figure price ranges in USD per BTC.

Twitter is perhaps the most fervent source for their thoughts in real time.

The current cryptocurrency phenomenon started making rounds and news in various corners of the internet during and after 2009. I know, I personally got them in my inbox.

By late 2014, there were 530 cryptocurrencies in existence according to CoinMarketCap.com with a then total market capitalization of $4.6 USD billion.

In just over the past 3 years, the number of cryptocurrencies available has now reached over 1,350 various offerings with a total market capitalization over $500 USD billion.

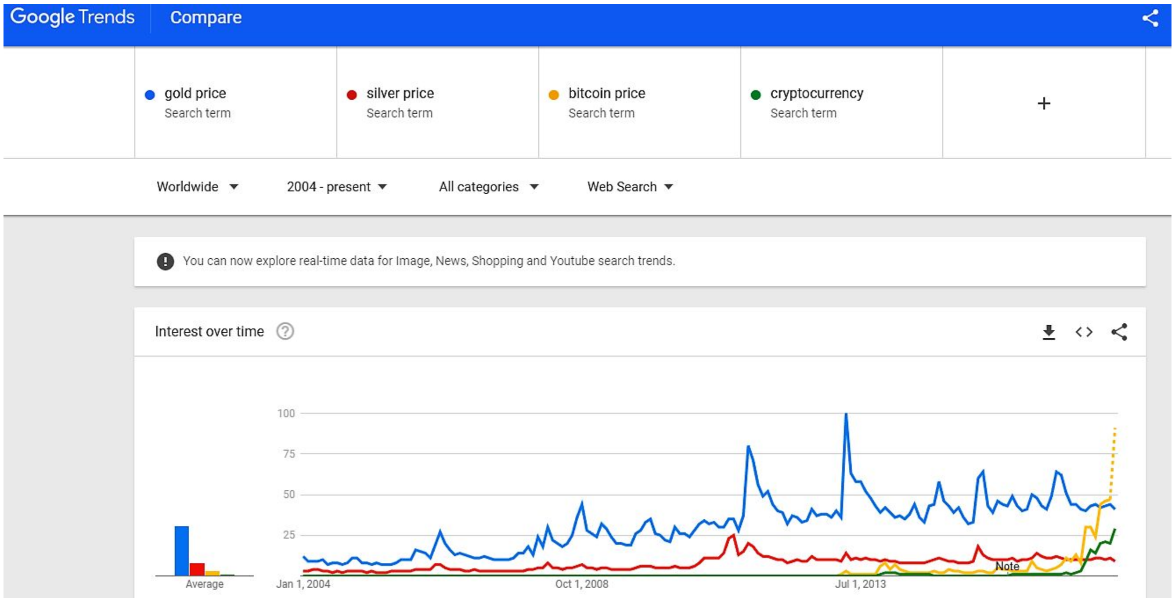
A more than doubling in total cryptocurrency offerings and some 100Xs multiple in total USD market value.

Bitcoin's meteoric price rise has helped increase frothy speculation within the cryptocurrency space.

Most importantly BTC has also pierced the general zeitgeist in regards to discussions on money, credit, fiat currency, specie money, and cryptocurrencies in historical contexts.

- *Who issues the various currencies in circulation and how so?*
- *Who has the right to seigniorage powers, who does not?*
- *Who controls currency supplies and how so?*
- *How trustworthy are they?*
- *What are their long term track records based on actions & results, not rhetoric?*

Global Google Searches 2004 - 2017 AD



Gold Price *vs* ***Silver Price*** *vs* ***Bitcoin Price*** *vs* ***Cryptocurrency***

Source

All central banks are acutely aware of the rise in cryptocurrencies as they now have reached a total market cap of $500 USD billion. Physical gold accounts for about $8 USD trillion, investment grade silver bullion supplies are conservatively estimated at about $70 USD billion in total value.

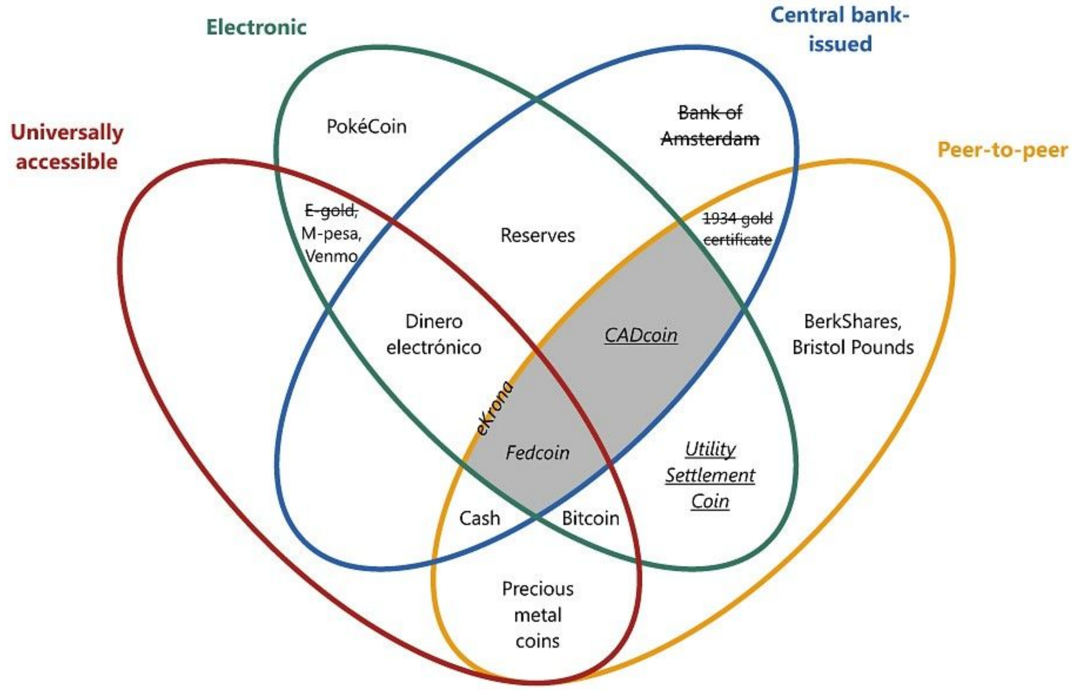
Although these amounts of capital sound large, they are all comparatively small sums in the more than quadrillion sized financial system. The current total cryptocurrency market value is less than 1 / 2,000th of conservative total notional values outstanding.

Don't think for a minute that central banks and their government partners aren't considering their own tax obliged legal tender cryptocurrency payment options for our future. Yet even for some former Federal Reserve advisers, a fully tracked '***FedCoin***' remains a rather scary thought.

The following 'money flower' chart provided by the central bank of central banks, the Bank for International Settlements (BIS), shows the stem or source from which still alive and also other defunct currency proxies trace their roots from (physical precious metals).

The money flower: example

Graph B



A standard font indicates that a system is in operation; an *italic* font indicates a proposal; an *italic and underlined* font indicates experimentation; a ~~strikethrough~~ font indicates a defunct company or an abandoned project.

© Bank for International Settlements

Source

Like flowers, currencies may bud and bloom, but eventually they all fade and fall away.

The central bank of central banks (BIS) knows this truth all too well. No monetary proxy endures like physical bullion does. This is precisely why CBs buy and hoard about 20% of the gold ever mined.

Whether having the option to buy goods and services privately is important to you or not. The point here is the trend towards further digitalization and full tracking of currency and payment methods is for the most part speeding up.

This is not merely a government, central bank, and monetary elite push for further economic control and taxation. Many people are increasingly willingly living cashless lifestyles as cashless service providers (e.g. VISA, MasterCard, PayPal, etc.) continue to increase their market shares.

Yet let us keep some recent historic perspective.

Past hyperbolic promises of paperless offices were also too, vastly exaggerated.

Common sense demands that human beings will always sustain some forms of both private and analog payment systems ready for use after natural disasters, breakdowns in internet services, or electronic infrastructure failures. Those living in Puerto Rico this year would most likely agree as physical cash notes were king, many cashless payment methods were and still remain problematic across the island.

Not only now nor merely in the near term, but for the long term sake of our progeny and species. We should push to find an equitable balance between convenient digital payment methodologies supplemented with physical analog monies and currencies. Each individual could possibly act as responsible central bankers once may have. Own some core reserves in physical bullion as well as responsibly maintained physical cash supplies in case of emergency.

One of the best ways to currently defend against cashless privacy invasions is also simply through physical cash ownership. Given the current record 5,000 year low interest rates ongoing, and the often hidden decrepit state of our 'mark to model' commercial banking and governmental systems, having a few months of physical cash hidden at home makes sound defensive sense.

To maintain a larger semblance of wealth and savings privately, also consider owning physical bullion in hand and possibly directly storing your additional cash and bullion reserves in professional fully insured, non-bank depositories (e.g. Brink's, G4S, Malca Amit, Loomis Inc.).

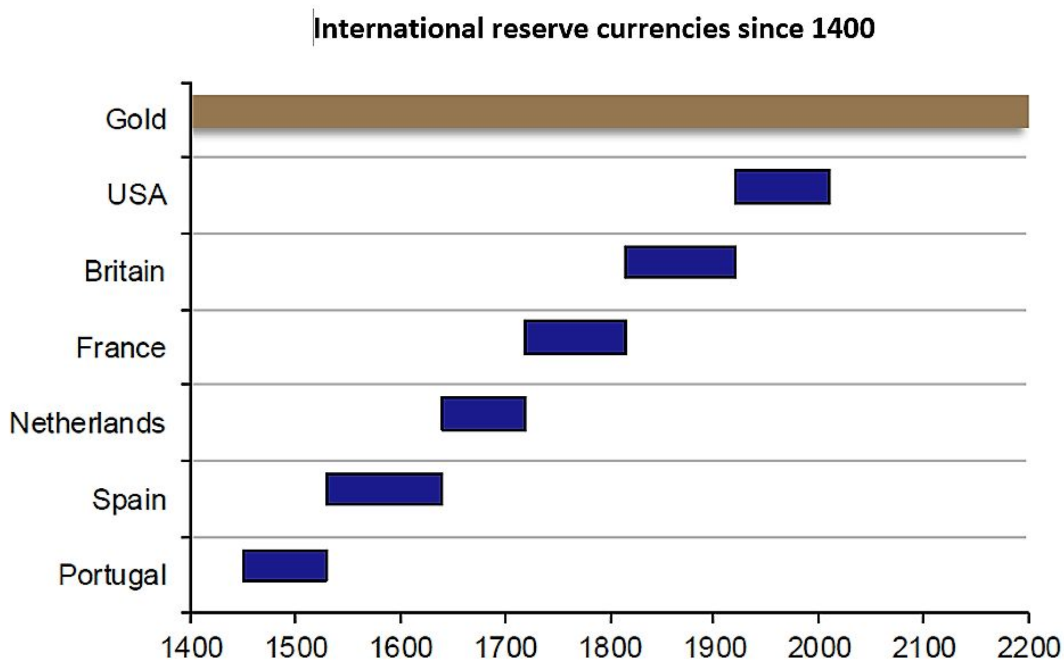
The Next Global Monetary System

In international financial history, generally the nation state who has held the largest gold and silver hoards became the leading international reserve currency of the world.

Generally the 5 phases of empire play out and the historic monetary power baton has been passed onwards to the next emerging regime and eventual empire.

Source

The clock ticks on the USA's sole hegemonic dominance achieved post WW2. Both in terms of monetary and military might, things in time change more than most realize.



Source: JP Morgan – Eye on the Market, Erste Group Research, Incrementum AG

Structurally in the last few centuries, the global monetary system rules have changed every 40 years or so. We are now late in the Petrodollar system and its lifetime (1974-20??). The fiat US dollar's sole dominance as a long term depreciating international reserve currency has most likely past its ultimate peak.

Our country's +60% domination of world reserve currency reserves will most likely dwindle in the coming decades much like the former British pound sterling reserve currency status did before us.

Studying current and ongoing trends, the United States is now nearing a crossroads from being an essentially unipolar power in the later 20th Century to one amongst many others in the 21st Century.

Picture a more multipolar power sharing world amongst other emerging and developed economies like China, Russia, India, the EU, etc.

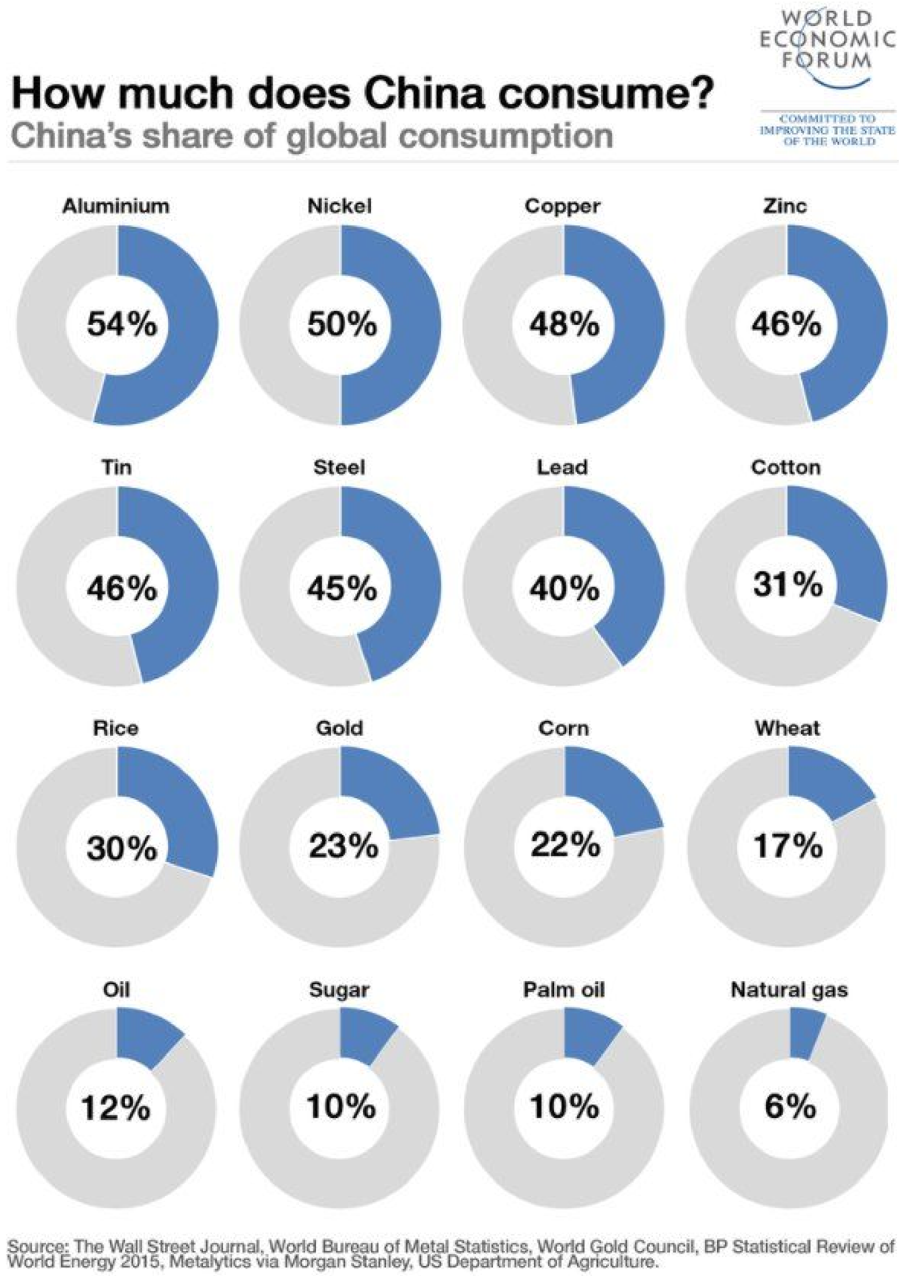
Source

Critics love to point out how China has been aggressively building various ghost cities and other copycat oddities. Yet also, China has been pouring record amounts of capital into her infrastructure (2,3,4,5).

The world's largest commodity consumer is also currently making hard infrastructure and diplomatic pushes to better economically unify the eastern nation states into the 21st Century with various ongoing, long term, strategic initiatives (e.g. One Belt One Road, Shanghai Cooperation Organisation, etc.).

The Chinese are currently the world's #1 oil and gold consumer and are on the cusp to begin crude oil price discovery in her own sovereign fiat currency (called the yuan also known locally as the renminbi).

It is rather reasonable to expect China to seek a larger influence on commodity price controls as we move further along into the 21st Century. Take a look at the share of commodities that China buys as she makes herself into a 21st Century, 1st world nation.



Source

China, Russia, India, and many other Silk Road nations have also formed relatively new organizations to not only settle trade transactions in their own currencies (without US dollars, euros, etc.) but to also transfer hard physical commodities over land utilizing trains and pipes as opposed to ships (doing this helps her avoid almost all US military sea lane controls).

Liberalization of the Chinese economy is ongoing.

Contracts for certain commodities, oil being the largest, will growingly discontinue being denominated and settled by US dollars or euros alone.

Discussions of establishing a new single gold trading system for BRICS nations and other countries using bilateral contracts (no US dollars) is afoot as well. Expect the highly leveraged London / COMEX price mechanism to lose long term to the nations that actually have the physical gold (Chindia have about 1 out of every 5 ounces ever mined between themselves).

Given the chaos ongoing in the Middle East, and new great game political maneuvers (especially with China and Russia) ongoing, it would not surprise many oil analysts to begin seeing Saudi Arabia close its long running petrodollar for US bond buying deal, and begin pricing some of her oil exports in other competing fiat currencies.

Could the eventual reinvesting of those future proceeds flow into other foreign issued bonds (perhaps Chinese and IMF SDR bonds both possibilities ahead)?

Source

Less oil contract pricings in US dollars ultimately lowers demand for US dollars, US bonds, and hence by default the currency's future real world purchasing powers.

We may in time live in a world where the various prices for crude oil and even gold become mostly swayed by Chinese and eastern demand.


It's an accepted fact that the Chinese government seeks to make the yuan a global reserve currency. It took a big step toward this goal in 2016 when the yuan joined the dollar, the euro, the yen, and the British Pound in the International Monetary Funds' Special Drawing Rights Basket. It was the first currency added to this basket since the Euro was born in 1999.

But the yuan (also known as the renminbi, or "People's Currency"), has a long way to go to challenge the dollar. As of the end of 2016, just 2% of payments worldwide were conducted in Yuan. Meanwhile, 41% were conducted in dollars.

For the yuan to be taken seriously on the global stage, it will need to siphon a much larger share of global transactions away from the dollar. And weakening the U.S. dollar's iron grip on the global oil trade seems like a good place to start.

Source Source

Expect the Chinese yuan to gain further prominence as the coming decades unfold, most likely after hard devaluations are made to their yet unknown state gold reserve holdings.


Bloomberg Markets

China May Halt Purchases of U.S. Treasuries

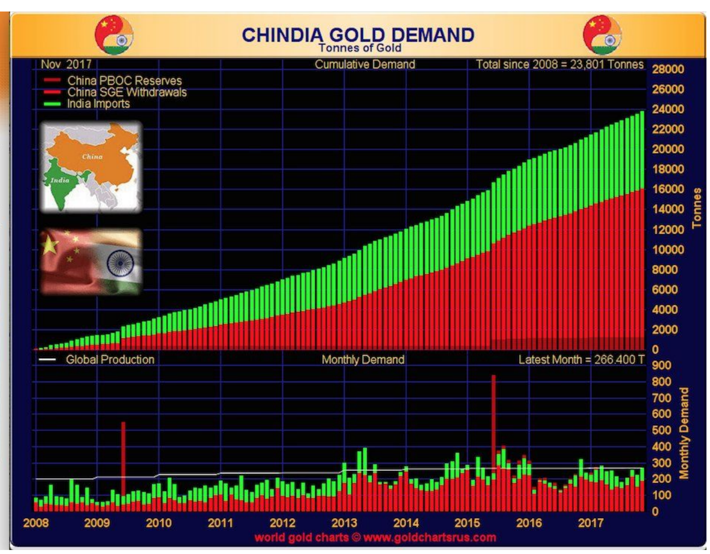
Bloomberg News
January 10, 2018, 5:26 AM EST
Updated on January 10, 2018, 7:18 AM EST

- Officials have recommended slowing or halting purchases
- China is world's biggest foreign holder of U.S. Treasuries

Carl Weinberg
HIGH FREQUENCY ECONOMICS FOUNDER
Bloomberg THE U.S. TREASURY CURVE STEEPENED THE MOST IN MORE THAN A YEAR

It's normal to see higher yields "at this phase in the Fed cycle," says Carl Weinberg of High Frequency Economics.

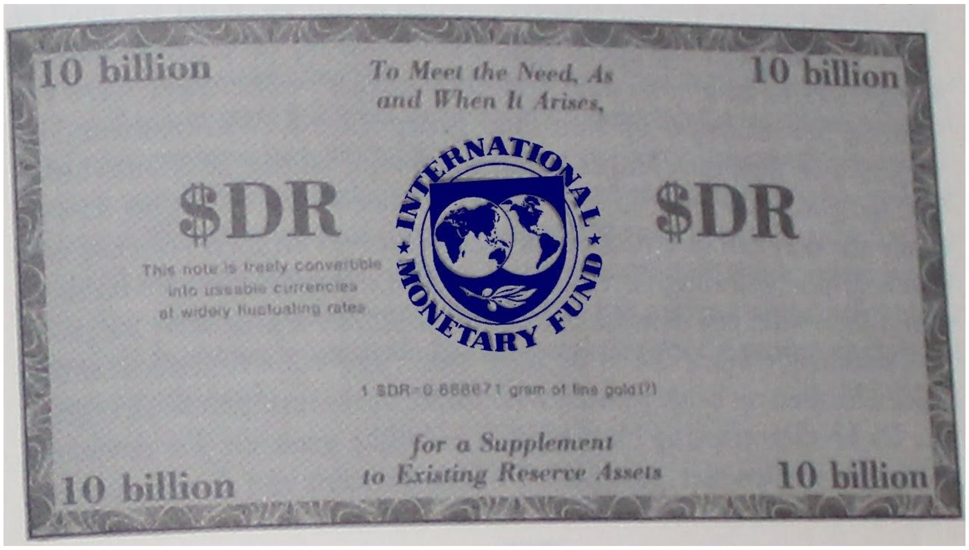
China added to bond investors' jitters on Wednesday as traders braced for what they feared could be the end of a three-decade bull market.



Source

After the next financial crisis, the subsequent rules of the new global monetary system will likely be rejiggered yet again. The Chinese yuan renminbi’s role as a key currency in our future multipolar world will become much more obvious and clear.

IMF SDRs



The IMF (International Monetary Fund) is actively and explicitly preparing a future global monetary order where the US dollar plays a lesser role than it does today via their Special Drawing Rights (SDR) system.

Both current and former IMF officials openly discuss the necessary crisis required to '*propel*' the IMF's SDR system and '*catapult it*' into its future '*destined role*'.

> Special Drawing Rights (SDR) - *(n) the Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. As of September 2017, 204.2 billion SDRs (equivalent to about $291 billion) had been created and allocated to members. SDRs can be exchanged for freely usable fiat currencies. The value of the SDR is based on a mixed basket of 5 major fiat currencies: the US dollar (41.73%), the euro (30.93%), the Chinese renminbi (RMB) or yuan (10.92%), the Japanese yen (8.33%), and the British pound sterling (8.09%).*

The IMF added the fiat Chinese yuan renminbi currency into the IMF's SDR basket of currencies in October 2016. The current head of the IMF, Christine Lagarde, openly speaks about the future IMF headquarters being based in Beijing, China by 2027.

At present the IMF SDR is merely a composite of 5 fiat currencies (US dollars, euros, yen, pounds, and yuan). This may change, as admitted by IMF officials.

It may become necessary to add some form of gold or commodity composite backing to IMF SDRs in order to add credibility and possible global inclusion of SDRs as the world's next reserve supranational currency.

Any supposed commodity backings for IMF SDRs will be as reliably rigged as the latest U.S. Bureau of Labor Statistics. The IMF, like any other central bank will prove inflationary and insider benefiting over time, regardless of any promises they make.

The future of the IMF SDR, its global inclusion, performance, and potential gold or other commodity index backing are all still unknown variables at play currently.

What is fully trackable and measurable though is the performance of IMF SDRs vs gold bullion and vs silver bullion since its 1969 formation and its subsequent 1973 decoupling from gold.

The value of the original SDR was initially defined as equivalent to 0.888671 grams of fine gold, which at the time was also equivalent to $1 US dollar.

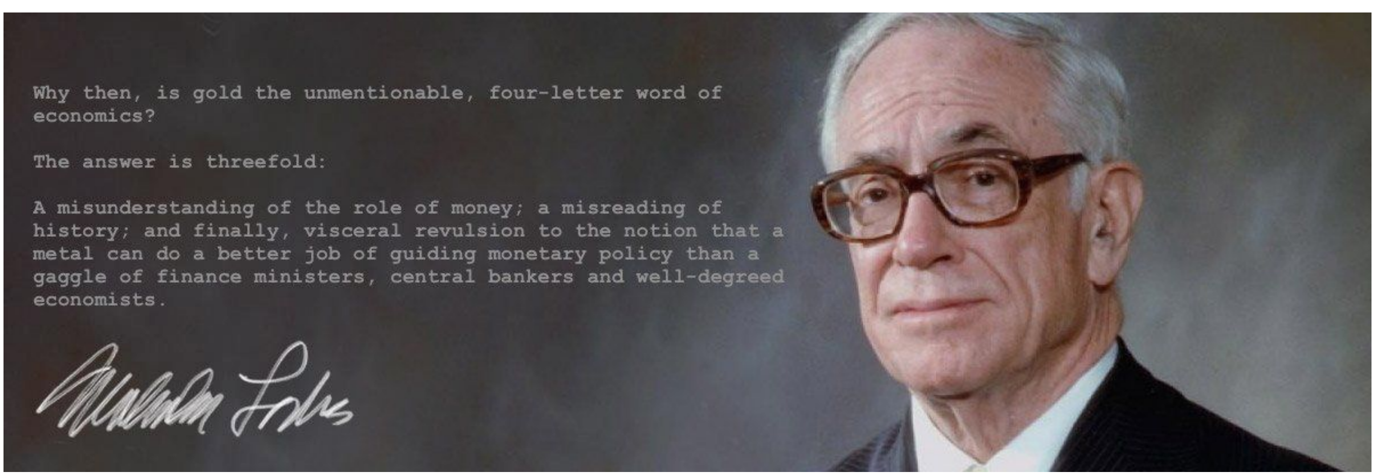
After the final collapse of the Bretton Woods system with then President Nixon closing the gold window in August 1971, the IMF SDR was redefined as a basket of fiat currencies in 1973.

How has the IMF SDR performed vs gold bullion since?

Since 1969, the IMF's SDR has lost *over 95% of its value* to both gold and silver bullion.

Remember in the next [financial crisis](#) to come, the bottom line on IMF SDRs is simply this.

No matter how technocrats or the mass media choose to dress up SDRs in convoluted financial speak, as of now it is just another fiat currency derivative. The SDR's performance versus silver and gold bullion values over the last near 50 years, simply speaks for itself.



Malcolm Forbes, 2002 AD [Source](#)

Gold vs US Monetary Base

Try searching the terms “gold vs dollar” and you will be met with confusing charts likely measuring gold’s US dollar spot price vs the US dollar index (DXY).

Do not get confused. The DXY is merely the fiat US dollar measured against other debasing fiat currency units which all eventually lose in the battle against gold bullion (and other physical precious metals) over the long haul.

Source

The United States along with many welfare-state western governments will most likely further devalue their legal tender fiat currencies to more easily fund growing deficits and unfunded liabilities. Bullion prices are typically the beneficiary of such actions ultimately.

Explicit talk that the US could simply kill the dollar’s value to nominally meet its unfunded liabilities and avoid an outright “legal” default are still valid given the staggering legally-binding promises accrued. Sure younger US citizens will most likely still get their social security checks someday, but there is still no guarantee as to to what those funds will be able to buy in real world goods or services.

In the years to come we will more than likely witness some twisted mix of eras and turbulent time frames from our nation's past echoing ahead in likely further financial repression and potential stagflation 2020s.

Gold vs US dollar 1980

The most recent example of the US dollar's losing battle against gold bullion, was during the 1970s and early 1980 time frame when the USD price of gold hit levels high enough to fully back all US dollars by the nation's self-proclaimed official gold reserves which are purportedly held in Fort Knox, West Point, and elsewhere by the US government.

During many months in 1974, over 40% of the US dollar monetary base was covered by US official gold reserves. Later in 1980, over 100% of the US dollar monetary base was covered by US official gold reserves as the price of gold spiked to a then all time high of over $850 oz.

Gold vs US dollar 1933

After the US government devalued the US dollar some 70% to gold in 1934, the then total US official gold reserve value eclipsed over 40% of the US monetary base in circulation for many years to follow.

It was only after private gold holdings were nationalized, collected on, and paid out at the then $20.67 USD oz price in 1933 that the government took advantage of its citizens by devaluing the then US dollar some 70% to gold in early 1934. Eventually a fixed $35 USD oz gold price was settled upon which lasted into the late 1960s.

It was in April 1933 that US citizens were first coerced under threat of potentially large fines and long imprisonments, to turn in their private gold holdings. Over 10,000 tonnes of privately held citizen gold was discharged from the US citizenry within one year's time.

Out into effect in 1934 was a then maximum limit on gold bullion and non museum-rare gold coins that an individual citizen could hold at the time, set to no more than 5 troy ounces per person.

^^^ This banner flew over Richard Nixon's 1973 inauguration ^^^

Source

It wasn't until 1975 began, that US citizens were again allowed to hold more than 5 oz of gold bullion privately. Less than 3 ½ years after President Nixon closed the last ties of the US dollar to gold. By then the price per gold ounce was already at $185 USD oz.

Recently released US Department of the Treasury cables from 1974 suggest that the 1970s COMEX and other futures markets were intended to be volatile, to help discourage large scale bullion hoarding by citizens.

Futures contracts are still and perhaps increasingly the main tool used to help determine gold bullion prices today. Every month now, it appears we hit another record COMEX gold monthly trading volume level. We will examine current gold spot vs gold bullion price discovery in the Gold Fundamentals section to come.

Today there is an ongoing mantra by central bankers and their mainstream media parakeets claiming their 2% inflation targets are not being met (just ask those who pay health care and college tuition costs if that is indeed the case). Some are even arguing 4% inflation targets should be set.

Regardless, even respected financial institutions like bond trading giant PIMCO have recently suggested the Federal Reserve play a similar 1933-1934 card by aggressively repricing and buying private gold hoards today at a $5,000 oz USD price levels to help spur about higher 2-3% inflation targets.

PIMCO

VIEWPOINT

April 2016

AUTHOR

Harley Bassman
Executive Vice President
Portfolio Manager

First I must remind you there are only two avenues out of a debt crisis – default or inflate – and inflation is just a slow-motion default.

So in the context of today's paralyzed political-fiscal landscape and a hyperventilated election process, how silly is it to suggest the Fed emulate a past success by making a public offer to purchase a significantly large quantity of gold bullion at a substantially greater price than today's free-market level, perhaps $5,000 an ounce? It would be operationally simple as holders could transact directly at regional Federal offices or via authorized precious metal assayers.

Admittedly, this suggestion is almost too outrageous to post under the PIMCO logo, but NIRP surely would have elicited a similar reaction a decade ago. But upon reflection, it could be an elegant solution since it flips the boxes on a foreign currency "prisoner's dilemma" (more on this below). Most critically, a massive gold purchase has the potential to *significantly boost inflationary expectations*, both domestic and foreign.

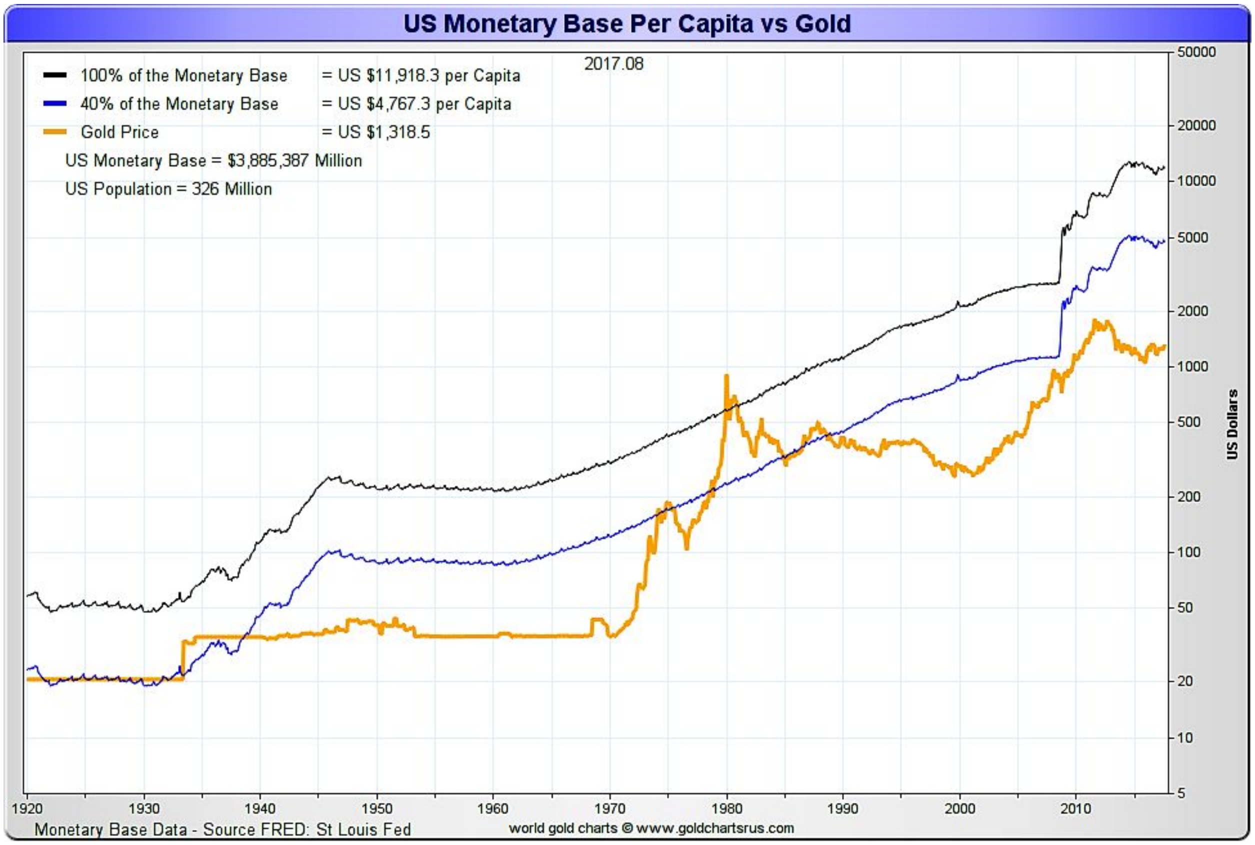
The problem the world's major economies now face is that any attempt to depreciate their currencies to improve the terms of trade must effectively come out of the pockets of their partners; this creates a classic prisoner's dilemma. Thus the interesting twist of a Fed gold purchase program.

Source

These suggested actions are often argued to help ultimately deleverage and lower the future costs of all US debts and unfunded liabilities accrued over the last half century or so. Unintended consequences of such actions are truly unknown.

A price of $5,000 oz gold today would come close to and even possibly achieve backing 40% of the US monetary base per capita with US official gold reserve value (see the chart below). Such a last ditch effort would most likely bring about price inflation, but at what cost and could it be contained afterwards?

Would the US government offer citizens $5,000 USD oz gold only to devalue the US dollar to gold another 70% some time later?



Since today there are prohibitively more US dollars in circulation than in either 1934, 1974, or 1980. For to history to simply repeat, gold would need a much higher 4-figure or even 5-figure US dollar price per ounce to respectively achieve either a 40% or 100% backing of official US gold reserve values vs current US dollar monetary base per capita figures.

Given the fact that the world's largest two economies, both China and the United States ultimately both need and likely therefore want to devalue their respective fiat currencies over the long run. It would not surprise many to one day witness a gold price arbitrarily set many multiples higher than it is today. Expect further monetary authority calls for a gold laced Bretton Woods II meeting as the next large financial recession ensues.

When the time is right, China will finally make a more accurate official gold proclamation which they have accumulated over the last few decades from their global gold mining operations and western gold bullion imports. This amount will likely be many multiples of what it officially claims today, her likely intent to bolster the perception of the yuan's value and China's place in a more wide ranging, multipolar, monetary powered world.

While presidential candidate Trump voiced doubts over our nation's 8,133.5 tonne official US gold reserves in 2016. He also exposed some childish notions of how gold needs to be priced to regain confidence during financial crisis (note his 'crash-o' deflationary error at moment 1:06).

Regardless do not expect a legitimate official US gold audit ever. Just perhaps more token PR stunts while mother Russia shows us how 21st Century gold PR should look.

The US dollar is readying to lose another battle to gold with much higher per ounce prices ahead. The seeds have been sown for decade after decade. The price per gold in US dollars per ounce should eventually make 1934 and 1980 look like pennies and dimes on a dollar respectively.

GOLD INVESTMENT FUNDAMENTALS

Why buy Gold Bullion?

For multiple millennia physical gold has helped humans insulate and insure themselves against losses of their financial wealth. During times of undervaluation, gold can simultaneously provide owners a way to greatly increase their wealth via prudent gold ownership and investment portfolio allocation.

World history and the rise and fall of civilizations have been dramatically shaped by the pursuit of gold itself. The yellow precious metal has a more than 5,000 year history in its use for adornment and a many multiple thousand year record as money or a dependable store of value.

In arguably the first example of written law (in the near 4,000 year old Code of Hammurabi), the word mĕnē is a term used to denote the weight of gold to be paid for crimes or to resolve civil conflicts. Thus a specific mĕnē of gold (or silver) is perhaps the earliest written word for money itself. In fact for most of written history, the term "money" has always meant a standard defined weight and purity of gold or silver.

Since and following the turn of the millenium (2000 AD), the world has witnessed a pronounced increase in gold's value priced in every single national currency issued by any government worldwide. Below is an annual scoreboard for how gold has performed vs 18 various fiat currencies issued across the world.

Gold Price Performance Dec 14, 2017

% Change	USD	ARS	AUD	BRL	CAD	CHF	CNY	EUR	GBP	IDR	INR	KRW	JPY	MXN	NZD	RUB	TRY	ZAR
2000	-5.4	-5.5	11.4	2.0	-2.0	-3.4	-5.4	1.9	2.5	29.1	1.7	5.5	6.0	-4.0	11.9	-1.9	16.9	16.2
2001	1.4	1.4	11.7	20.1	7.9	4.7	1.4	7.6	4.5	9.6	4.8	5.1	17.3	-3.5	7.7	8.8	122.8	60.5
2002	24.3	318.7	13.7	90.4	23.4	3.2	24.3	5.4	12.4	7.2	23.7	12.3	12.3	41.6	-1.3	30.2	40.7	-11.1
2003	21.3	5.9	-9.7	-1.3	-0.3	9.0	21.3	1.3	9.6	14.2	14.7	21.8	10.0	30.7	-3.0	11.0	3.5	-5.4
2004	5.1	6.4	0.6	-3.1	-2.8	-3.6	5.1	-2.9	-2.3	15.2	0.1	-8.7	-0.1	4.4	-4.4	-0.4	-0.8	-10.3
2005	18.3	21.2	25.6	4.0	14.7	36.9	15.3	35.4	31.2	26.2	22.9	15.5	36.6	12.6	24.6	22.6	18.8	31.3
2006	23.3	25.0	14.7	12.7	23.2	14.3	19.3	10.6	8.2	11.9	20.9	13.4	24.4	25.3	19.6	12.9	29.4	37.1
2007	30.8	34.3	17.5	9.0	10.9	21.5	22.4	18.2	29.1	37.3	16.5	31.6	22.8	32.2	20.0	22.1	8.0	27.3
2008	3.8	13.0	32.2	35.9	28.1	-1.8	-3.0	9.2	41.3	20.7	28.5	39.7	-15.7	31.4	38.2	29.2	36.3	42.1
2009	27.6	39.8	-2.2	-4.5	-9.9	22.8	27.7	23.1	14.8	9.6	22.0	17.9	30.5	20.8	1.2	25.1	23.9	0.1
2010	27.7	34.3	12.7	21.6	21.4	15.7	23.6	37.4	33.2	22.2	22.7	23.6	11.9	20.8	19.7	30.3	32.7	14.7
2011	11.6	20.8	11.6	25.5	14.1	12.1	6.4	15.2	11.7	12.5	32.5	14.3	6.2	25.9	11.9	17.6	35.5	36.8
2012	5.7	20.7	3.7	16.0	3.1	2.9	4.6	3.6	1.3	14.1	9.5	-2.4	18.1	-1.7	-0.5	0.6	0.3	10.5
2013	-27.8	-4.2	-16.2	-16.7	-22.8	-29.6	-29.8	-30.7	-29.3	-10.3	-18.9	-28.8	-12.3	-27.1	-27.8	-22.5	-13.4	-10.2
2014	-0.2	29.6	9.0	12.2	8.8	11.0	2.3	13.3	5.9	1.6	1.8	3.7	13.8	12.2	5.0	78.9	8.7	9.5
2015	-11.4	35.9	-0.9	32.1	6.0	-11.0	-7.3	-1.3	-6.9	-1.4	-7.1	-4.6	-10.9	4.3	1.1	9.0	10.7	19.1
2016	9.1	33.5	10.9	-10.4	5.7	11.7	16.7	13.0	31.0	6.6	12.0	12.0	6.0	30.3	7.8	-7.5	32.1	-3.6
Average	9.7	37.1	8.6	14.4	8.8	6.8	8.5	9.4	11.7	13.3	12.3	10.1	10.4	15.1	7.8	15.6	23.9	15.6
2017	7.9	18.5	1.3	10.6	2.6	4.7	2.7	-3.7	-0.9	8.8	2.2	-2.5	3.6	-0.5	6.9	3.2	18.8	6.1

When you hear the term '*Gold Rush*', you might think 19th Century gold mining frontiersmen in the western US or Canada, perhaps also in South Africa, or in western Australia.

This ongoing version is a lot different.

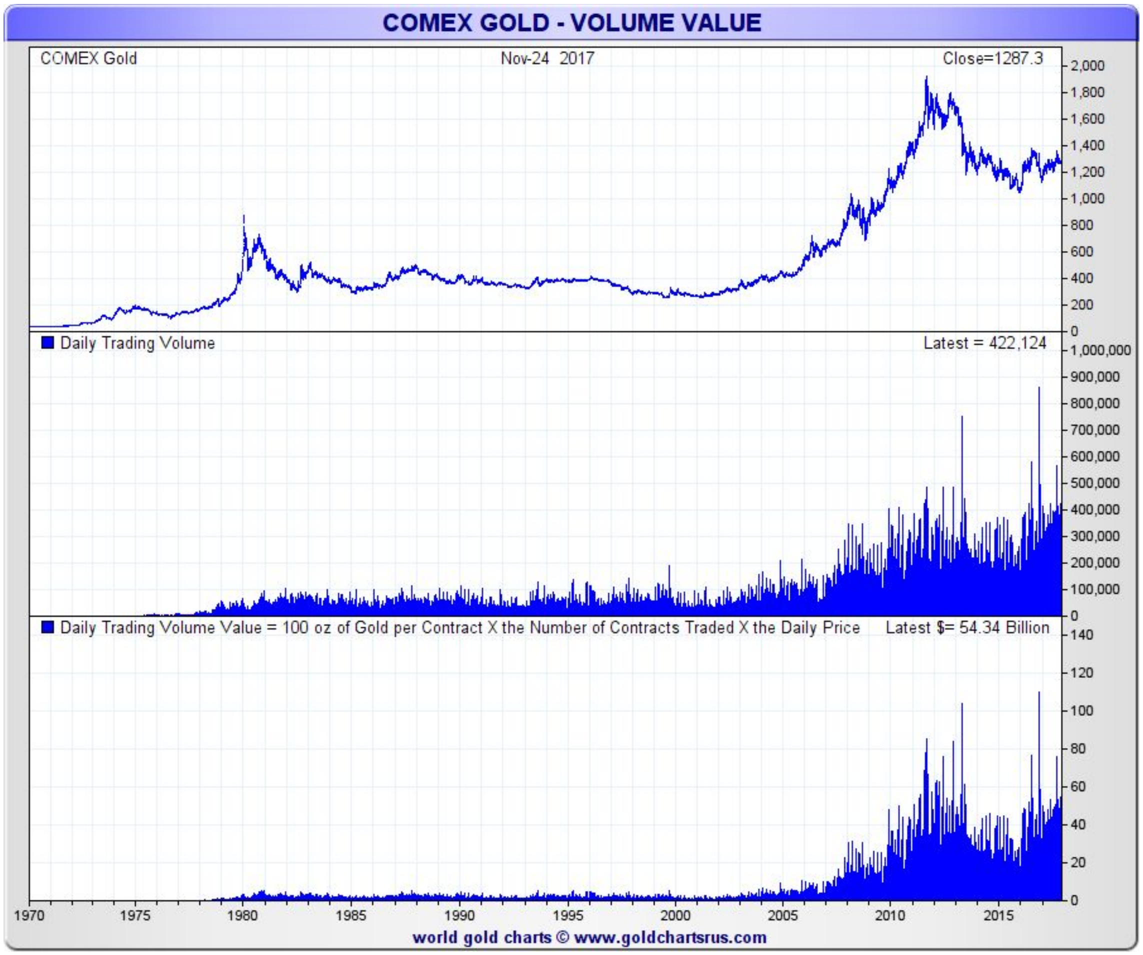
The biggest miner, buyer, and non-exporter of gold is now China.

The old 'old west' if you will, is perhaps now located in some of the world's last remaining frontiers (e.g. in Africa, the jungles and mountains of South America).

We are now in the midst of the greatest gold bull market ever.

This claim is based on the sheer size of future exchange trading volumes and the sheer amounts of physical gold ounces actively mined, refined, bought, sold, and delivered (since the year 2000).

This is indeed the first, globally participated gold rush in history.



Considering current data covering ongoing government central banks and individual investor actions, the dollar amounts of gold bullion which have been purchased thus far in the 21st Century are unprecedented.

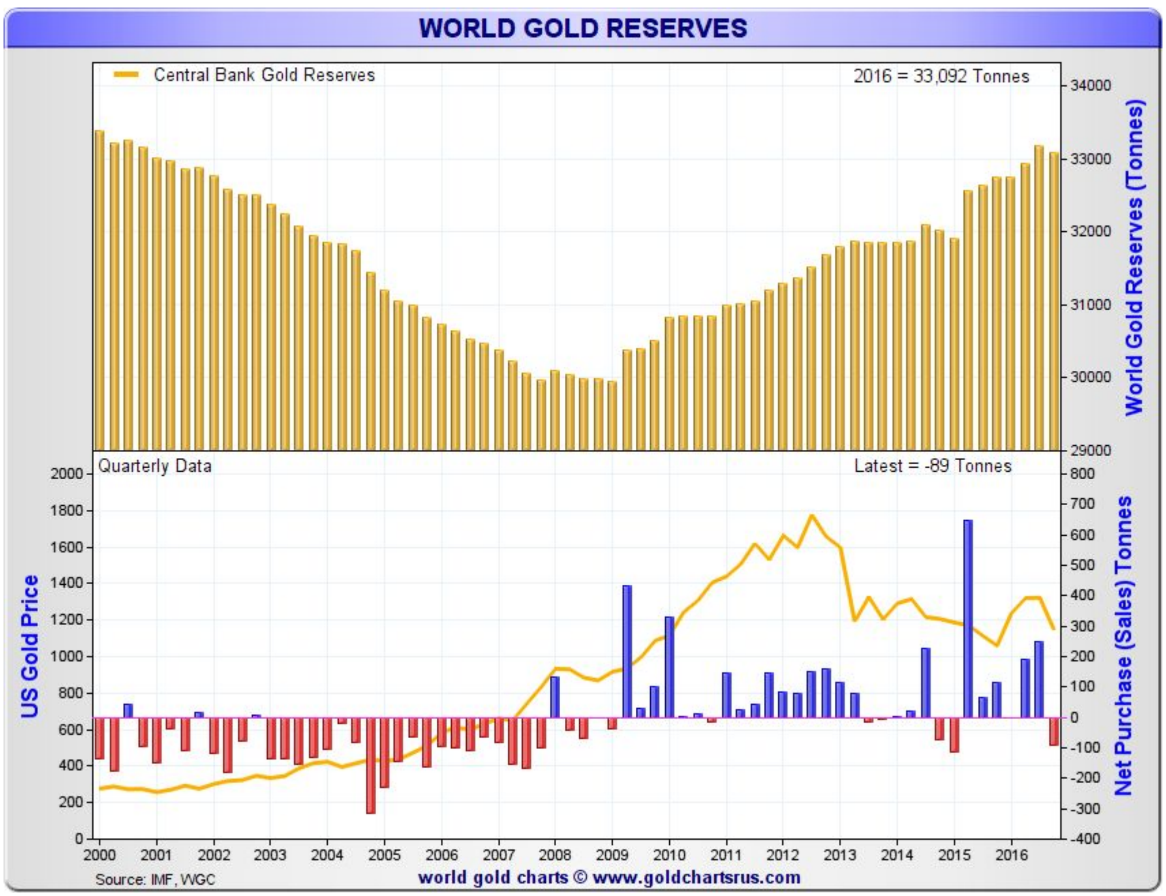
Most long term gold bullion buyers currently buy and own gold to better diversify their wealth and investment portfolios. Most gold bullion buyers understand the importance of not having all their wealth only denominated in merely 1 or 2 currencies like US dollars or euros for example.

By design all fiat currencies eventually lose their value. Their real world purchasing powers dwindle over time, thus gold bullion is often bought and owned for the long haul to help investors insulate their wealth against this fact.

In the past two centuries or so, the world's international financial regimes and rules have changed in 30 to 40 year cycles. Over 40 years have come and gone since the fully fiat petrodollar system was established (1974). Cracks are now appearing and it is reasonable to expect the rules of the monetary system to again change sooner than later. All that is required to see this happen soon, is one more global financial crisis.

Many gold bullion buyers know this already. They are diversifying the nature of their wealth positions accordingly, preferring not to hold all their assets denominated by a single currency or lone point of potential failure.

Hence both many individual investors and especially eastern central banks are looking for asset diversification through increased long term gold bullion ownership.



Over more than the past century, varying market crashes and asset class bear markets have occurred in both western and eastern nation states in both either local or even international market economies. Recently the world has undergone an extended period of time where interest rates have been virtually zero and even negative (an unprecedented sign of rampant currency debasement).

When mathematically backtested from 1968 to 2016, gold could have played a much larger role in wealth preservation than most financial commentators or advisors have been, nor are even willing to suggest today.

The growth of online bullion dealers both buying and selling gold coins and gold bullion bars has increased, much in part due to the growth in internet commerce and as well as a general investor awakening from the 2008 financial crisis.

It is now quite common for investors to buy gold coins or gold bullion bars through online bullion dealers and take direct discreet delivery to door as well within insured professional non-bank bullion depository accounts.

Directly owning physical gold bullion can offer investors:

- *Wealth diversification*
- *Protection from both inflationary and deflationary threats*
- *Bank Bail-In, Bank Bailout, or general bank failure hedge*
- *Superior financial liquidity (easy to buy and sell)*
- *A potentially undervalued asset class (compared to current valuations of equities, real estate, cash flow properties, bonds, all currencies, etc.)*
- *A private asset to counter cashless and digitally trackable trends*
- *Physical and mobile store of value that cannot be hacked nor easily stolen*
- *Fortune which can be easily passed on to heirs and loved ones*
- *Defense from both slow and even overnight fiat currency devaluations*
- *A multi-millennial, inter-generational proven store of buying power*

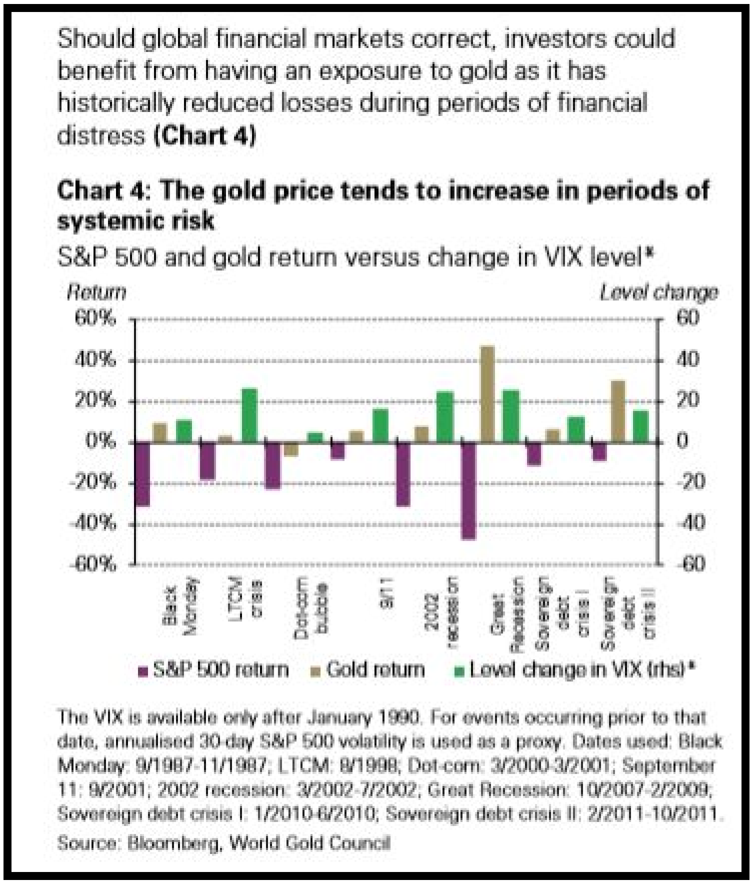

Should global financial markets correct, investors could benefit from having an exposure to gold as it has historically reduced losses during periods of financial distress **(Chart 4)**

Chart 4: The gold price tends to increase in periods of systemic risk

S&P 500 and gold return versus change in VIX level*

The VIX is available only after January 1990. For events occurring prior to that date, annualised 30-day S&P 500 volatility is used as a proxy. Dates used: Black Monday: 9/1987-11/1987; LTCM: 8/1998; Dot-com: 3/2000-3/2001; September 11: 9/2001; 2002 recession: 3/2002-7/2002; Great Recession: 10/2007-2/2009; Sovereign debt crisis I: 1/2010-6/2010; Sovereign debt crisis II: 2/2011-10/2011.

Source: Bloomberg, World Gold Council

Source

Gold bullion remains one of the only default proof assets available to investors today.

Unlike virtually all other asset classes, unencumbered gold bullion as well other physical precious metal bullion products, cannot be made worthless by the failure of counterparties.

The value of gold is not by mere human folly. It is in fact more scientific and rational than any currency proxy ever dreamed up or invented.

Regardless of what the world's future monetary system becomes, gold's value will remain worthy. Worthwhile for adornment and exchange, for usage as a store of value, or in applications for high tech medicine and aerospace. Gold's future preciousness, usage, and consumption are in essence guaranteed.

Often denied but covertly still, gold is the underlying bedrock and foundation of global finance. The world appears to be relearning why this remains so.

WORLD GOLD SUPPLY AND DEMAND

(tonnes)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Supply										
Mine production	2,538	2,467	2,651	2,775	2,868	2,883	3,077	3,172	3,209	3,222
Scrap	1,029	1,388	1,765	1,743	1,704	1,700	1,303	1,158	1,172	1,268
Net Hedging Supply	-432	-357	-234	-106	18	-40	-39	108	21	21
Total Supply	**3,134**	**3,497**	**4,182**	**4,411**	**4,590**	**4,544**	**4,341**	**4,438**	**4,401**	**4,511**
Demand										
Jewellery	2,474	2,355	1,866	2,083	2,091	2,061	2,610	2,469	2,395	1,891
Industrial Fabrication	492	479	426	480	471	429	421	403	365	354
...of which Electronics	345	334	295	346	343	307	300	290	258	254
...of which Dental & Medical	58	56	53	48	43	39	36	34	32	30
...of which Other Industrial	89	89	79	86	85	83	85	79	76	70
Net Official Sector	-484	-235	-34	77	457	544	409	466	436	257
Retail Investment	448	937	866	1,263	1,616	1,407	1,873	1,163	1,162	1,057
...of which Bars	238	667	562	946	1,247	1,056	1,444	886	876	787
...of which Coins	211	270	304	317	369	351	429	278	286	271
Physical Demand	**2,930**	**3,536**	**3,125**	**3,903**	**4,635**	**4,441**	**5,314**	**4,501**	**4,357**	**3,559**
Physical Surplus/Deficit	**204**	**-38**	**1,057**	**508**	**-45**	**102**	**-973**	**-62**	**44**	**952**
ETF Inventory Build	253	321	623	382	185	279	-880	-155	-125	524
Exchange Inventory Build	-10	34	39	54	-6	-10	-98	1	-48	86
Net Balance	**-39**	**-394**	**394**	**73**	**-224**	**-167**	**5**	**92**	**217**	**342**
Gold Price (LBMA PM, US$/oz)	**695.39**	**871.96**	**972.35**	**1,224.52**	**1,571.69**	**1,668.98**	**1,411.23**	**1,266.40**	**1,160.06**	**1,250.80**

Source: GFMS, Thomson Reuters

Totals may not add due to independent rounding. Net producer hedging is the change in the physical market impact of mining companies' gold loans, forwards and options positions.

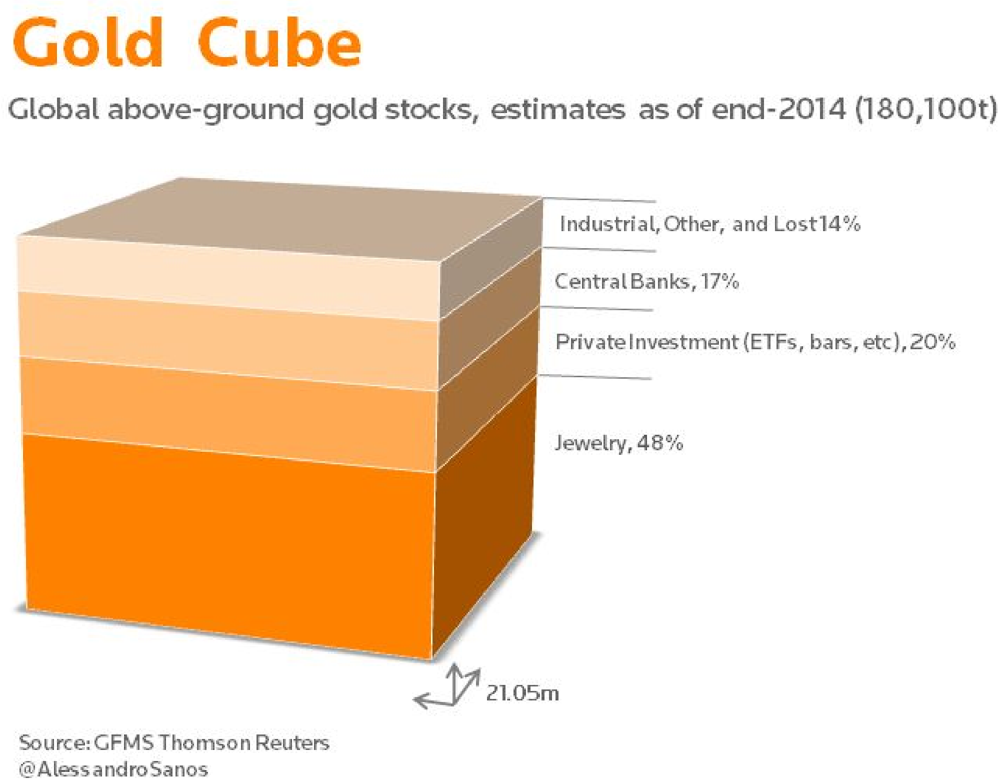
[*1 tonne of gold bullion = 32,150.7 troy ounces of gold bullion*] Source

In this gold fundamental section we will cover basic information on gold bullion supply and demand factors. How much is where in the world and why.

We will also elaborate on gold spot price discovery and how gold bullion prices function not only now, but also the recent past, and possibly in the future.

Gold Supply

Estimates are that all the gold ever mined would fit inside a cube of 25 meters. Picture about 3 olympic sized pools full of gold bullion. Perhaps imagine 1/3rd of the Washington Monument filled with the world's all time above ground gold supply.



Source

Although the gold market remains rather opaque in terms of who has exactly what amounts, experts and geologists generally estimate the all time above ground gold supply level stands at about 187,200 tonnes of gold (or about 6 billion troy ounces).

Aboveground gold supplies grow at roughly 1.5% per year which coincidentally today is about the same percentage annual growth for the world's population of human beings.

Mathematically there is about 0.79 oz or 24.5 grams of gold per human alive today.

The annual gold supply is now hovering at about 4,000 tonnes a year (128 million troy ounces). These annual supply numbers can be misleading, as only about 70% is coming fresh from gold miner's extractions with the remaining 30% of gold's annual supply coming from recycled gold scraps.

Thus only about *100 million oz of new physical gold* is available on a yearly basis.

Unlike industrial silver or other scarce industrial precious metal supplies, over 90% of the gold which exists above ground eventually again gets recovered in scrap recycling and refining, ultimately being put back into above ground gold inventories.

Pure gold is indestructible.

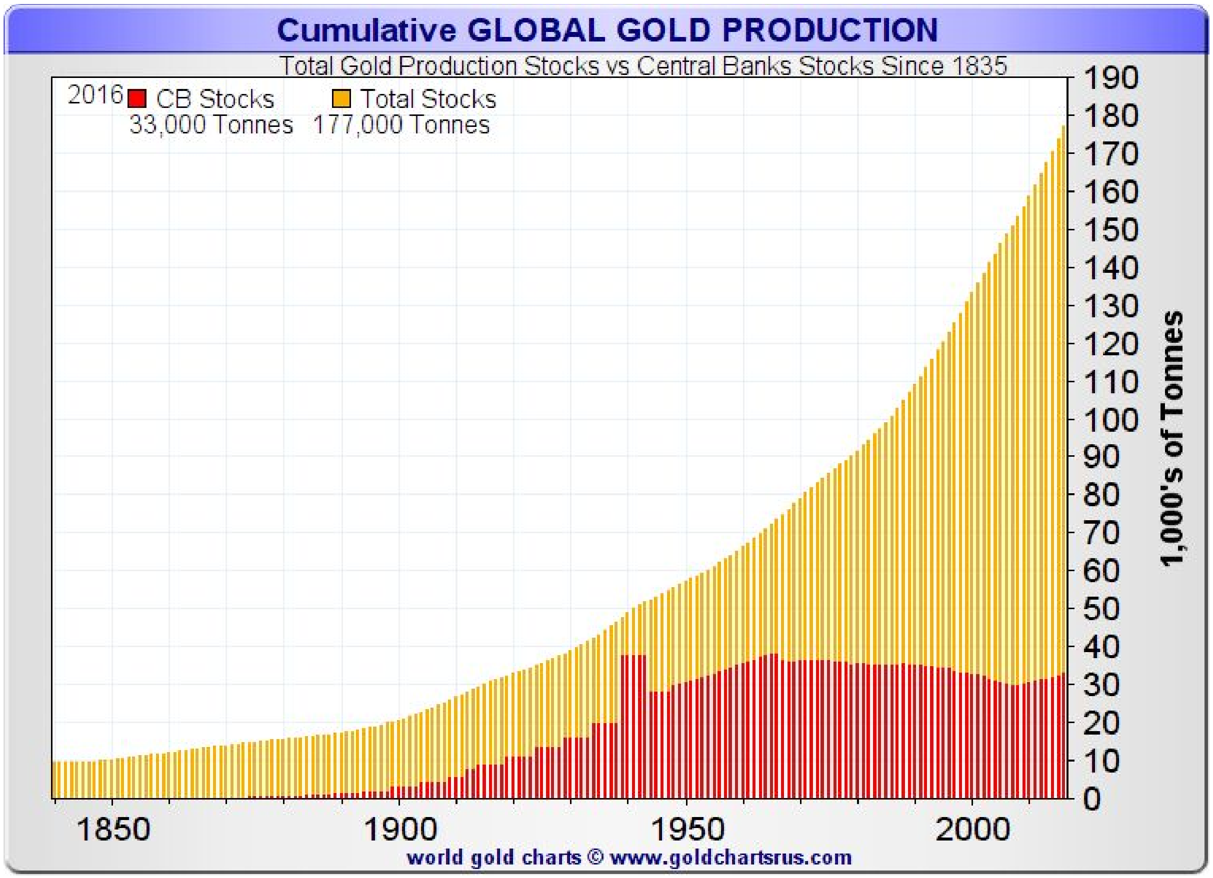
It cannot be destroyed by fire. It does not corrode, rust, or tarnish.

Scientists and astronomers now speculate that gold (and other precious metals) are formed in the rare case of neutron star collisions and star supernovas.

Gold is so fungible it can be broken down into nanoparticles. Although rare, there are even some industrial gold applications which cause some gold to be thrown out, unrecovered by human beings.

Nearly 1/5th of all the gold ever mined by mankind is currently being held and hoarded by governments and central banks alone. Nation states have owned and stored gold bullion for thousands of years, well before even the invention of fiat currencies themselves.

This will likely never change. We will discuss why shortly.



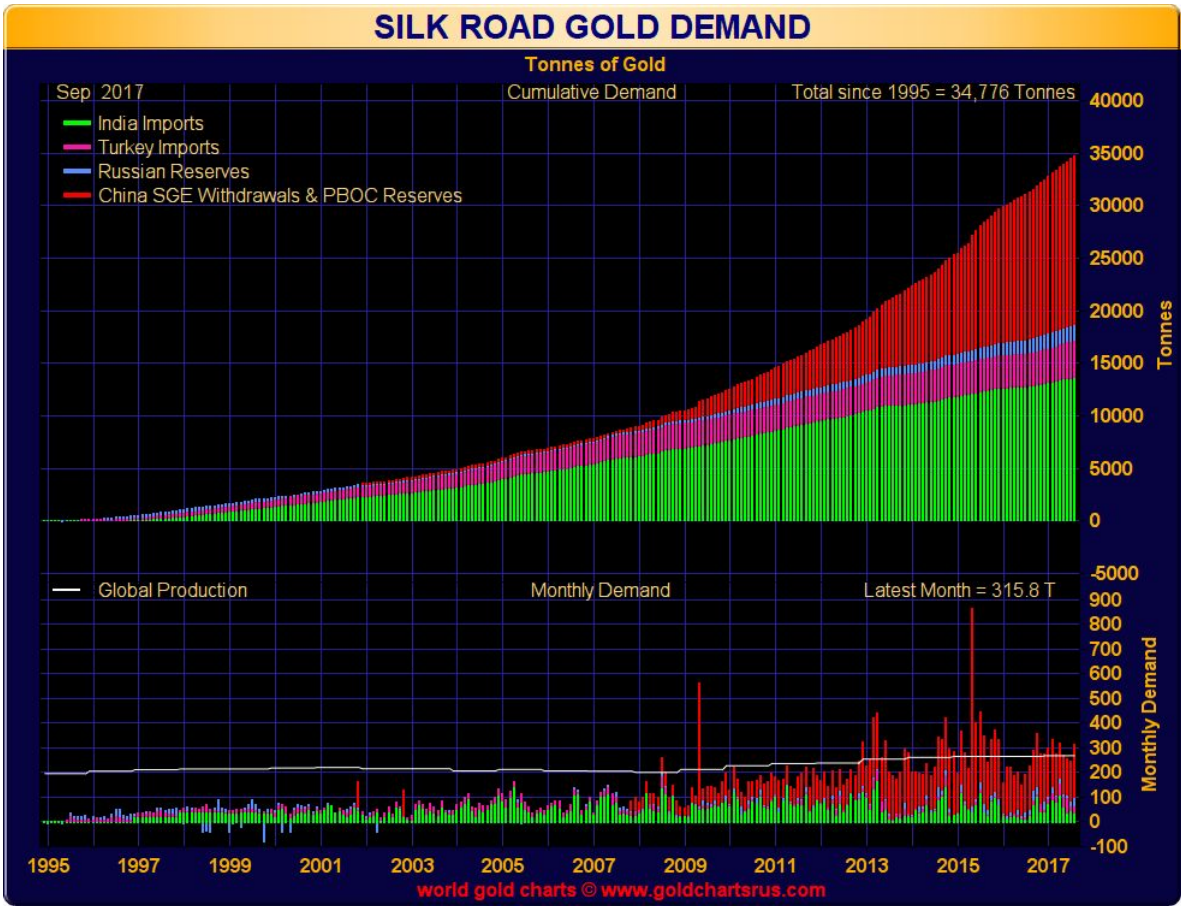
Gold is mined in various regions around the globe.

Today the largest gold mining nation is China producing about 15% of the world's annual gold mine supply.

China consumes all of its annually mined gold domestically, it exports none of it.

As well China imports further gold bullion supplies via Hong Kong and Shanghai.

China also buys foreign gold mines, the eventual majority output of those foreign mines end up within her borders too.



(In just 22 years, this constitutes ^^^ over 18.5% of gold ever mined)

Industry data shows China (as well as many other eastern nations) have been actively building their gold reserves acquiring bullion from the west with the aim of having more influence in the world's next international monetary system design and functionality.

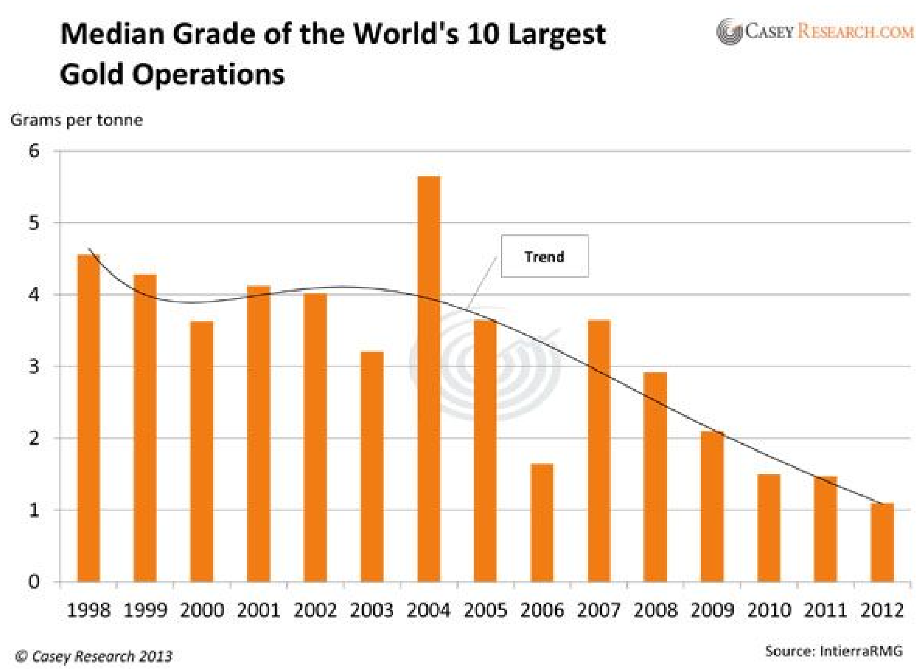
China expressed this to its citizenry dating as far back as 2009 (see part #3).

Some go as far to suggest there is an ongoing US / China policy allowing China to acquire her growing gold supply at depressed prices. This alleged tacit agreement allows China to hedge her rather large US dollar surpluses formerly held heavily in US bonds and US dollar denominated debt instruments mostly accumulated from large product manufacturing outflows from the 1990s onwards. In short, "*Made in China*" needs a gold hedge.

Anecdotally there are also first hand disclosures in the public record with swiss gold refinery directors (the largest gold refinery region in the world) confirming ongoing difficulties sourcing enough physical gold to meet current eastern gold bullion demand.

Sure there may appear to be infinite gold derivatives to go around. But finding enough physical gold bullion to help actually meet growing physical demand has not been easy.

As well according to gold mine researchers, gold grams recovered per tonne of Earth by the world's largest gold mining operations have significantly fallen this 21st Century. In other words, it has become more difficult and costly to profitably yield enough gold to meet ongoing demands.



Source

Will the future supply of physical gold be enough to meet world demand in the coming years and decades?

Will gold's future fiat currency prices and purchasing power value have to aggressively rise to offset diminishing bullion supplies and gold gram per tonne yield trends?

“Production (of gold) is declining and this is going to put an enormous amount of pressure on prices down the road. If you look back to the 1970s, 1980s and 1990s, in every one of those decades the industry found at least one 50+ million ounce gold deposit, at least ten 30+ million ounce deposits and countless 5 to 10 million ounce deposits. But if you look at the last 15 years, we found no 50 million ounce deposit, no 30 million ounce deposit and only very few 15 million ounce deposits. So where are those great big deposits we found in the past? How are they going to be replaced? We don’t know. We do not have those ore bodies in sight.

What the (gold mining) industry has not done anywhere near enough is to put money back into exploration. They have not put anywhere near enough money into research and development, particularly for new technologies with respect to exploration and processing. The way our industry works is it takes around 7 years for a new mine to ramp up and then come to production. So it doesn’t really matter what the gold price will do in the next few years: Production is coming off and that means the upward pressure on the gold price could be very intense.”

- *Pierre Lassonde*

Chairman of Franco-Nevada

October 2017, Source

Gold Demand

Gold Jewelry Demand

The current largest gold demand factor remains its use in jewelry and adornment accounting for about 50% of yearly demand.

Indian and Chinese gold jewelry buyers make up the largest block of gold jewelry demand accounting for over ½ the world's yearly gold jewelry demand. It is estimated that amongst 2 billion Chinese and Indians citizens there is some $2 trillion in physical gold held, about 1/4th of all the gold ever mined.

Source

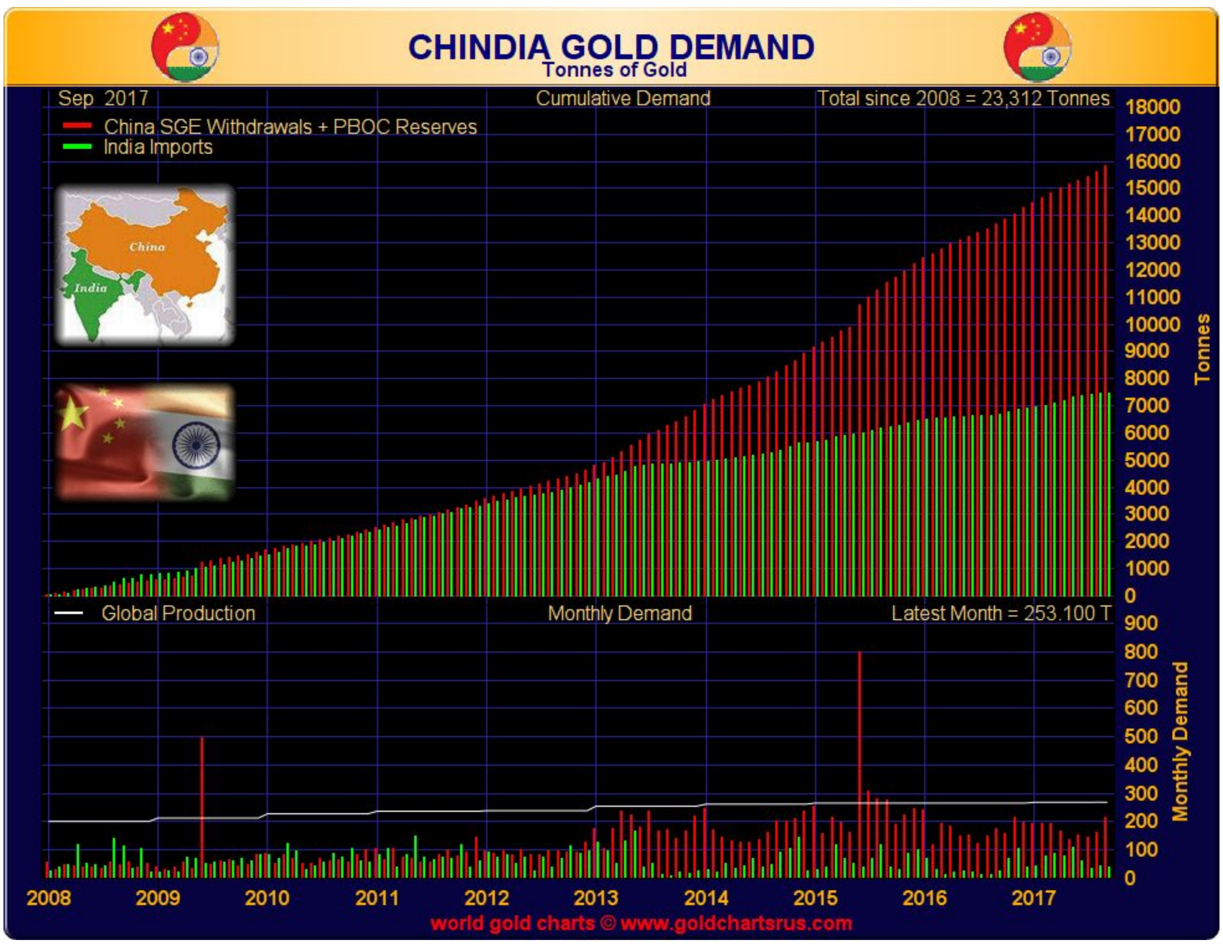
In the eastern world often gold jewelry is seen as a respected vehicle for gold ownership and savings. Giving gold jewelry gifts in wedding dowries is still a common practice in both Indian and China.

Just take a quick 360° virtual tour of a typical Indian gold jewelry and bullion store front.

Now simply look how both China and India's fiat currencies have performed versus gold over the past 40 odd years or so.

Chinese yuan vs Gold

Indian rupee vs Gold



Physical gold jewelry buying in the east remains consistent with traditions dating back many thousands of years there.

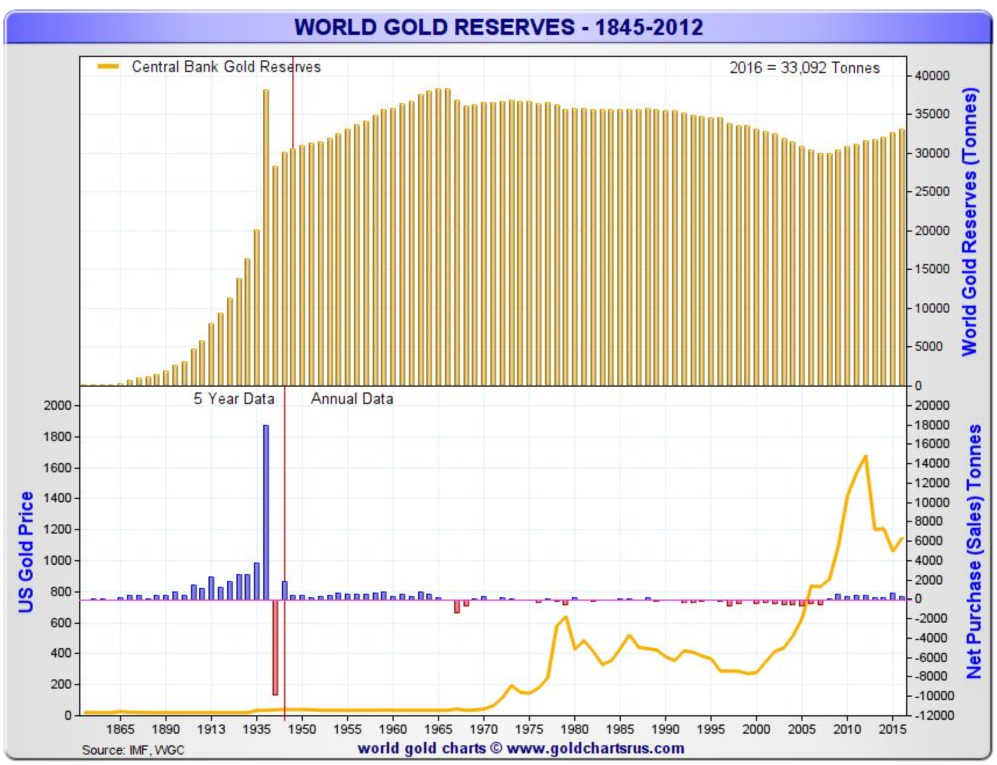
Unlike ridiculous gold jewelry prices in the west. Eastern gold jewelry is often bought at prices about 10% above spot price, the jewelry is made with 22k to 24k gold often with gorgeous intricate designs.

In the east, high purity gold jewelry is perceived as a store of dependable value that enables people to hold on to an earned surplus of savings generated throughout both their and perhaps their forefathers' lifetimes.

It is rather reasonable to expect many of these 2.6 billion people to continue buying physical gold in high volumes. Especially as their middle classes further develop and accumulate wealth in this 21st Century.

Government Gold Demand

Nearly 1 of every 5 ounces of gold ever mined is currently being held by government central banks. Since the 2008 financial crisis, total central bank and government gold bullion buying has become a dependable positive factor driving higher gold demand.



As reflected in the prior Silk Road gold chart, a growing and large portion of modern-day physical gold demand is coming from eastern nation states (e.g. India, China, Turkey, Russia, etc.).

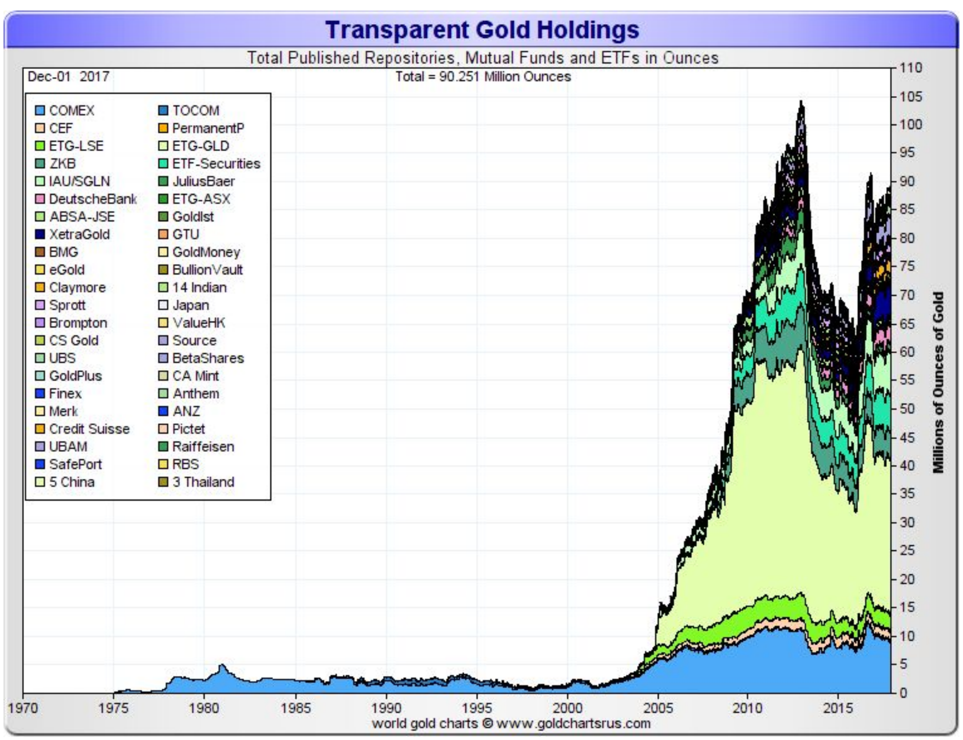
Recent Russian central bank commentary as well as other reports indicate most of the largest gold bullion buying and mining nations (BRICS) are now developing their own single gold bullion trading systems (bypassing London and Switzerland, the two largest western physical gold hubs). Price discovery power is likely to follow from west to east.

Private Gold Investment Demand

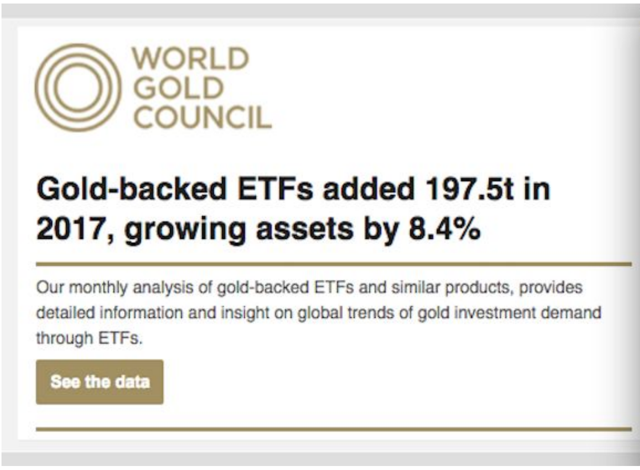
Especially since the aftermath of the 2008 financial crisis, physical gold has increasingly been demanded from both individual investors and government central banks.

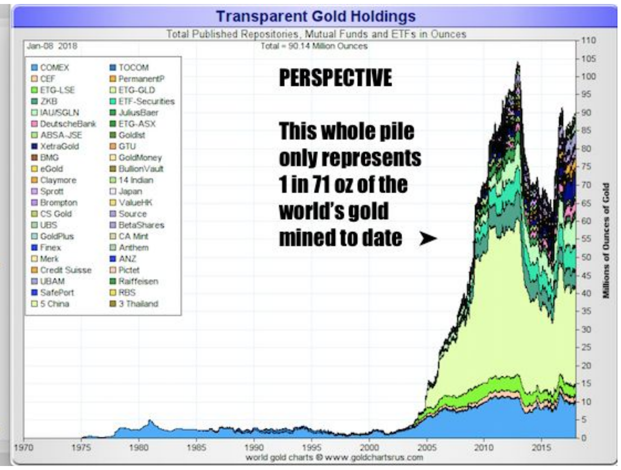
Approximately 40% of yearly demand comes from these two segments alone.

Although often discussed in the mainstream financial press as a method to track gold demand, the reality is that all total transparent gold funds, ETFs, and futures contract exchange warehouses (e.g. COMEX) only account for 1 in 71 oz of gold above ground.



Short term flows of less than 1.5% of all the gold ever mined, tells incomplete stories.





Gold bashing headlines which often cite outward gold ETF flows are commonplace in mainstream western financial media. Gold or any other bullion owned outright is an inherently anti-Wall Street product.

Perspective requires remembering 2.6 billion Chindians, rampant eastern central bank gold buying, long term government gold hoards, the increasing strong hands who privately continue to acquire and hold gold bullion physically.

Industrial Gold Demand

Gold's final demand segment driver comes through a mix of cutting edge aerospace, dentistry, medicinal, and industrial applications (just shy of 10% of annual demand).

By its natural characteristics gold is resistant to corrosion, virtually impossible to destroy, while also offering superb malleability, conductivity, and biocompatibility (non toxic to human beings). Nano-gold particles also have increasingly promising applications in the fight against illness and cancer.

Gold is so soft it can be hammered into leaf sheets so thin and inexpensive that gold can be used as decorative wall paper or eaten in extravagant food dishes. A single troy ounce of gold can drawn into a wire so fine that it could stretch up to 50 miles in length.

Source

The precious metals impressive conductivity and resistance to corrosion also make it the material of choice for high-end electronics and smartphone manufacturing.

Increasingly gold is also being used within many high-tech applications to help diminish harmful automotive emissions, in solar fuel cell production, within cutting edge space industry telescopes, the internet's backbone wiring, and to protect astronauts from harmful space radiation.

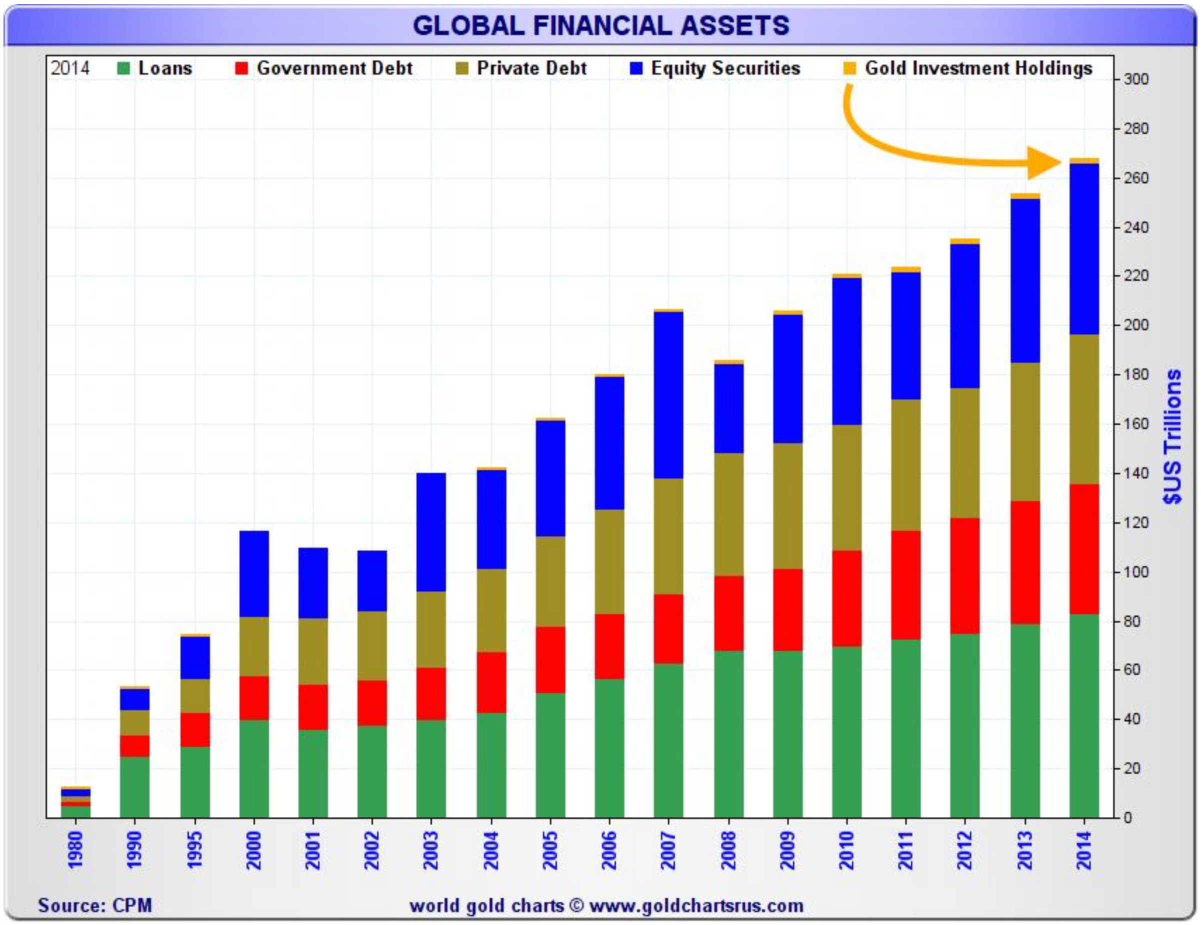
The number of new patents now in existence related to gold nanotechnology suggests many new scientific applications using nano-gold will be coming to market in the decades to come.

With all the growing and varying uses for gold (e.g. in medicine, as jewelry, in technology, or held as a long term store of value), different sectors of physical gold market demand shall rise and fall in prominence throughout future economic cycles.

Yet gold demand has always had a self-balancing nature which has afforded the precious metal a historically consistent sustained base level of value.

Macro-economic forces at play today provide physical gold bullion the potential to substantially increase its value versus other asset classes in the years to come.

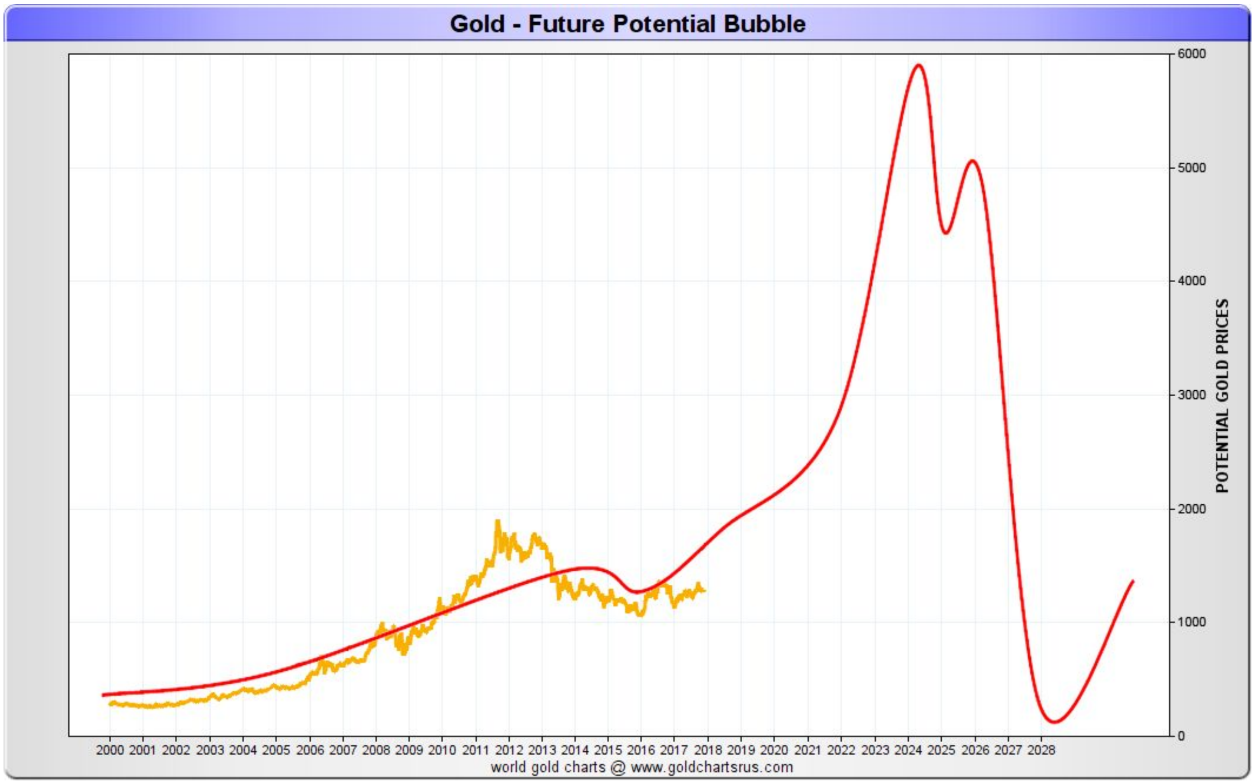
Gold's Share of Global Financial Assets



Contrarian investors note where gold values currently stand as the world is reaching unprecedented price levels for both public and private debts, loans, and equity valuations. See 1980 to 2014 investment values. How much further can this continue?

Even the Chicago Mercantile Exchange (CME) CEO and Chairman now states gold 'should be' 4Xs it's summer 2017 price.

I myself remain convinced that better times and higher valuations are ahead for gold.



Given more than the last 3 decades of rampant financialization and fiat currency creation, gold's anemic overall growth in value compared to credit and modern monetary aggregates make this (albeit somewhat slow to respond) physical precious metal poised for another potential prica mania to come.

How the Gold Price is Determined (Gold Price Discovery)

Commodities like gold (as well as silver, crude oil, natural gas, palladium, platinum, wheat, coffee, cotton, and others) have standardized forward contracts traded on their fluctuating values. Also call futures contracts, they are listed on various futures exchanges throughout the world.

There are many futures exchange market acronyms you may have come across before, names like the NYMEX, CME Group, CBOT, SGE, COMEX, and more. These various futures exchanges are purportedly regulated by their national governmental (or semi-governmental) regulatory agencies.

Formal futures contract markets have been active for many millennia (dating as far back as The Code of Hammurabi).

The original intention of futures contracts was to give the producers of commodities (e.g. gold miners) and end users (e.g. gold refiners or bullion dealers), and commodity price speculators (those who simply trade on futures exchanges for short term gains) ways to respectively manage their price risk, buy and potentially take actual delivery of the real world goods, or simply to make bets on a commodity's price movement up or down in the near future.

A commodity futures price is based on the ongoing price discovery for optional future delivery of that particular commodity (most often settled in cash, sometimes futures contracts are actually settled in the real world tangible good based on the stated contract's explicit quantity).

> **Gold Spot Price** – *(n) the current notional price of 1 troy ounce of gold available for immediate delivery before being minted into a bullion product (e.g. bar, round, or coin).*

The spot price of gold is actively determined by a commodity's most highly traded futures contract at the time. The most traded futures contract can be the current month or it might be two or more months into the future.

Today the gold spot price is a combined indexing using many of the world futures market prices. But based on trading volumes, the gold spot price is currently mostly influenced by the highly fractionally reserved COMEX and London Gold Market.

As back-asswards as it may sound, the price of gold today is mostly found via selling and buying of virtual contracts representing the underlying potentially deliverable physical precious metal.

The positive news for physical gold bullion buyers is that the future price discovery for gold appears to be moving back towards physical reality (see China's Shanghai Gold Exchange with 100% physical delivery required)

GOLD TRADED ON COMMODITY EXCHANGES

(total volume in nominal tonne equivalents)	2014	2015	2016	Change y-o-y
COMEX	126,028	130,135	179,047	38%
SHFE	23,858	25,317	34,760	37%
SGE *1	4,931	7,288	11,793	62%
TOCOM	8,745	7,928	8,541	8%
MCX	3,972	3,947	4,094	4%
SGE Spot	2,645	4,756	3,699	-22%
DGCX1	426	312	412	32%
ICE Futures US	508	294	354	20%
Borsa Istanbul2	239	256	243	-5%

*All SGE contracts excluding SGE Spot.

1 Physically backed. 2 100% Physical Delivery

Source: Thomson Reuters, relevant exchanges

Source

At present the parties who currently mostly influence today's gold spot price (e.g. 6 commercial bullion banks specifically) are for the most part not actually exchanging physical gold, but instead trading derivative contracts (in their own account or for other clients) to highly influence what the real world's physical gold price is and may be in the near term.

Many gold experts, continue to allege and point out that commercial banks aggressively own the short side on COMEX futures exchanges, to profit trading incited short term price swings, but also to ultimately stay solvent themselves. It is in the interest of many central banks and their commercial bank partners to help suppress gold and other commodity values. Allowing the opposite in extreme fashion could render them insolvent and powerless.

Other than the Shanghai Gold Exchange (SGE), all other gold futures markets are highly leveraged fractionally reserved gold exchanges. The vast majority of gold futures exchanges trade many multiples of representative gold ounces via gold futures contracts with only a very small percentage of actual gold bullion physically sitting in warehouses, and ultimately delivered upon in the real world.

Source

In the year 2015, the world's gold futures exchanges traded gold futures contracts representing *over 8 times* more gold than humans *have ever mined* throughout history (1,539,690 representative tonnes traded in 2015 vs 187,200 tonnes mined all time to date). In 2014, Bloomberg estimated the gold derivative market totaled $18 USD trillion in notional value.

In reality, far less than 1% of traded gold futures contracts (excluding China's SGE) are settled in actual physical delivery of gold bullion. Based on the 2015 statistics, nearly 350 times more gold futures contracts were traded that year than actual physical gold supplied to the world's gold market.

To summarize the situation, understand the following.

The price of gold is mostly influenced by short term price speculators trading futures contracts on western exchanges today.

Political and economic events do have influence on the short term price of gold. But it is dubious and naive to believe that what we are seeing today resembles a real free market price for gold (and other precious metals for that matter).

Yet when a large enough percentage of the world starts demanding physical delivery of their gold bullion (or other precious metals), the current highly leveraged fractionally reserved futures contract markets will be forced to adapt to a situation where deliverable physical gold bullion again indeed drives the price for physical gold.

COMEX futures contract '*price circuit breakers*' have been recently readied (implemented in late 2015) and are now awaiting what is possibly going to be an unorderly future for gold and other precious metal futures contract prices.

Various macroeconomic forces appear to be converging, likely ensuring this 21st Century gold bull market has yet to see its highest price peaks (in all fiat currencies currently issued).

Gold Bullion Prices vs Gold Spot Prices

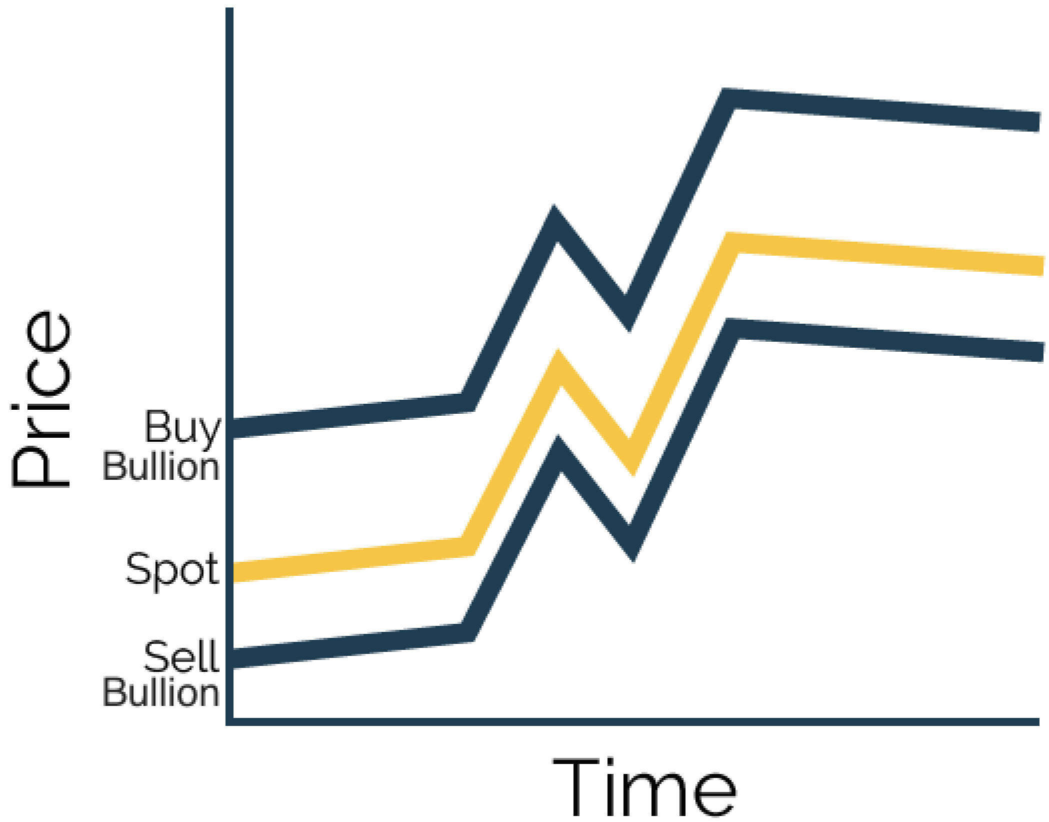
Almost all competent online bullion dealers host live gold spot price quotations on their website typically based in their local currency (e.g. US dollars, Canadian dollars, euros, etc.).

Gold bullion buying and selling is an incredibly competitive industry in the USA and in most industrialized nation states. Typically with United States online gold bullion dealers, the gold bullion products available to purchase and take delivery of are priced per troy ounce of gold.

It is often possible to acquire gold bullion at mere basis points or perhaps only a few percentage points *above* the fluctuating gold spot price. The additional price to acquire investment grade gold bullion product is due to the costs associated with refining, manufacturing, minting, marketing, hedging, and warehousing the respective gold bullion products on sale.

In contract, when selling gold bullion to online gold bullion dealers, gold bullion products will typically yield a sell or bid price at or just *below* the fluctuating gold spot price (depending upon the product type and mint hallmark).

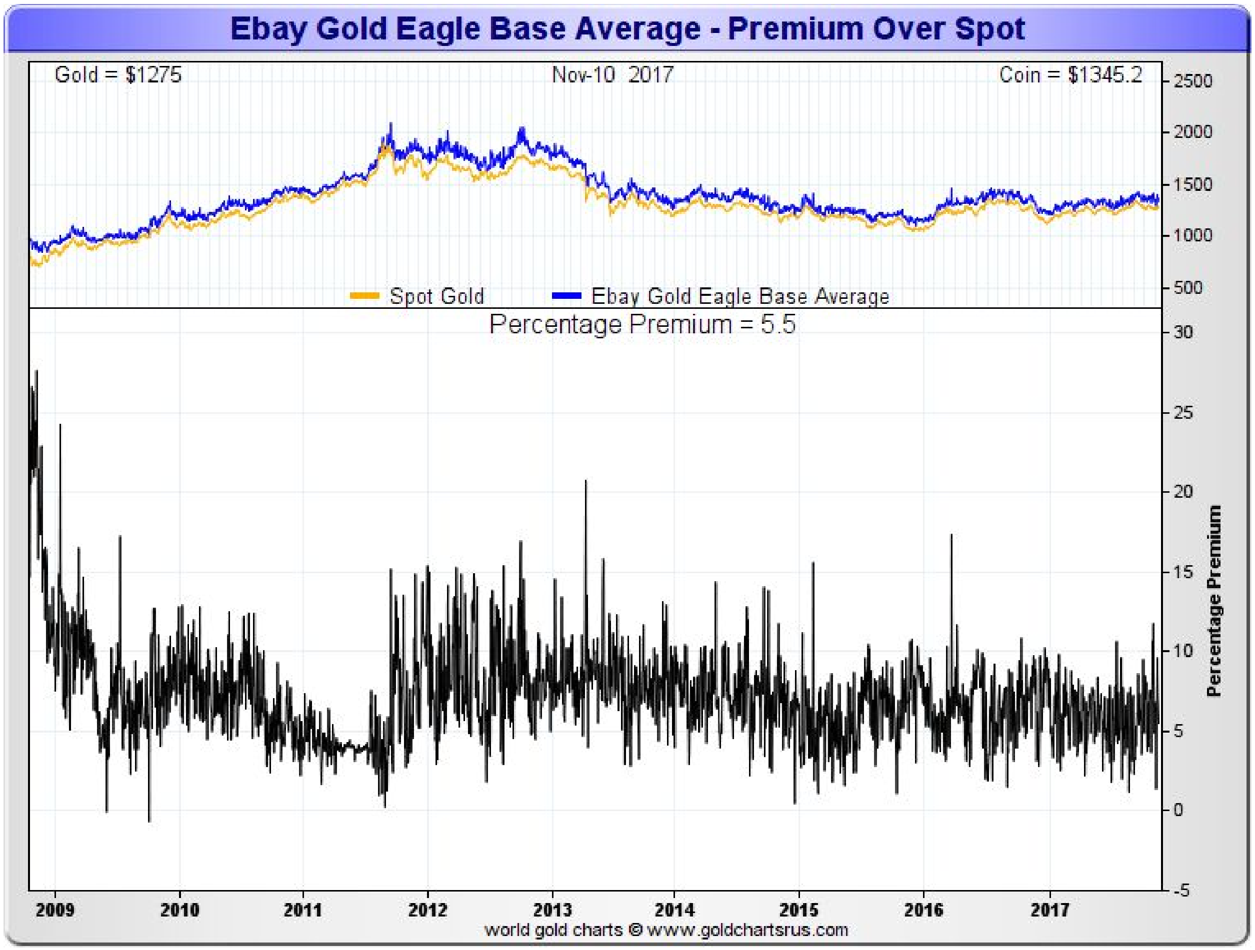
How Gold Bullion Prices Generally Operate in Calm Markets



In calm market periods, investment grade gold bullion product prices hover slightly over the fluctuating gold spot price. In other words, if gold's spot price is $1,300 oz, most physical gold bullion products will be priced slightly above $1,300 per troy ounce of gold bullion. Variances during calm market conditions range as low as mere basis points above the gold spot price for large gold bullion bars to a few percentage points above gold's spot price for gold coins guaranteed by governments.

When outsized gold bullion market demand hits (like it did during the 2008 Financial Crisis), gold bullion prices for products available for immediate delivery climb higher (often on both the sell and buy side) to levels which both can hover above the world's fluctuating gold spot prices.

For example, take a look at how the world's most popular gold bullion coin was priced as high as +25% over the fluctuating gold spot price in the fall of 2008.



1 oz American Gold Eagle Coins where trading about 25% above the gold spot price in the fall of 2008

In summation:

Gold's spot price relation to deliverable physical gold bullion currently functions like so:

- *[Futures traders](#) buy or sell gold futures contracts on worldwide futures exchanges, this trading's 'price discovery' determines fluctuations in gold spot prices in various fiat currencies.*

- *[Miners of gold](#) extract and typically sell mixed gold ore and doré bars to gold bullion refiners at prices just below the fluctuating gold spot price.*

- *Refiners of gold melt and purify the gold ore into .999+ fine bullion or grain then sell these products to governments, mints, or gold bullion dealers at or just above gold's spot price.*

- *Both government and private mints strike gold bullion coins or manufacture gold bullion bars, selling them to gold dealers or the public at large at prices typically above the gold spot price.*

- *Retail and wholesale bullion dealers like us at SDBullion.com produce, procure, and sell gold bullion products for discreet fully insured delivery to door or to professional fully insured segregated non-bank storage facilities at prices just over gold's fluctuating spot price.*

When one learns how fractionally reserved futures markets currently operate and derive the various fluctuating gold spot prices, they often simply choose to bypass electronic gold derivatives and simply elect to buy and take physical delivery of their gold bullion.

In just 2 minutes time, you can hear a highly successful hedge fund manager explain exactly why in 2009, a trust he serves as a fiduciary on chose to acquire physical bullion over virtual derivatives or futures contracts (less costly and arguably safer).

By acquiring gold bullion physically and owning it directly, you can potentially take advantage of future scenarios when gold bullion premiums spike over fluctuating gold spot prices whilst simultaneously reducing the myriad counterparty risks associated with virtual gold proxies trading during limited market hours like futures contracts, ETFs, mutual funds, etc.

More investors and central banks across the world want to buy and hold gold bullion directly, owning it fully unencumbered, to help insure the fact that they indeed own it outright moving ahead.

SILVER INVESTMENT FUNDAMENTALS

Why buy Silver Bullion?

For many thousands of years silver has served as a trustworthy store of value, specie money for day to day transactions, and as a vehicle for long term savings.

Silver is the most common and least expensive of the various precious metals (compared to gold, platinum, and palladium). Often referred to as the poor man's gold, silver was first minted in Lydian coinage around 600 B.C.

Source

Silver coins throughout history have been mostly struck in sterling silver. Sterling silver coins typically have copper added to achieve further durability during monetary circulation. Virtually every successful culture since the end of ancient times issued or had sterling silver coinage in their monetary system.

Examples include ancient Lydian silver coins, Greek drachma silver coins, the silver Roman denarius coin, British pound sterling silver coins, US silver circulation coins, and Canadian silver circulation coins.

"*The major monetary metal in history is silver, not gold*", that was according to Nobel Prize winning economist Milton Friedman in 1993.

He was most likely referring to the fact that based on overall historic human to human transaction volumes, silver coins have served mankind more as money than any other past commodity money or fiat currency issued today.

Silver literally or figuratively means money or cash in various languages spoken by over 1 billion people across the globe (e.g. French, Thai, Greek, Portuguese, & Spanish).

Today millions of silver investors privately hedge their wealth against economic disruptions, bank bail-ins, fiat currency devaluations, and systemic financial crisis by acquiring either old formerly circulated silver coinage and as well 100% pure privately minted modern day silver bullion rounds, newly issued government guaranteed silver coins, and silver bullion bars.

Since the beginning of this 21st Century, the world has witnessed a pronounced general increase in silver's value priced in every single national currency issued by any government worldwide. Compared to gold, silver's price performance vs fiat currencies tends to be more volatile to both the downside and upside.

Silver Price Performance Dec 15, 2017

% Change	USD	ARS	AUD	BRL	CAD	CHF	CNY	EUR	GBP	IDR	INR	KRW	JPY	MXN	NZD	RUB	TRY	ZAR
2000	-15.2	-15.3	-0.1	-8.5	-12.1	-13.4	-15.2	-8.6	-8.1	15.8	-8.8	-5.4	-5.0	-13.9	0.4	-12.1	4.8	4.2
2001	-1.1	-1.0	9.0	17.2	5.3	2.1	-1.1	5.0	2.0	7.0	2.3	2.5	14.4	-5.8	5.1	6.2	117.4	56.7
2002	6.2	257.6	-2.9	62.6	5.4	-11.8	6.2	-10.0	-4.0	-8.4	5.7	-4.1	-4.1	20.9	-15.7	11.2	20.2	-24.1
2003	23.1	7.4	-8.4	0.1	1.1	10.6	23.1	2.8	11.2	15.8	16.4	23.6	11.6	32.6	-1.6	12.6	5.0	-4.1
2004	14.7	16.1	9.8	5.8	6.0	5.2	14.7	6.0	6.7	25.7	9.2	-0.4	9.1	14.0	4.4	8.7	8.3	-2.1
2005	29.9	33.1	37.9	14.2	26.0	50.4	26.6	48.7	44.2	38.6	35.0	26.9	50.1	23.6	36.8	34.7	30.5	44.3
2006	46.8	48.8	36.6	34.2	46.7	36.1	42.0	31.8	28.8	33.2	44.0	35.0	48.2	49.2	42.4	34.5	54.0	63.3
2007	14.3	17.3	2.7	-4.7	-3.1	6.1	6.9	3.3	12.8	20.0	1.8	15.0	7.3	15.5	4.9	6.7	-5.6	11.2
2008	-27.1	-20.6	-7.1	-4.5	-10.0	-31.0	-31.8	-23.3	-0.7	-15.2	-9.7	-1.8	-40.8	-7.7	-2.9	-9.2	-4.2	-0.1
2009	57.5	72.5	20.7	17.8	35.6	51.5	57.5	51.9	41.7	35.2	50.5	45.5	60.9	49.0	24.8	54.3	52.9	23.5
2010	80.3	89.6	59.1	71.7	71.3	63.3	74.5	94.0	88.0	72.5	73.2	74.4	58.0	70.5	69.0	83.9	87.2	61.8
2011	-8.0	-0.4	-8.0	3.4	-6.0	-7.6	-12.3	-5.1	-8.0	-7.3	9.2	-5.8	-12.5	3.7	-7.8	-3.1	11.7	12.7
2012	6.3	21.4	4.3	16.6	3.7	3.5	5.2	4.2	1.8	14.8	10.1	-1.8	18.7	-1.1	0.1	1.1	0.9	11.1
2013	-34.9	-13.7	-24.5	-24.9	-30.4	-36.5	-36.7	-37.6	-36.2	-19.1	-26.8	-35.8	-20.9	-34.3	-34.9	-30.1	-21.9	-19.0
2014	-18.1	6.3	-10.5	-7.9	-10.7	-8.9	-16.1	-7.0	-13.1	-16.6	-16.5	-14.9	-6.6	-7.9	-13.9	46.8	-10.8	-10.2
2015	-13.5	32.7	-3.2	29.1	3.5	-13.0	-9.4	-3.6	-9.0	-3.7	-9.2	-6.8	-12.9	1.9	-1.2	6.5	8.1	16.4
2016	17.5	43.7	19.4	-3.5	13.8	20.2	25.7	21.7	41.1	14.8	20.7	20.6	14.2	40.4	16.1	-0.4	42.2	3.8
Average	10.5	35.0	7.9	12.9	8.6	7.5	9.4	10.3	11.7	13.1	12.2	9.8	11.2	14.7	7.4	14.8	23.6	14.7
2017	-1.5	8.6	-7.2	-0.1	-5.8	-4.3	-6.3	-11.9	-8.8	-0.7	-7.2	-11.2	-5.2	-9.2	-2.4	-6.0	7.9	-6.1

More so than merely a monetary metal, silver today is a heavily used industrial metal.

Silver remains 2nd only to crude oil in the amounts of real world products and applications this precious physical commodity is used in.

By its inherent nature, the element silver:

- *has an extremely high reflection for light hence its usage in mirrors.*
- *is the most electrically conductive metal of all.*
- *is the best thermal transmitter of all metals.*
- *is germicidal in nature and thus used in various antibacterial applications.*
- *easily malleable and ductile, only slightly harder than gold.*

Additional interesting facts about silver can be found here.

Silver's industrial applications are vast and highly variant. From silverware, jewelry, dentistry, in air conditioning, water filtration, mirrors, solar panels, car windshields, various electronics, photography, and further applications we will examine in the silver demand section to come.

For now here is a look at silver supply and demand data over the past decade:

TABLE 1 - WORLD SILVER SUPPLY AND DEMAND

(million ounces)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Supply										
Mine Production	667.7	684.7	717.3	753.0	758.3	791.7	823.7	868.6	890.8	885.8
Net Government Sales	42.5	30.5	15.6	44.2	12.0	7.4	7.9	-	-	-
Scrap	202.7	200.4	200.1	226.4	260.1	253.8	191.0	165.3	141.1	139.7
Net Hedging Supply	-24.1	-8.7	-17.4	50.4	12.2	-47.1	-34.8	16.8	7.8	-18.4
Total Supply	**889.8**	**907.0**	**915.6**	**1,074.1**	**1,042.7**	**1,005.8**	**987.8**	**1,050.7**	**1,039.7**	**1,007.1**
Demand										
Jewelry	182.3	177.6	176.9	190.0	191.5	187.4	221.8	227.9	228.3	207.0
Coins & Bars	61.6	196.6	92.9	147.7	206.4	159.2	240.6	234.0	290.7	206.8
Silverware	60.2	58.4	53.2	51.6	47.2	43.7	58.8	60.7	62.9	52.1
Industrial Fabrication	646.0	645.8	528.2	633.8	661.4	600.0	604.5	595.7	569.6	561.9
...of which Electrical & Electronics	262.5	271.7	227.4	301.2	290.8	266.7	266.9	263.4	245.9	233.6
...of which Brazing Alloys & Solders	58.6	61.8	53.8	61.2	63.2	61.1	62.7	66.7	61.5	55.4
...of which Photography	117.0	98.2	76.4	67.5	61.2	54.2	50.5	48.5	46.5	45.2
...of which Photovoltaic*	-	-	-	-	75.8	58.2	55.9	51.6	57.2	76.6
...of which Ethylene Oxide	7.9	7.4	4.8	8.7	6.2	4.7	7.7	5.0	10.2	10.2
...of which Other Industrial*	200.0	202.7	165.8	195.2	164.1	155.0	160.8	160.5	148.4	141.0
Physical Demand	950.2	1,074.5	851.1	1,023.1	1,108.5	990.2	1,125.8	1,118.3	1,151.5	1,027.8
Physical Surplus/Deficit	**-60.3**	**-167.5**	**64.5**	**50.9**	**-65.8**	**15.6**	**-137.9**	**-67.6**	**-111.8**	**-20.7**
ETP Inventory Build	54.8	101.3	156.9	129.5	-24.0	55.3	2.5	1.5	-17.7	47.8
Exchange Inventory Build	21.5	-7.1	-15.3	-7.4	12.2	62.2	8.8	-5.3	12.6	79.0
Net Balance	**-136.6**	**-261.7**	**-77.2**	**-71.1**	**-54.0**	**-101.9**	**-149.2**	**-63.8**	**-106.7**	**-147.5**
Silver Price, $ per oz.	13.38	14.99	14.67	20.19	35.12	31.15	23.79	19.08	15.68	17.14

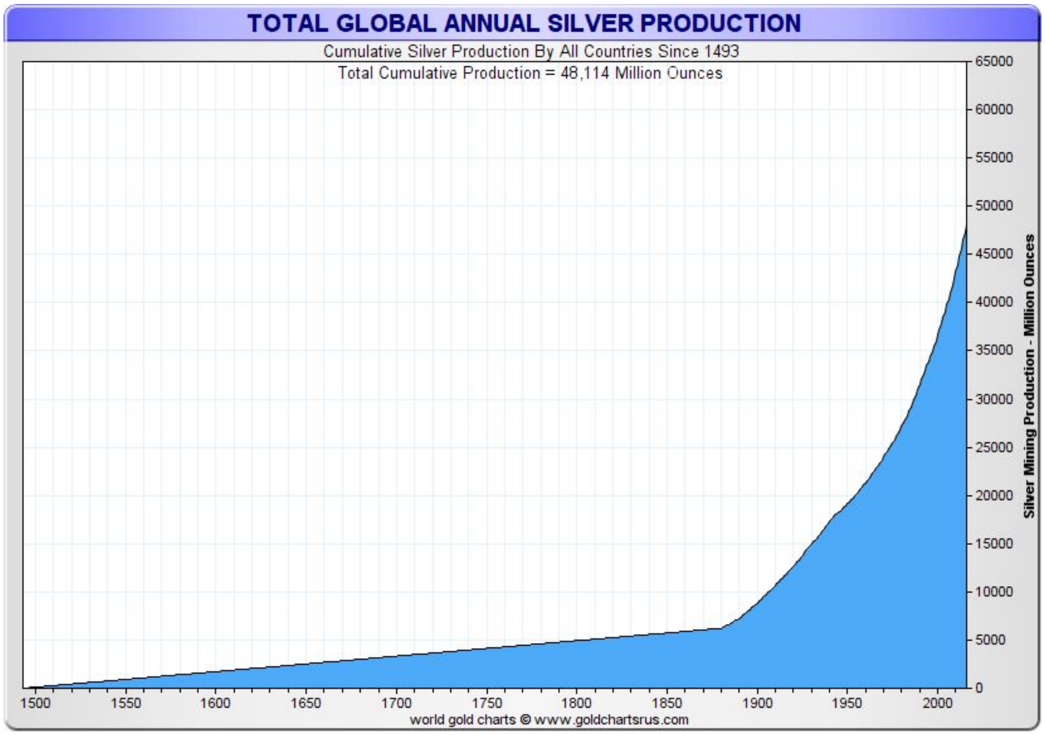
*Photovoltaic demand included in "Other Industrial" prior to 2011

© GFMS, Thomson Reuters / The Silver Institute

Source

Silver Supply

Based on the fact that silver is found in the ground at a rate of about 8 parts silver to 1 part gold, it is conservative to estimate we humans have mined about 1.5 million tonnes of silver throughout history (or just over 48 billion troy ounces).

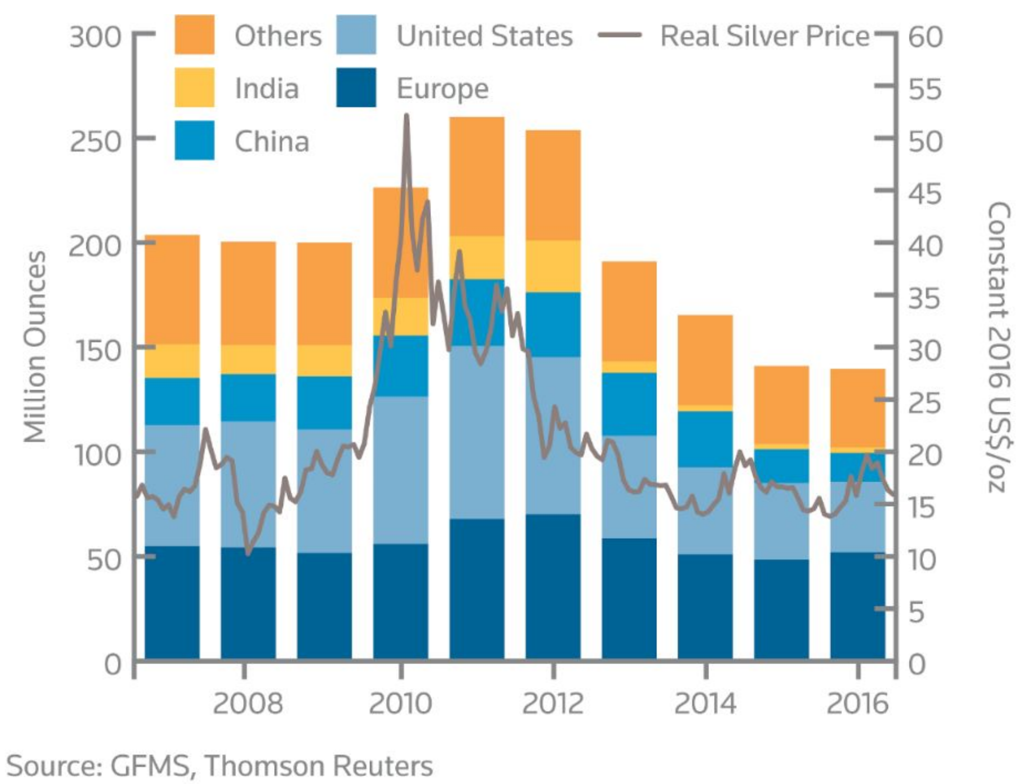


All time gold mining output is almost all entirely with us today (187,200 tonnes), yet conversely much of the near 50 billion silver ounces ever mined are not.

A good portion of the silver ever mined is now in landfills or in slim unrecoverable amounts in industrial applications, artwork, and jewelry.

The total annual silver supply currently reaches around 1 billion troy ounces per year.

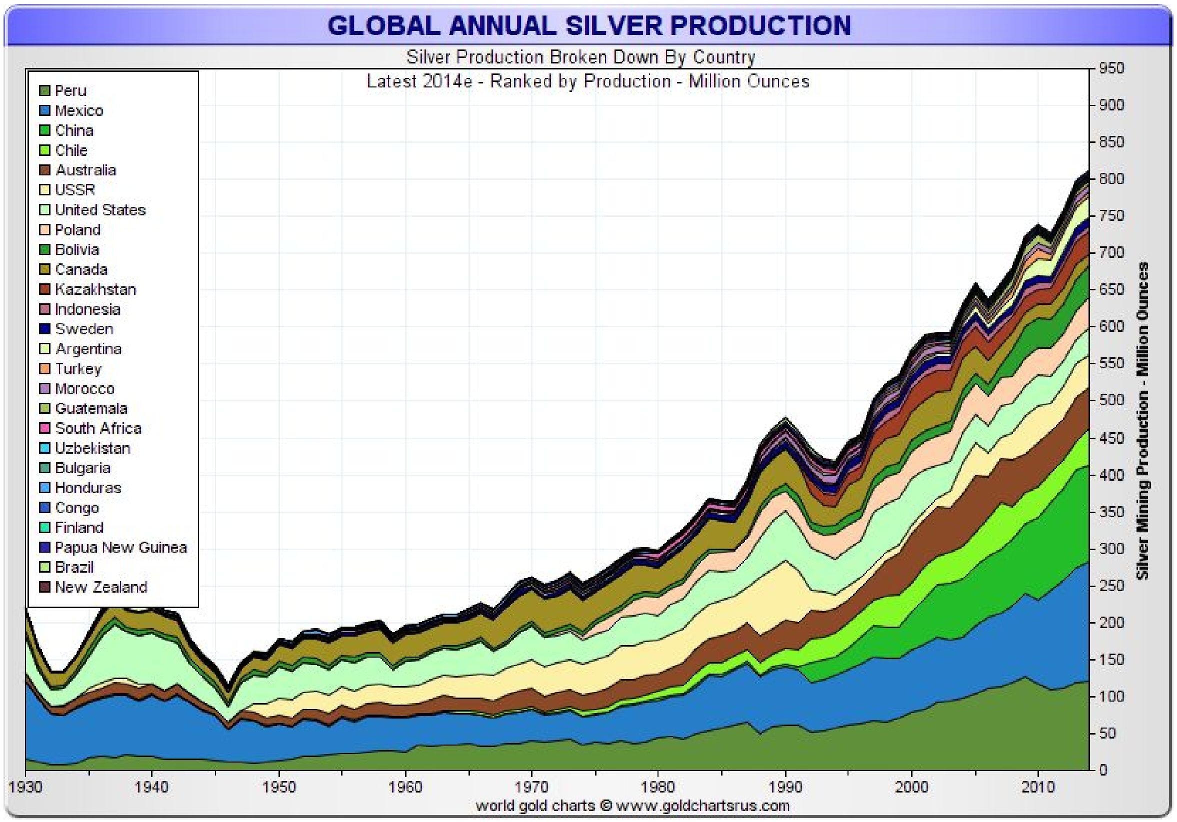
Annually less than 20% of silver supplies come from recycling programs.



[Source]

It could be argued that the true annual addition to the above ground silver supply is only around 800 million ounces per year. Silver mining operations yield about 80% of annual supply while again, silver scrap recycling yields about 20% of annual silver supplies.

Most silver ([about 70% of it]) is mined as a byproduct of other industrial and precious metal mining efforts. Only a tiny amount of silver comes from 'silver-only' mining efforts. The reason for this has much to do with the difficulty in profitably executing silver mining only efforts.

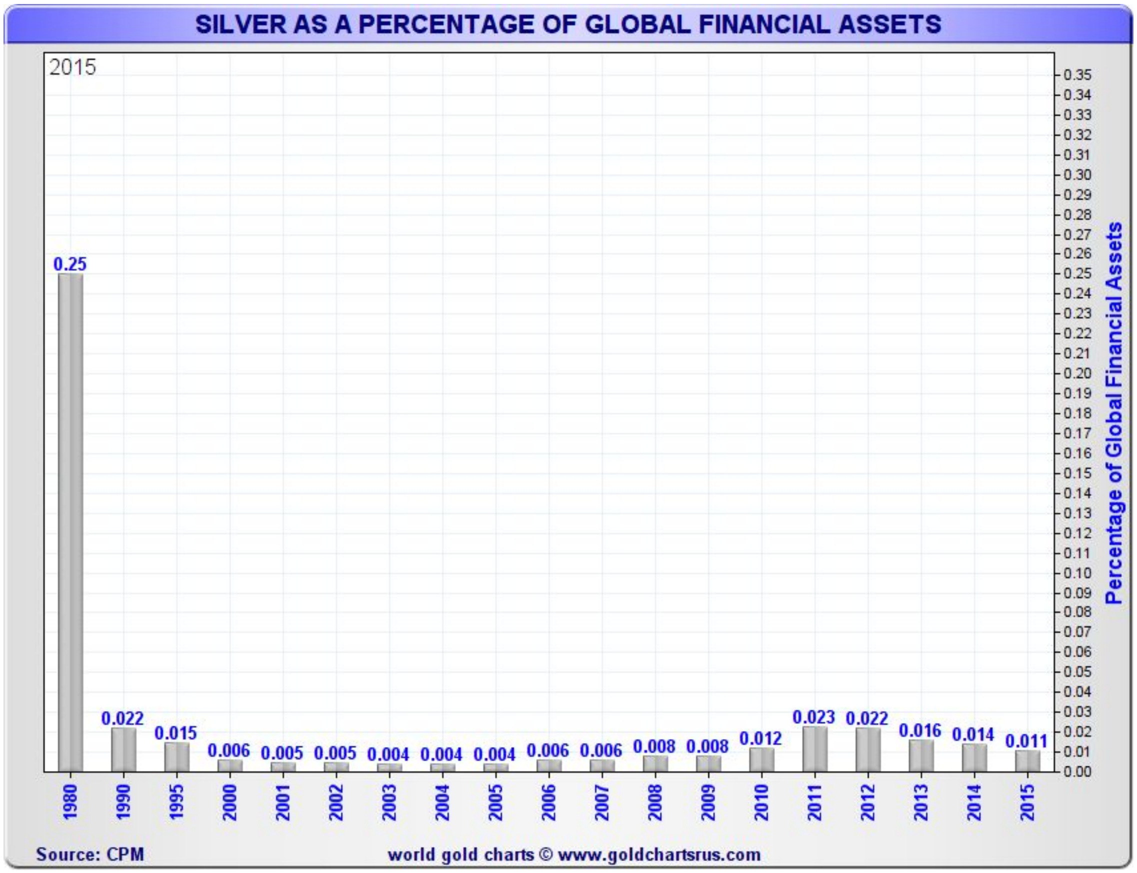


Respectively speaking, the nationstates of Mexico, Peru, and China produce the largest silver mine outputs in the world today. In total they bring over 1/2 of the world's annual silver mine supply to market. Top silver mining nation states and respective mining company output data can be found here.

According to Thomson Reuters, world silver demand has outstripped annual silver supply levels 7 out of the last 10 years running.

Private silver bullion bar and coins buying has increased dramatically especially since the 2008 financial crisis. Between direct silver bullion buyer holdings, exchange traded funds (ETFs), silver mutual funds, futures exchange warehouses, etc. some 3 to 3.5 billion troy ounces exist today in .999 fine investment grade silver bullion form.

Hence conservatively about 6 to 7% of the all time silver ever mined remains owned in .999 fine bullion coins, rounds, or bullion bars form above ground today. Much of this silver will not be converted into industrial silver supplies without much higher spot prices.



Whilst $60 USD billion in worldwide physical silver bullion holdings may sound like a lot, silver bullion is extremely small as a percentage of the more than $350 trillion USD of assets (stocks, bonds, real estate, etc.) held worldwide. Even total cryptocurrency values today ($600 USD billion total) account for almost ten times the total value of investment grade silver bullion being held across the world.

Mathematically worldwide silver bullion holdings account for about 1 / 6000th of all the world's wealth in today's valuations.

One lone former large silver bullion buyer alone currently has enough estimated wealth in 2017 to theoretically buy all the world's aboveground silver bullion holdings at today's valuations.

Unlike world government's Official Gold Reserves which hold over 1/6th of all the gold ever mined under direct government ownership, government silver reserves are an extremely small portion of the current silver supply.

Expert estimates of government silver supplies total 89.1 million oz or about 2.5% of the 3.5 billion troy ounces of silver bullion likely above ground in investment grade form.

[Source]

By 1964, the US government for the most part ended using silver in much of its [circulating coinage] due to years of deficit spending and lessening silver bullion reserves.

Other foreign governments such as Britain, [Canada], Australia, [Mexico], as well as the [United States], all moved away from striking and circulating silver coinage for essentially the exact [same reasons].

IDENTIFIABLE ABOVE-GROUND SILVER BULLION STOCKS

(Moz)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Custodian Vaults*	736.5	615.6	846.6	834.8	943.1	814.1	1,008.4	1,168.0	1,379.2	1,571.2
ETPs	212.5	313.9	470.8	600.3	576.2	631.6	634.0	635.5	617.8	664.8
Exchange*	125.9	114.7	93.6	83.4	98.0	159.3	168.1	161.6	170.2	250.1
Government	206.7	176.2	160.5	116.4	104.3	97.0	89.1	89.1	89.1	89.1
Industry	11.8	17.3	14.4	18.5	17.7	18.3	15.5	13.8	14.7	15.7
Total	**1,293.4**	**1,237.6**	**1,585.9**	**1,653.3**	**1,739.4**	**1,720.2**	**1,915.2**	**2,068.0**	**2,271.0**	**2,590.9**
Months of Demand	16	14	22	19	19	21	20	22	24	30

Source: GFMS, Thomson Reuters; Respective ETP issuers, exchange websites, Japan Ministry of Economy, Trade and Industry, USGS

*Custodian vault and exchange warehouse stocks exclude stocks allocated to ETPs.

[Source]

Silver Demand

For the past 10 years, annual worldwide physical silver demand has averaged 1,042,100,000 troy ounces per year according to the Silver Institute World Silver Survey.

Silver Jewelry & Silverware

About 1/4th of annual silver demand is used in silver jewelry and for the production of silver eating utensils. Silverware has long been utilized in cutlery due to its brilliant luster, anti-germicidal properties, and easily malleable characteristics making it conducive for silver artisan's designs and production.

Higher gold prices have also helped sustain and grow new markets for mid-priced silver jewelry items as many jewelry buyers have begun to choose small sterling silver jewelry items over more costly higher value precious metal jewelry items (gold, platinum, palladium).

Silver Industrial Demand

Just over 1/2 of the yearly silver supply is used in industrial applications. Silver demand is driven significantly more by industrial demand than gold (roughly 50% of demand is for industrial silver applications vs only about 10% demand for industrial gold applications).

During economic downturns silver's larger industrial demand role can contribute heavily to its downward volatility and spot price sell offs as futures contract trader logic assumes less silver requiring products will be made during economic recessions.

Although negative bearish cases for weakening industrial silver demand can quickly reverse as central bank intervention and monetary accommodations now generally follow economic downturns (e.g. 2008 financial crisis resulted in various central bank QE programs spurring a near $50 USD oz silver spot price in April 2011).

Like crude oil, without silver our modern way of life would be impossible to maintain.

The amount of industrial applications for silver is surpassed only by crude oil itself. Silver has thousands of modern-day industrial uses in which replacement with other less precious metals is unlikely given silver's current price point and its superior elemental attributes compared to possible base metal replacements (e.g. copper).

Industrial silver uses include the following real world applications within:

Batteries	Electronics	Solar Panels	Solders
Automobile Switches	Car Glass & Mirrors	Nanoparticles	Engine Bearings
Electroplating	Clothing	Hospital Surfaces	DVDs and CDs
Pharmaceutical Creams	Medical Equipment	RFID technologies	Superconductors
Wound Dressings	Photography	Producing Antifreeze	Deodorant
Musical Instruments	Tinting Sunglasses	3d Printing	Weather Modification
Dentistry	Surgical Masks	Medical Implants	X-Rays
Chemical Production	Air Condition Vents	Pool Purification	Water Purification

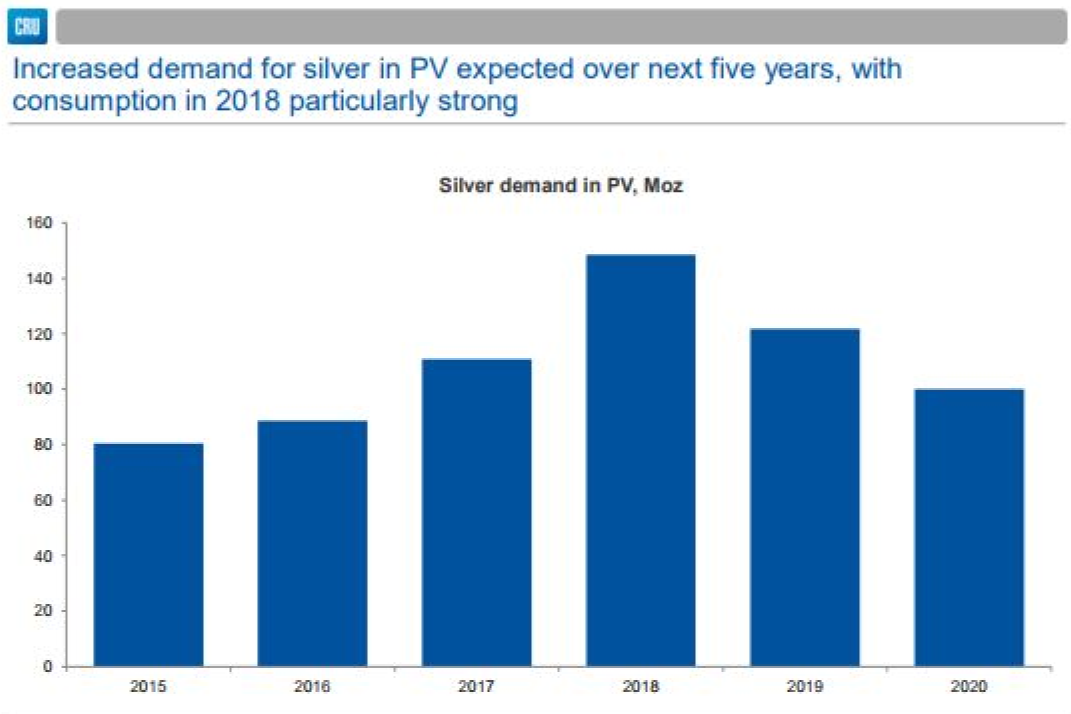
Industrial demand for silver in many cases may also be inelastic to higher price spikes due to the tiny trace amounts of silver utilized in many of the aforementioned industrial applications.

Thus even if silver were to be priced many multiples higher than it is today, silver usage in smartphones or other electronics for example will most likely continue.

A personal computer desktop generally contains about 1 gram of thinly placed silver coatings some of which I am typing upon as I write this document.

A cell phone typically uses just [0.37 grams] of silver (priced about 20¢ USD at $17 USD oz silver). Companies like Apple actively seek to recycle their expiring product lines to retrieve precious metals like silver before being lost to landfills.

Recycling programs aside, future additional costs per unit due to higher silver prices will likely be passed onto consumers rather than being replaced with inferior base metals.



Source

One of the fastest growing uses of silver is found in the solar panel industry (PV systems). It is estimated that silver solar demand could eclipse 140 million ounces in 2018 alone, much in large part to growing demands for solar energy in both China and India respectively.

The average solar panel uses about 2/3rds of a troy ounce of silver (or about 20 grams).

Silver's unique elemental attributes essentially guarantee that industrial silver applications shall remain robust and grow as the developing world continues to demand a more modern way of life ahead.

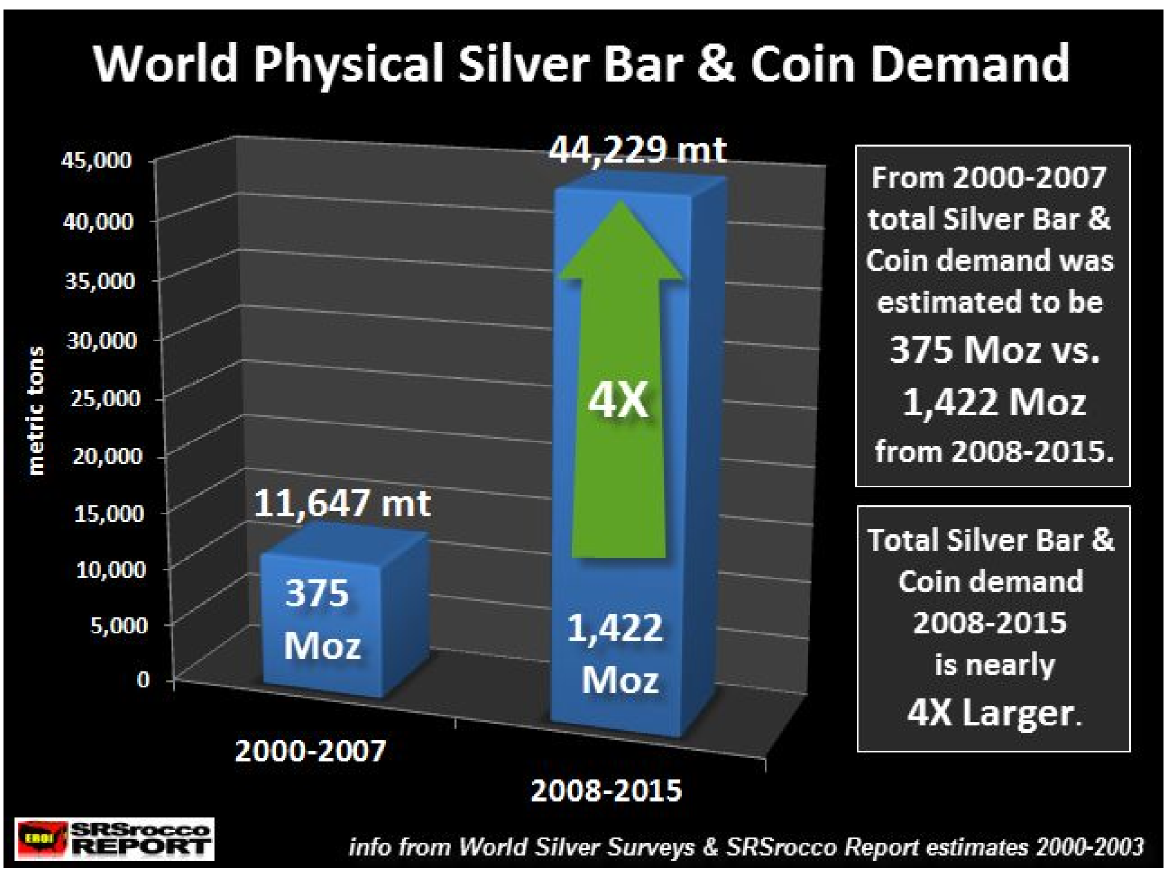
Silver Investment Demand

In 2016 alone, investor's .999 fine silver bullion bar and silver bullion coin buying accounted for just over 1/5th or 23.3% of the year's new silver mine supply.

This silver bullion buying segment of silver demand growth has exploded over the last decade much in part due to the 2008 financial crisis, where the median middle class US citizen lost over 40% of their wealth on paper.

The burgeoning internet's influence on investor action has also helped people learn fundamental investment factors for silver.

In 2006, just over 7.5% of that year's new silver mine supply went into silver bullion product manufacturing whilst by 2016 over 32.6% of newly mined silver was being used to produce new silver bullion products for investors.



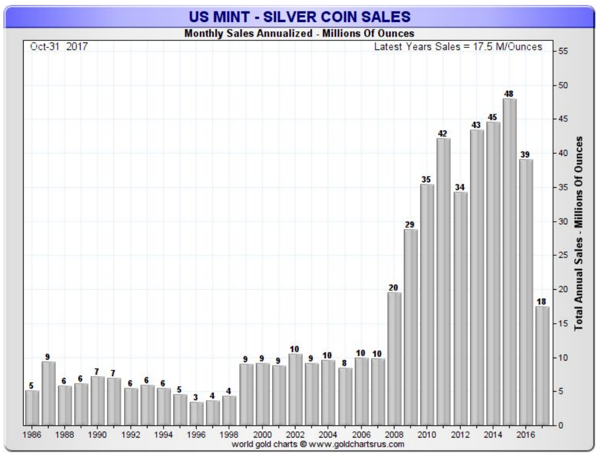
Source

Starting the 21st Century, silver's price was slightly over $5 USD oz and had risen to nearly $50 USD oz in the spring of 2011. Currently most common silver bullion products as well as virtual derivative proxies (futures contracts, ETPs, ETFs, etc.) trade at prices below $20 USD oz.

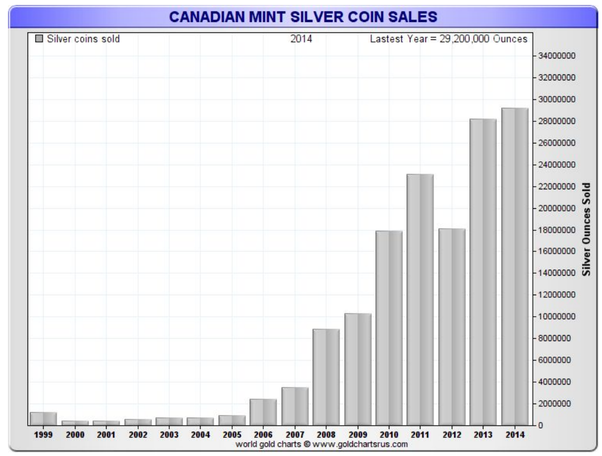
The following chart encapsulates silver's US dollar price throughout the fully floating fiat currency standard beginning with the end of the Bretton Woods agreement on August 15, 1971.

During the 1980s, many large government mints began striking silver bullion coins. For instance, the US Mint began producing the 1 oz American Silver Eagle bullion coin in 1986.

Following in 1988, the [Royal Canadian Mint] began producing the [1 oz Silver Maple Leaf bullion coin] began producing guaranteed Canadian legal tender bullion coins which are sold both domestically and internationally still today.



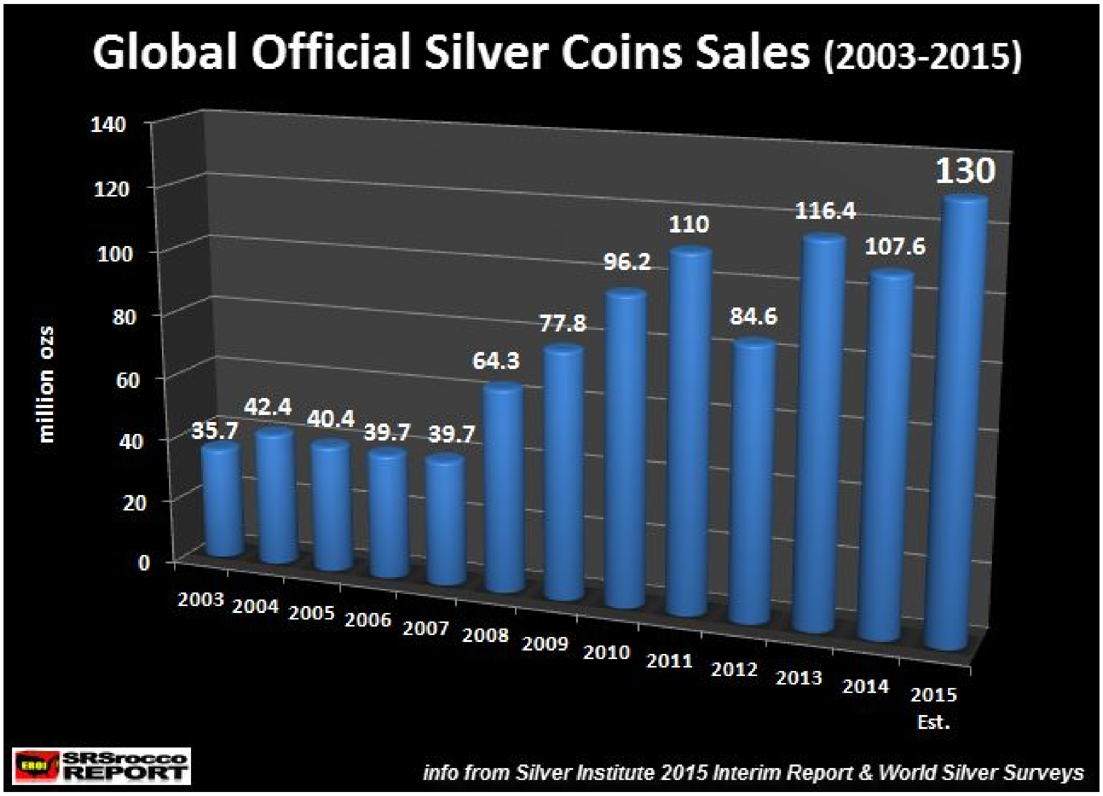
US Mint Silver Eagle Coin Sales 1986 - 2017



Canadian Mint Silver Coin Sales 1999 - 2017

These two highly traded government guaranteed legal tender silver bullion coins have respectively become the 1st and 2nd most popular [silver bullion products] investors buy in terms of overall sales volumes (#1 USA, #2 Canada).

Since the 2008 Financial Crisis, virtually all government silver bullion coin mints have consistently reported record silver bullion coin sales year after year.

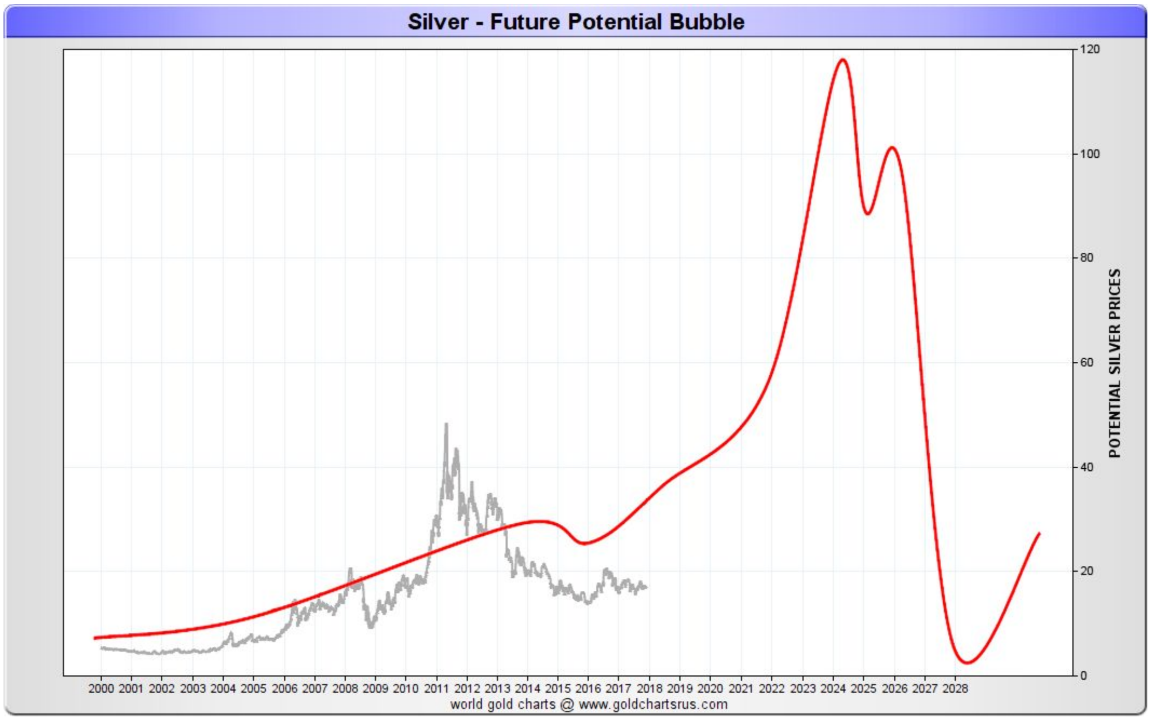


Source

Private silver mints have also been contributing a fair share of investment grade silver bullion product supplies often at lower prices closer to the fluctuating silver spot price.

Unlike government mint which produce legal tender silver bullion coins, private silver mints produce millions of ounces of silver bullion rounds and silver bullion bars.

Often more experienced silver bullion buyers prefer to purchase privately minted silver bullion products given the typically lower price premiums privately minted silver bullion products carry versus more expensively priced government guaranteed legal tender silver bullion coins.



Over the last 3 decades of rampant financialization and fiat currency creation, silver's anemic overall growth in value compared to credit and modern monetary aggregates makes this comparatively affordable precious metal likely poised for another prica mania to come.

How the Silver Price is Determined (Silver Price Discovery)

Commodities like silver (as well as crude oil, palladium, platinum, gold, wheat, coffee, cotton, and others) have forwards or futures contracts trading on various futures exchanges throughout the world in order to ascertain their real world prices.

Certain acronyms like the NYMEX, TOCOM, CME Group, CBOT, SHFE, and COMEX etc. represent respective futures exchanges which are purportedly overseen by their national governmental (or semi-governmental) regulatory agencies.

Formal futures contract markets have been dated as far back as The Code of Hammurabi. The original intention of multi-millennial old futures contract usage was to give the producers of commodities (e.g. silver miners), end users (e.g. silver refiners or silver bullion dealers), and commodity price speculators (those who simply trade on futures exchanges for short term gains) ways or means to respectively manage their price risk, buy and potentially take actual delivery of the real world goods, or simply to make bets on a commodity's price movement up or down in the near future.

For a commodity like silver, its futures contract price is based on the ongoing price discovery for optional future delivery of it (although nearly often settled in cash, sometimes futures contracts are actually settled in the real world tangible good based on the stated contract's explicit quantity).

> **Silver Spot Price** – *(n) the current notional price of 1 troy ounce of silver available for immediate delivery before being minted into a bullion product (e.g. bar, round, or coin).*

The spot price for silver is actively determined by the commodity's most highly traded futures contract at the time. The mostly traded futures contract for silver can be the current month or it might be two or more months into the future.

Today the silver spot price is a combined index or aggregate using many of the world futures market prices and trading volumes. Based on current silver futures contract trading volumes, the silver spot price is currently mostly influenced by the highly fractionally reserved COMEX and London Bullion Market Association.

As assbackwards as it may sound, the price of silver today is mostly found via the selling and buying of virtual contracts representing the underlying potentially deliverable physical precious metal.

SILVER TURNOVER ON MAJOR COMMODITY EXCHANGES

(total volume in nominal million ounce equivalents)

	2014	2015	2016	Change y-o-y
COMEX	69,485	67,272	90,638	35%
SHFE	93,296	69,825	41,716	-40%
SGE	8,024	12,935	19,711	52%
MCX	7,497	7,454	6,931	-7%
ICE FUTURES US	188	135	147	9%
TOCOM	28	20	20	-2%

*N.B. : Includes the 5,000-ounce and 1,000-ounce contracts

Source: GFMS, Thomson Reuters; TOCOM, MCX, SGE and SHFE

LONDON BULLION MARKET ASSOCIATION AND COMEX TURNOVER

(daily averages)	LBMA No. of Transfers	Turnover Moz	COMEX Turnover Moz	LBMA/ COMEX Ratio
2010	380.6	87.3	254	0.3:1
2011	797.8	173.7	389	0.4:1
2012	811.1	134.5	264	0.5:1
2013	871.7	136.5	287	0.5:1
2014	777.6	144.4	272	0.5:1
2015	681.3	145.9	267	0.5:1
2016	754.3	218.1	361	0.6:1

Source: LBMA; COMEX

Source

In 2016, the COMEX alone traded over 90.6 billion ounces of representative silver contracts (the vast majority of which are settled in US dollars).

The LBMA averaged over 218 million theoretical silver ounces traded each day in 2016 alone (that is approximately 55 billion ounces of representative silver traded in 2016).

In 2014, Bloomberg estimated the silver derivative market totaled $5 USD trillion in notional value. With only about 3 billion ounces in above ground silver bullion supplies, and an average price of about $20 USD oz in 2014, the derivatives market used an estimated leverage of about 83 oz of silver derivatives vs 1 oz of investment grade bullion in existence.

The positive news for physical silver bullion buyers is that future price discovery for silver appears to be moving back towards physical reality as the trend of more and more investors demanding physical investment grade silver bullion products over derivative proxies continues.

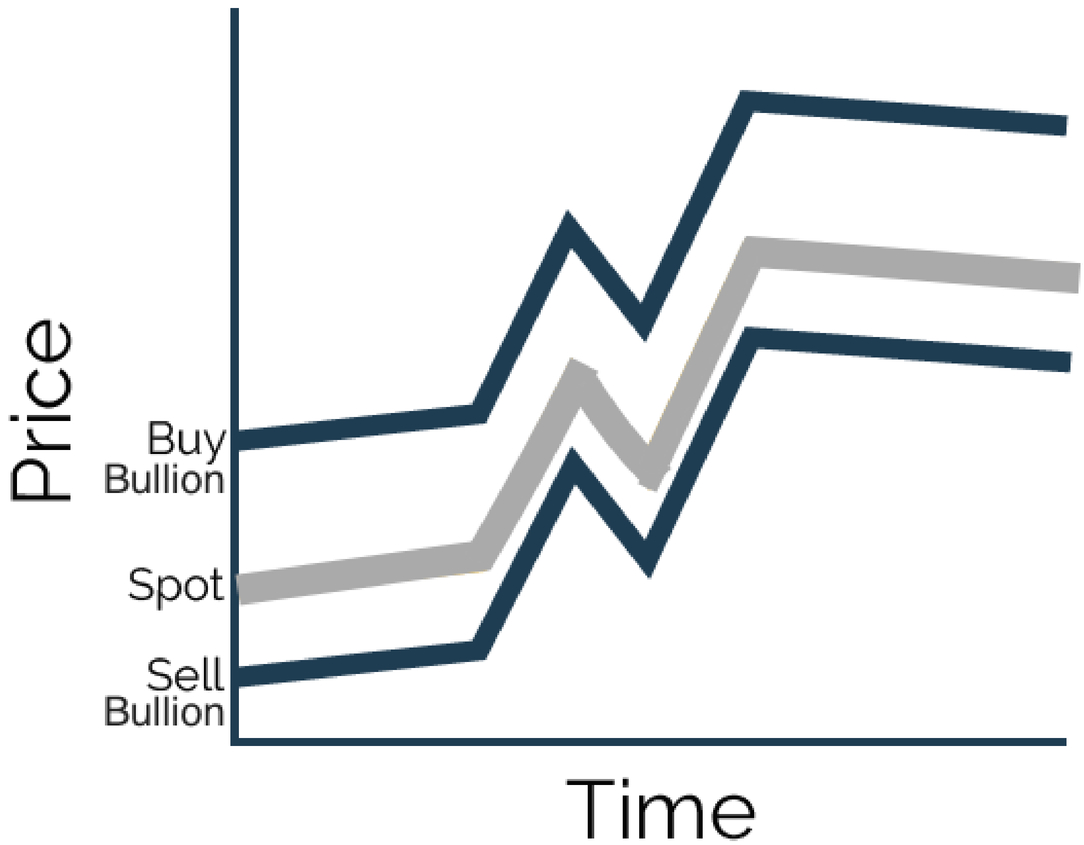
Silver Bullion Prices vs Silver Spot Prices

Virtually all competent online silver bullion dealers host a dynamic silver spot price displayed live on their websites. Generally silver dealers quote silver spot prices and their respective silver bullion product prices in the fiat currencies of the markets which they serve (US dollars, Canadian dollars, euros, etc.).

Most popular silver bullion products available to purchase on silver bullion dealer websites are priced per troy ounce at a few percentage points (2 to 15%) above the fluctuating silver spot prices. This additional premium for silver bullion products are generally due to the costs associated with refining, manufacturing, minting, hedging, warehousing, marketing, buying, and selling various silver bullion products to investors and collectors.

When investors and individual silver bullion owners sell silver bullion to online silver bullion dealers, most silver bullion products will typically yield a sell or bid price either slightly above, at, or just below the fluctuating silver spot price.

How Silver Bullion Pricing Generally Works in Calm Markets

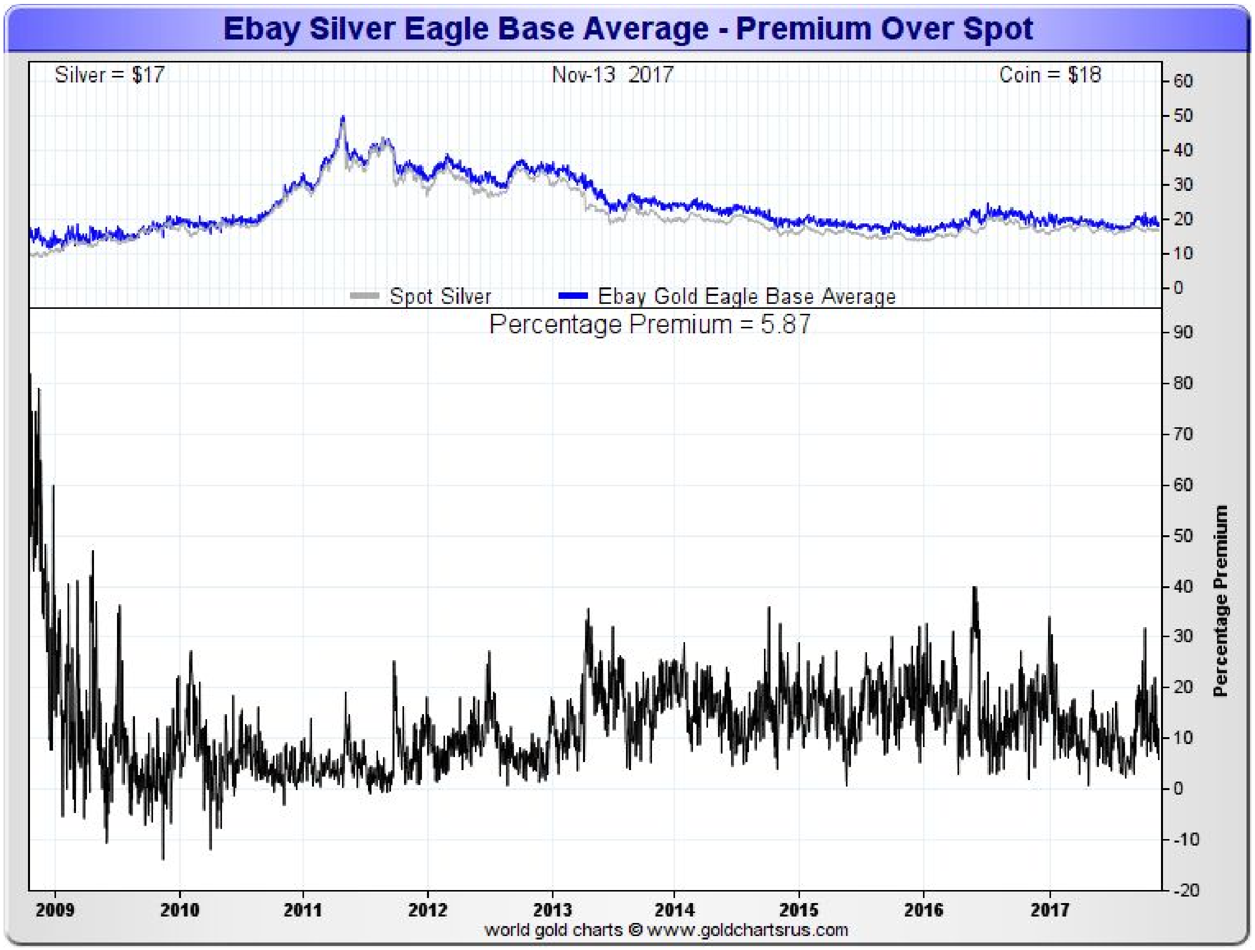


In calm market periods, investment grade silver bullion product prices are set slightly over the fluctuating silver spot price. In other words, if the silver spot price is $20 oz, most physical silver bullion products will be priced slightly above $20 per troy ounce.

Silver bullion prices range from as low as a few percentage points above the silver spot price for large [silver bullion bars] to typically a few percentage points more above the silver spot price for government guaranteed [silver coins].

When outsized silver bullion market demand hits (like it did during the 2008 Financial Crisis), silver bullion prices for products available for immediate delivery tend to climb exorbitantly higher (often times both on the sell and buy side) to levels at time both hovering above the world's fluctuating silver spot prices.

For example, see how the world's most popular silver bullion coin was priced as high as +80% over the fluctuating gold spot price in the fall of 2008 on the far left side of the following chart.



1 oz American Silver Eagle Coins were trading about 80% above the silver spot price in 2008.

In summation.

Silver's spot price relation to deliverable physical silver bullion currently functions like this:

- *Futures traders buy or sell silver futures contracts on worldwide futures exchanges, this trading's 'price discovery' determines fluctuations in global silver spot prices in various fiat currencies.*

- *Miners of silver extract and typically sell mixed silver ore and doré bars to silver bullion refiners at prices just below the fluctuating gold spot price.*

- *Refiners of silver smelt and purify the silver ore or scrap into .999 fine bullion or grain then sell these products to governments, mints, or silver bullion dealers at or just above silver's spot price.*

- *Both government and private mints strike silver bullion coins or manufacture silver bullion bars and rounds, selling them to silver dealers or the public at large at prices typically above the silver spot price.*

- *Retail and wholesale bullion dealers like us at SDBullion.com procure and sell silver bullion products for discreet fully insured delivery to door or to professional fully insured segregated non-bank storage facilities at prices just over silver's fluctuating spot price.*

When one simply learns how highly leveraged fractionally reserved futures markets currently operate and derive the various fluctuating silver spot prices, they often simply choose to bypass electronic silver derivatives and simply elect to buy and take physical delivery of their silver bullion.

In 2 minutes you can hear a highly successful hedge fund manager explain why his trust chose to acquire physical bullion over virtual derivatives or futures contracts. According to him and common sense I would argue, price does not solve everything.

By securing silver bullion physically and owning it directly, you can potentially take advantage of future scenarios when silver bullion premiums spike over fluctuating silver spot prices whilst simultaneously reducing the myriad counterparty risks associated with either virtual or indirect silver proxies like futures contracts, ETFs, mining stocks, mutual funds, etc.

The last 10 years of silver industry data proves that more individual investors across the world want to buy and hold silver bullion directly, own it first hand fully unencumbered to help insure the fact that they indeed own it moving forward.

Gold Silver Ratio then and now

The all time estimated gold to silver mined ratio is about 8 oz of silver to 1 oz of gold.

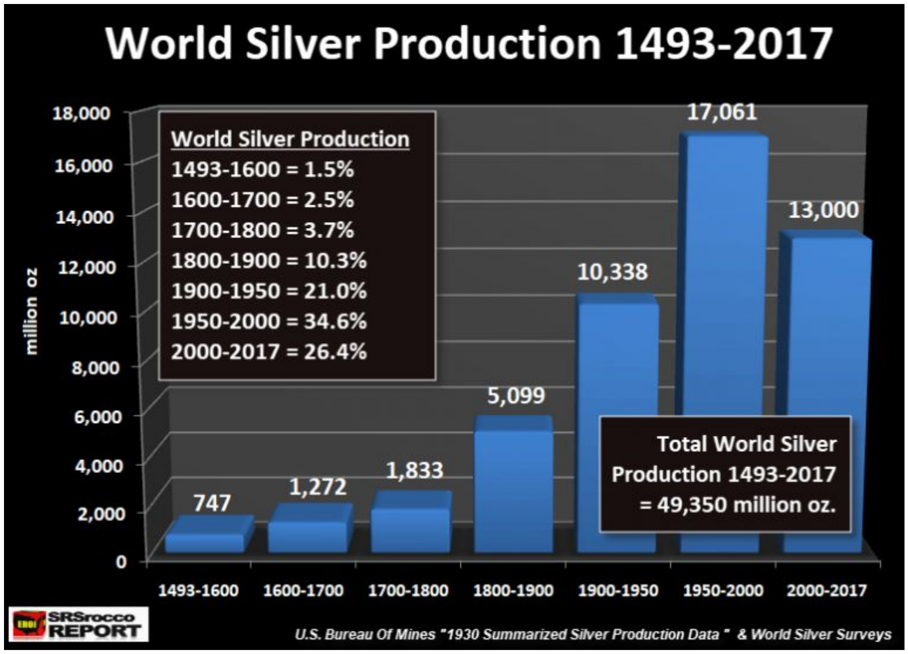
This claim is based on the all time estimate of 1.5 billion tonnes of silver mined versus 187,200 tonnes of gold mined.

According to geologists, humans find 0.075 parts per million (ppm) of silver vs 0.004 ppm of gold which would give us a naturally occurring ratio of 18.75.

But recall that almost all the silver we mine today is done as a byproduct of other base metal mining operations. Much of the silver ore spread throughout the Earth's crust is contained in small veins and is currently not profitable when mined at these current price points.

For over a century now humans have been extracting the easiest silver ore depositories available which cheap oil allows. Yet industry and government data both exhibit that peak gold and silver have likely been reached in the medium, non-interplanetary term.

Over the past century, silver supplies have become easy to take for granted.



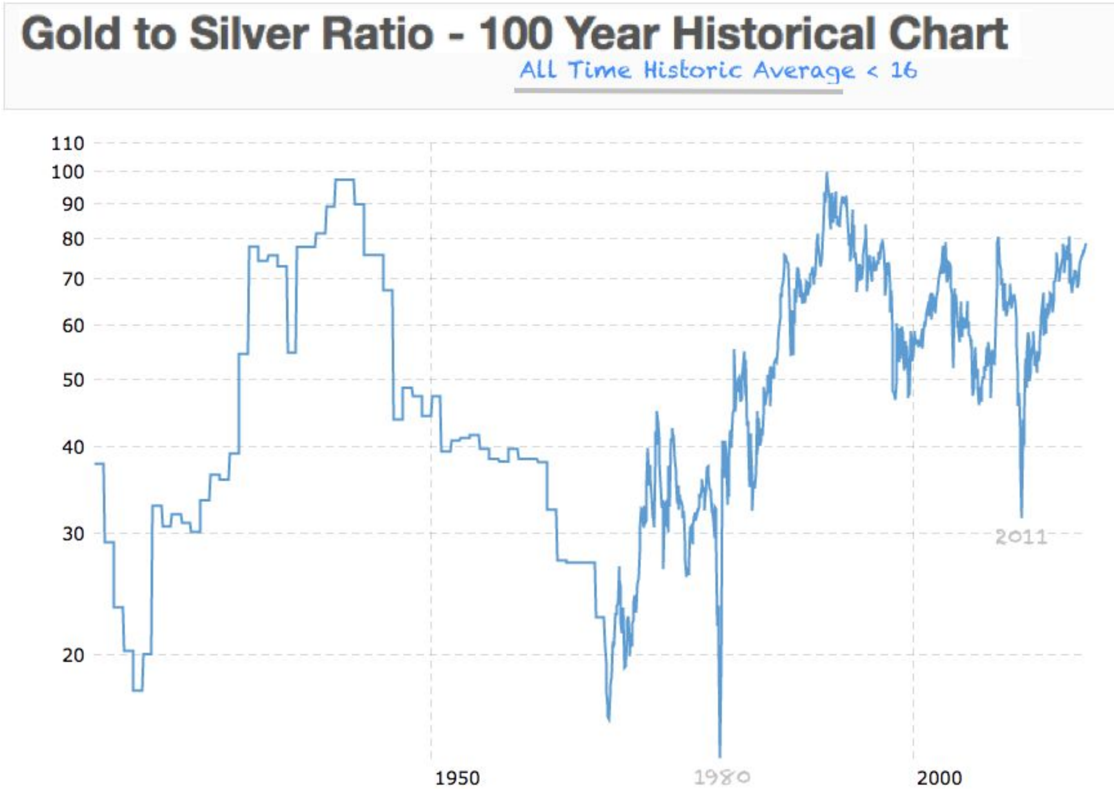
Source

With governments and their central banks arbitrarily setting and manipulating the price of capital (via both monetary and interest rate policies), undervaluation has arguably become the norm.

Additional questionable price discovery practices currently at play via futures markets and fiat currency legal tender near-monopolization have helped balloon the ratio of gold required to buy a troy ounce of silver over the past century or so.

Is this the new normal or not?

At the peak of even modern day bullion bull markets, a gold silver ratio dipping back into the teens or even single digits is normal. In fact many 21st Century bullion bull market believers like myself, expect a similar peak 1980 ratio to be met and even possibly surpassed near the top of this ongoing secular bull market.


Gold to Silver Ratio - 100 Year Historical Chart
All Time Historic Average < 16
110
100
90
80
70
60
50
40
30
20
2011
1950
1980
2000

[Source]


LONG TERM UK GOLD / UK SILVER RATIO
Log Format
Date = 2016.12
Last = 72.48
UK Gold/Silver Ratio
1300
1400
1500
1600
1700
1800
1900
2000
Source: Foundation for the Study of Cycles, GCRU
world gold charts © www.goldchartsrus.com

During the January 1980 price peaks for gold and silver, the ratio between respective precious metals US dollar price fix hit 16.88 according to the LBMA's data. Teens and single digits are the historic norm, not the outlier.

The Gold–Silver Ratio

The more ancient ratios are estimates for long periods of time. Those from 1600 to 1900 are yearly or periodic averages from Michael G. Mulhall, The Dictionary of Statistics, 4th ed. *(London: George Routledge and Sons, 1899) and E. J. Farmer,* The Conspiracy Against Silver, or a Plea for Bi-Metallism *(New York: Greenwood Press, 1969; originally published 1886), p. 13. The other statistics are from Steve Puetz's* Investment Letter, *or from our own records. Statistics after 1900 are not yearly averages, but lows or highs that generally did not obtain for long periods. In 1980 the ratio stayed below 20 to 1 for the first two and a half months only, and touched under 16 to 1 for only a few days in January.*

Menes, Egypt, 3200 B.C.	2.5 to 1
Egypt, 2700 B.C.	9.0 to 1
Hammurabi, Mesopotamia, 2700 B.C.	6.0 to 1
Egypt, 1000 B.C.	10.0 to 1
Croesus, Lydia, ca. 550 B.C.	13.33 to 1
Persia under Darius, son of Hystaspes (father of Xerxes)	13.0 to 1
Plato, ca. 445 B.C.	12.0 to 1
Xenophon (in Persia)	11.66 to 1
Menander, ca. 341 B.C.	10.0 to 1

THE GOLD–SILVER RATIO

Greece, ca. 300 B.C.	10.0 to 1
Rome, 207 B.C.	14.5 to 1
Rome, 189 B.C.	10.0 to 1
Rome, 40 B.C., Julius Caesar	7.5 to 1
Rome, Claudius	12.5 to 1
Constantine the Great	10.5 to 1
Theodosian Code	14.4 to 1
Medieval England	11.1 to 1
Medieval Italy	12.6 to 1
Spain, 1497, Edict of Medina	10.07 to 1
Germany, 1500	10.05 to 1
1600–20	12.1 to 1
1700–20	15.1 to 1
1800–20	15.3 to 1
1821–40	15.6 to 1
1841–60	15.6 to 1
1861–70	15.6 to 1
1871–80	16.7 to 1
1881–82	17.6 to 1
1883–84	18.4 to 1
1885–86	19.9 to 1
1887–88	21.2 to 1
1890	18.3 to 1
1932	75.0 to 1
1940–41	100.0 to 1
1980	16.0 to 1
1991 (February)	100.0 to 1
1994 (July)	73.25 to 1

Source

The over 5,000 year historical average gold to silver value ratio of about 16 has ballooned at times to a ratio as high as 100, now near a ratio of about 80.

The questions many silver bullion buyers ask themselves are the following:

- *Is the ratio set to tighten sooner (within a decade) rather than later?*
- *Why buy only gold bullion when silver bullion (78 ratio) is this relatively cheap?*
- *At what ratio am I willing to sell silver to perhaps buy other asset classes (teens)?*

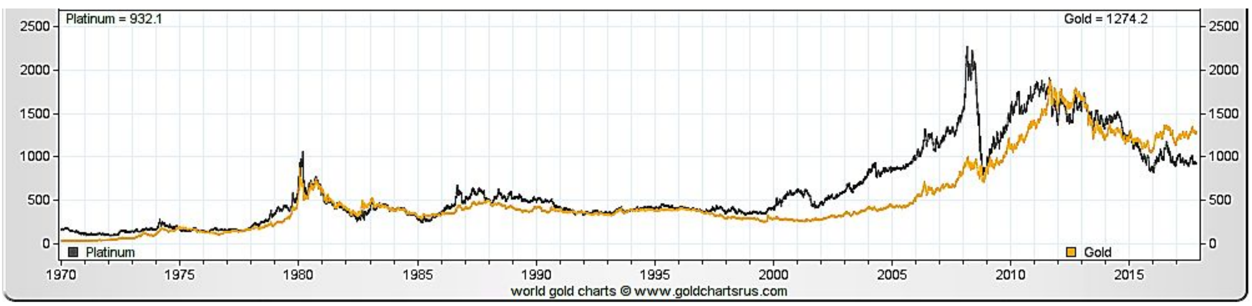
PLATINUM INVESTMENT FUNDAMENTALS

Why buy Platinum Bullion?

Owning physical palladium bullion as an investment and store of wealth is a relatively new phenomenon when compared to the history of silver or gold bullion usage.

Considering all time historical and even annual mine production, platinum bullion is much rarer than either investment grade gold or silver bullion items.

In fact over the past 50 years, palladium has often sold at prices higher than even gold.



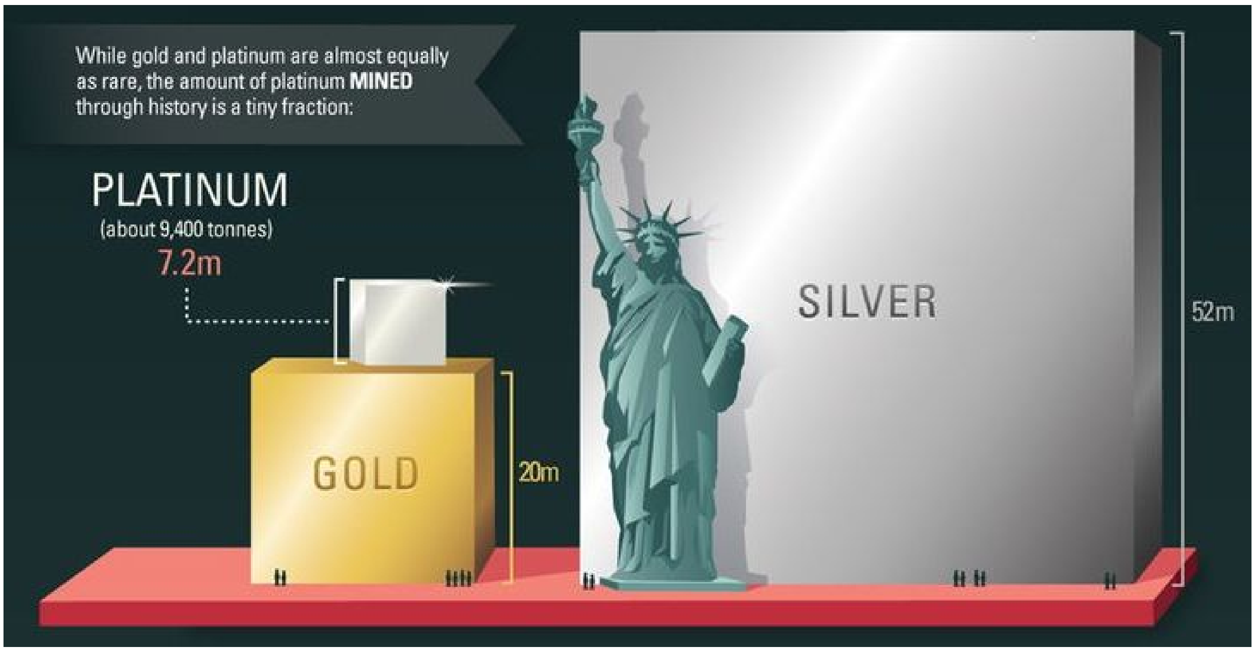
Geologists estimate platinum's earth crust concentration at 0.005 parts per million (ppm). Silver is about 15 times more abundant, found at 0.075 ppm whilst gold is found at 0.004 ppm in the ground.

For an easier understanding, if we simply convert platinum's parts per million rarity into time, we would find 1 minute of platinum in just over 380 years of time. For 1 minute gold find analogy would last over 450 years and for 1 minute of silver it would take over 25 years of time.

Even though gold is slightly more rare in the Earth's crust than platinum, human beings have been mining gold for many more thousands of years than platinum.

In fact platinum was only scientifically discovered a few centuries ago. Today's above ground supplies of gold bullion dwarf today's refined and available physical platinum bullion supplies.

Platinum is so rare in the physical world that all the platinum ever mined in human history could fit inside of the average US citizen's garage. Picture a pure platinum bullion cube with 8 meter sides.



Source

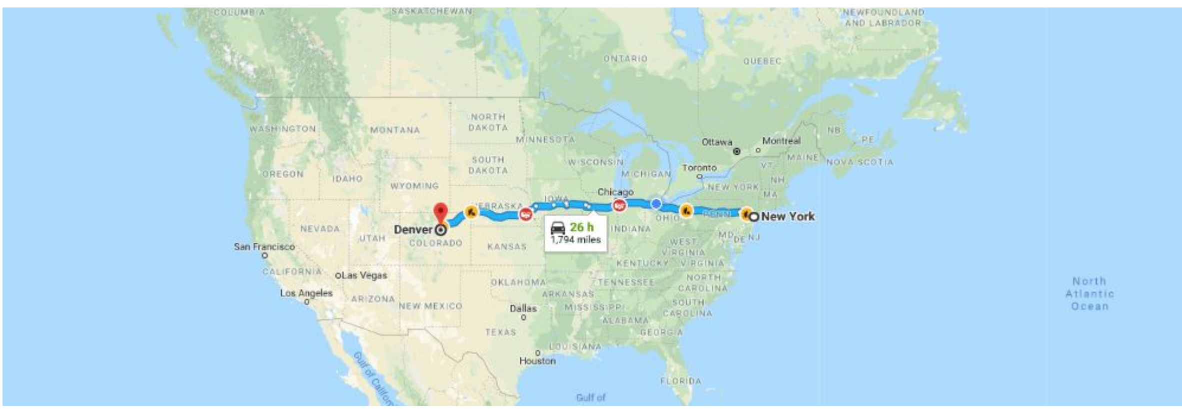
Officially discovered in the year 1735 AD, to date over 18 times more physical gold and about 150 times more physical silver have been mined than platinum. Estimates are that just over 10,000 tonnes of physical platinum have ever been mined by mankind.

The melt point for platinum is very high at 1773°C or 3224°F when compared to other metals and a major reason why platinum was only recently discovered by alchemists. Humans have only recently been able to produce fire conditions hot enough to melt, refine, and identify platinum properly.

In fact platinum's high melt point caused Spanish new world silver and gold seeking explorers to regard it as well as high melt point palladium as mere nuisances in their quest. Platinum was so looked down upon that it was often used in [gold coin counterfeits] from the 18th and 19th Century AD.

Platinum has extraordinary resistance to corrosion and tarnish and it is the [least reactive metal]. Platinum is also perhaps as [highly ductile as gold], making those two precious metals most able to be stretched into a thin wire without breaking. Platinum can be drawn and reduced down to a wire with as thin as a 0.0006 mm diameter.

To put this into perspective, If a platinum wire was drawn down from a rod 10 cm long with a 1 cm diameter, a possibly thin [0.0006 mm diameter] platinum wire could be achieved being stretched 2,777 km or 1,725 miles. That is a platinum wire long enough to extend from New York City past Denver, CO.



[Source]

Platinum also has a higher density than either silver and even gold. This means that platinum bullion items simply take up less space when stowed away than either silver and even gold.

Since the beginning of this 21st Century, the world has witnessed a pronounced general increase in platinum’s value priced in every single national currency issued by any government worldwide.

Platinum Price Performance Dec 15, 2017

% Change	USD	ARS	AUD	BRL	CAD	CHF	CNY	EUR	GBP	IDR	INR	KRW	JPY	MXN	NZD	RUB	TRY	ZAR
2000	39.5	39.3	64.3	50.5	44.6	42.5	39.5	50.4	51.2	90.5	50.0	55.6	56.4	41.6	65.1	44.7	72.5	71.4
2001	-22.1	-22.1	-14.2	-7.7	-17.2	-19.6	-22.1	-17.3	-19.7	-15.8	-19.5	-19.3	-9.9	-25.9	-17.2	-16.4	71.1	23.3
2002	24.5	319.2	13.8	90.6	23.6	3.4	24.5	5.5	12.5	7.3	23.9	12.4	12.4	41.7	-1.1	30.4	40.9	-11.0
2003	36.3	18.9	1.4	10.9	12.0	22.5	36.3	13.9	23.1	28.3	28.9	36.9	23.6	46.8	9.0	24.7	16.2	6.2
2004	5.8	7.1	1.2	-2.4	-2.2	-3.0	5.8	-2.2	-1.6	16.0	0.8	-8.1	0.6	5.2	-3.7	0.3	-0.1	-9.7
2005	12.2	15.0	19.2	-1.3	8.9	29.9	9.4	28.5	24.6	19.8	16.7	9.7	29.7	6.8	18.2	16.4	12.8	24.7
2006	18.2	19.8	10.0	8.0	18.1	9.5	14.3	6.0	3.7	7.2	15.9	8.7	19.3	20.1	14.6	8.2	24.0	31.4
2007	34.3	37.9	20.7	12.0	13.9	24.8	25.7	21.4	32.6	41.0	19.6	35.1	26.1	35.8	23.3	25.4	10.9	30.7
2008	-41.2	-36.0	-25.0	-22.9	-27.4	-44.3	-45.0	-38.1	-19.9	-31.6	-27.2	-20.8	-52.2	-25.5	-21.7	-26.8	-22.7	-19.4
2009	63.1	78.6	25.0	22.0	40.5	56.9	63.1	57.3	46.7	40.0	55.9	50.7	66.7	54.3	29.3	59.8	58.3	27.9
2010	18.1	24.1	4.2	12.4	12.2	6.9	14.3	27.0	23.2	13.0	13.5	14.2	3.5	11.6	10.7	20.4	22.6	6.0
2011	-20.2	-13.7	-20.2	-10.3	-18.4	-19.9	-24.0	-17.7	-20.2	-19.6	-5.3	-18.3	-24.1	-10.0	-20.1	-15.9	-3.2	-2.3
2012	10.3	26.0	8.2	21.0	7.6	7.4	9.2	8.1	5.7	19.1	14.3	1.9	23.2	2.6	3.8	4.9	4.7	15.3
2013	-10.8	18.2	3.4	2.8	-4.7	-13.1	-13.4	-14.5	-12.7	10.8	0.2	-12.1	8.3	-10.0	-10.9	-4.3	6.9	10.9
2014	-10.9	15.7	-2.7	0.2	-2.8	-0.9	-8.7	1.1	-5.5	-9.3	-9.1	-7.4	1.6	0.2	-6.3	59.7	-3.0	-2.3
2015	-27.9	10.5	-19.4	7.5	-13.8	-27.6	-24.6	-19.7	-24.2	-19.8	-24.4	-22.4	-27.5	-15.1	-17.7	-11.3	-10.0	-3.1
2016	4.0	27.2	5.7	-14.5	0.7	6.4	11.2	7.7	24.9	1.6	6.8	6.7	1.1	24.2	2.8	-11.9	25.9	-8.1
Average	7.8	34.5	5.6	10.5	5.6	4.8	6.8	6.9	8.5	11.7	9.5	7.3	9.3	12.0	4.6	12.3	19.3	11.3
2017	-2.8	7.2	-8.4	-1.3	-6.9	-5.5	-7.5	-12.9	-9.9	-2.0	-8.3	-12.3	-6.4	-10.3	-3.6	-7.1	6.5	-7.3

Compared to gold, platinum price performance vs fiat currencies tends to be more volatile to both the downside and upside.

WORLD PLATINUM SUPPLY AND DEMAND

(000 ounces) Supply	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Change
Mine Production											
South Africa	5,075	4,676	4,603	4,750	4,740	4,182	4,368	3,220	4,522	4,305	-5%
Russia	917	830	793	785	818	803	741	687	721	711	1%
North America	324	342	294	238	389	338	337	397	365	396	9%
Others	267	309	358	411	457	472	565	552	550	634	15%
Total Mine Production	6,584	6,156	6,048	6,183	6,404	5,796	6,011	4,856	6,158	6,046	-2%
Autocatalyst Scrap	910	1,007	786	904	996	927	1,050	1,093	992	1,041	5%
Old Jewellery Scrap	560	966	496	522	606	512	491	516	546	574	5%
Total Supply	**8,054**	**8,130**	**7,331**	**7,609**	**8,006**	**7,234**	**7,551**	**6,466**	**7,696**	**7,661**	**0%**
Demand											
Autocatalysts	4,109	3,575	2,541	3,018	3,090	2,974	2,957	3,112	3,211	3,286	2%
Jewellery	2,061	1,847	2,678	2,201	2,388	2,585	2,656	2,558	2,466	2,176	-12%
Chemical	370	341	283	482	487	399	432	595	476	553	16%
Electronics	397	292	254	252	225	195	169	162	151	148	-2%
Glass	431	507	91	505	338	361	22	(74)	183	291	59%
Petroleum	150	191	163	168	144	126	107	122	96	117	22%
Other Industrial	472	456	431	494	559	621	649	700	683	741	9%
Retail Investment	23	452	313	95	312	282	136	141	582	540	-7%
Total Demand	**8,013**	**7,662**	**6,755**	**7,215**	**7,542**	**7,543**	**7,128**	**7,317**	**7,846**	**7,853**	**0%**
Physical Surplus/(Deficit)	**41**	**468**	**576**	**394**	**464**	**(309)**	**423**	**(851)**	**(150)**	**(192)**	
Stock Movements	(394)	(402)	281	(574)	(245)	(539)	(1,892)	1,082	210	55	
of which ETF Release/(Build)	(194)	(102)	(384)	(574)	(145)	(239)	(892)	(218)	260	5	
Net Balance	**(353)**	**65**	**857**	**(181)**	**220**	**(848)**	**(1,469)**	**231**	**60**	**(137)**	
LBMA PM Price (US$/oz)	$1,302.81	$1,577.53	$1,203.50	$1,608.98	$1,721.87	$1,551.40	$1,486.72	$1,387.57	$1,052.91	$988.76	-6%

Source: GFMS, Thomson Reuters; LBMA

Source

Platinum Supply

South African mines produce over 70% of the annual world's platinum supply. South Africa also has a long sordid history of mining labor strikes, high multigenerational disparities in wealth, cultural instability, and political turmoil.

Thus the world’s supply of platinum is much more vulnerable to disruption compared to other more widely mined physical precious metals like silver and gold.

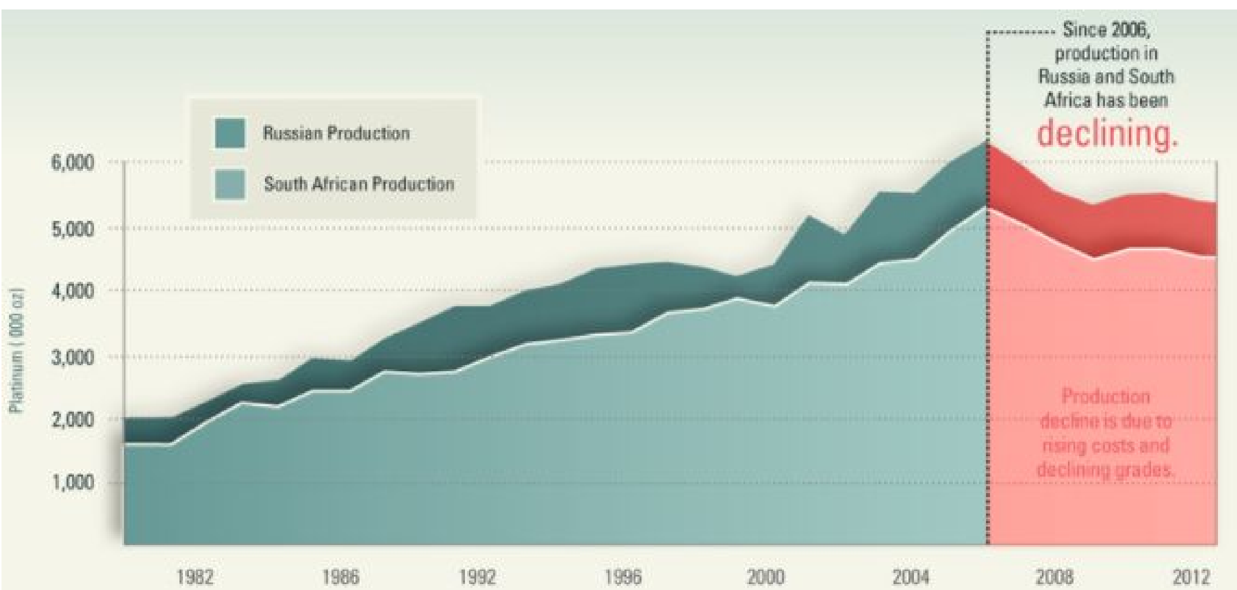
WORLD PLATINUM MINE PRODUCTION				
(000 ounces)	2014	2015	2016	Change
South Africa	3,220	4,522	4,305	-5%
Russia	687	721	711	-1%
Zimbabwe	398	398	484	22%
Canada	278	242	268	10%
United States	119	122	129	5%
Others	154	152	150	-1%
World Total	**4,856**	**6,158**	**6,046**	**-2%**

Source: GFMS, Thomson Reuters

Source

In 2006 the world reached peak platinum production to date with South Africa producing 5.4 million and Russia 948 thousand oz of platinum respectively that year.

Since then, Russian and South African platinum supplies have been declining due to a combination of rising costs and lowering ore grades.



Source

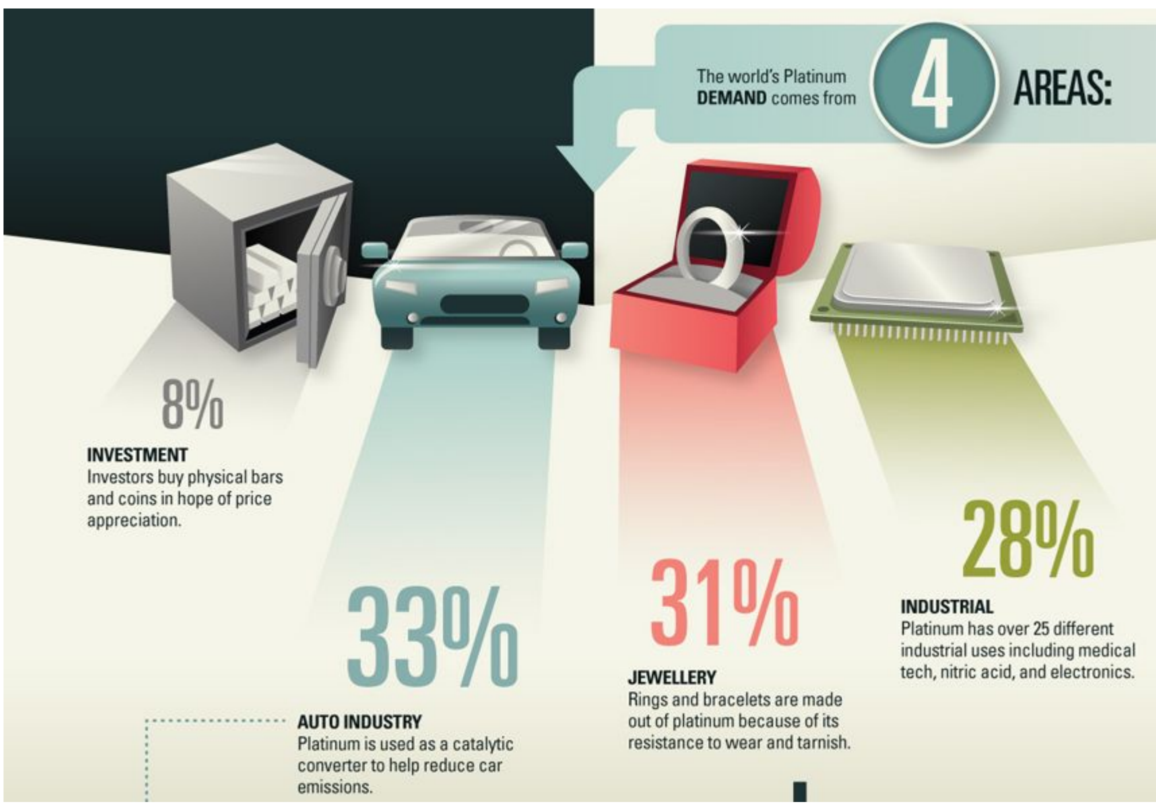
Much higher levels of oncoming platinum recycling supplies over this declining platinum production time frame have helped meet and offset growing physical platinum market demands.

As recently as 2017, platinum industry reports state just under 200 metric tonnes (or 6.3 million oz) of fine .999 platinum remain in above ground stockpiles.

Platinum Demand

Since the beginning of the 21st Century, average yearly worldwide demand for platinum has been just over 7 million troy ounces per year (about 218 tonnes).

Demand for platinum comes from 4 major sectors with over twenty five applications in industry, for jewelry, in car catalytic converter applications, and through physical investment demand.



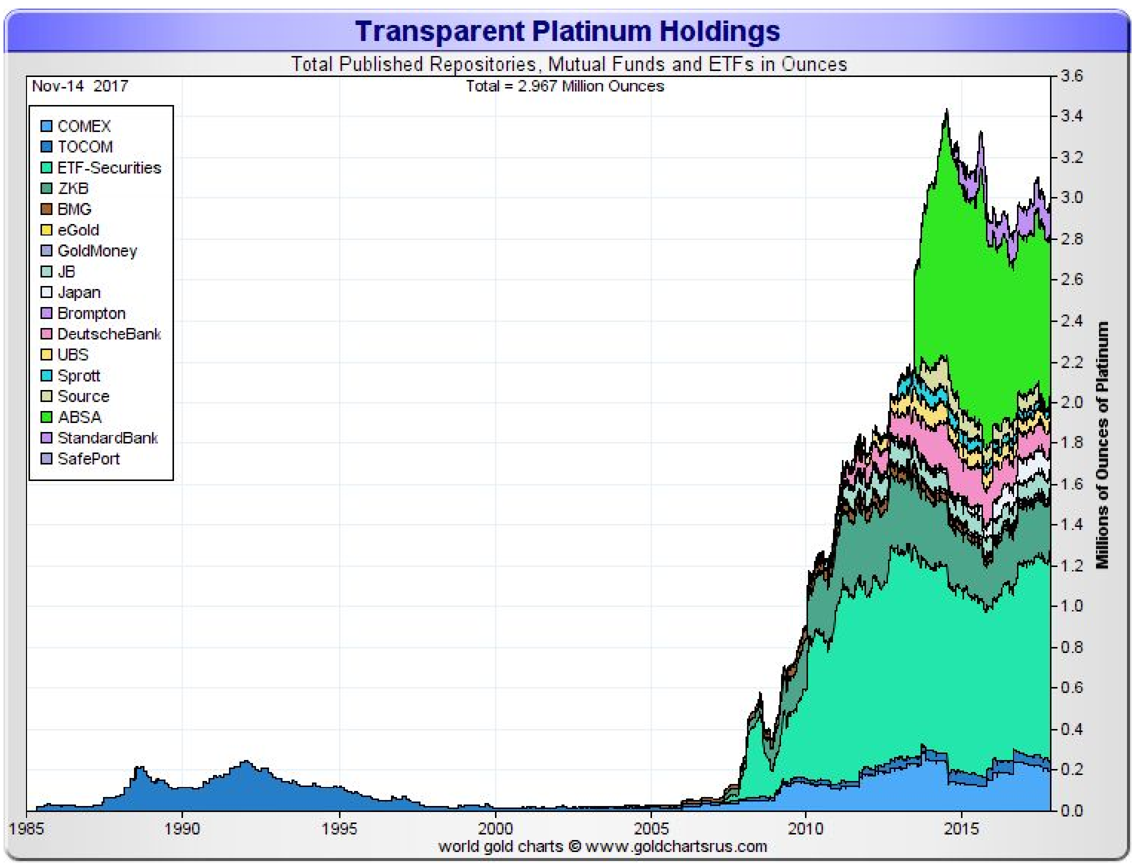
Source

In 2016, over 40% of platinum demand came from the car industry's catalytic converter demand to help reduce combustible car engine emissions.

The next largest sector of platinum demand is for platinum jewelry due to platinum's high ductility, rarity, and its resilience to tarnishing and warping.

Another major sector of platinum demand comes from over 25 various industrial applications ranging from electronics, medical technology, usage in nitric acid fertilizers, and turbine engines. Platinum is also used in the production of display glass and glass fibre due to platinum's high melt point and its inert non-reactive nature.

The smallest of the four major segments of global platinum demand comes from the platinum investment sector.



Investment demand for platinum has continued to grow even after its massive price drop from its still all time 2008 record price.

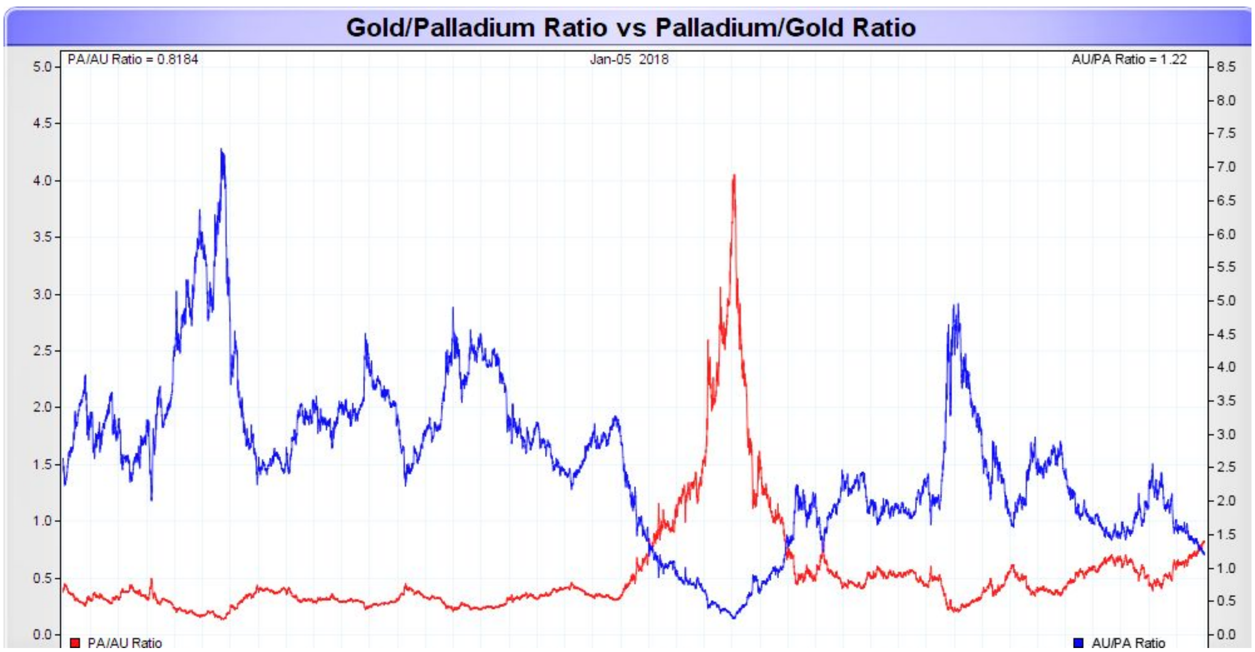
Platinum investments range from derivative electronic shares of Platinum ETFs to actual physical platinum bullion bars and coins you can buy and own outright for the long term which we offer via fully insured discreet delivery at SD Bullion.

PALLADIUM INVESTMENT FUNDAMENTALS

Why buy Palladium Bullion?

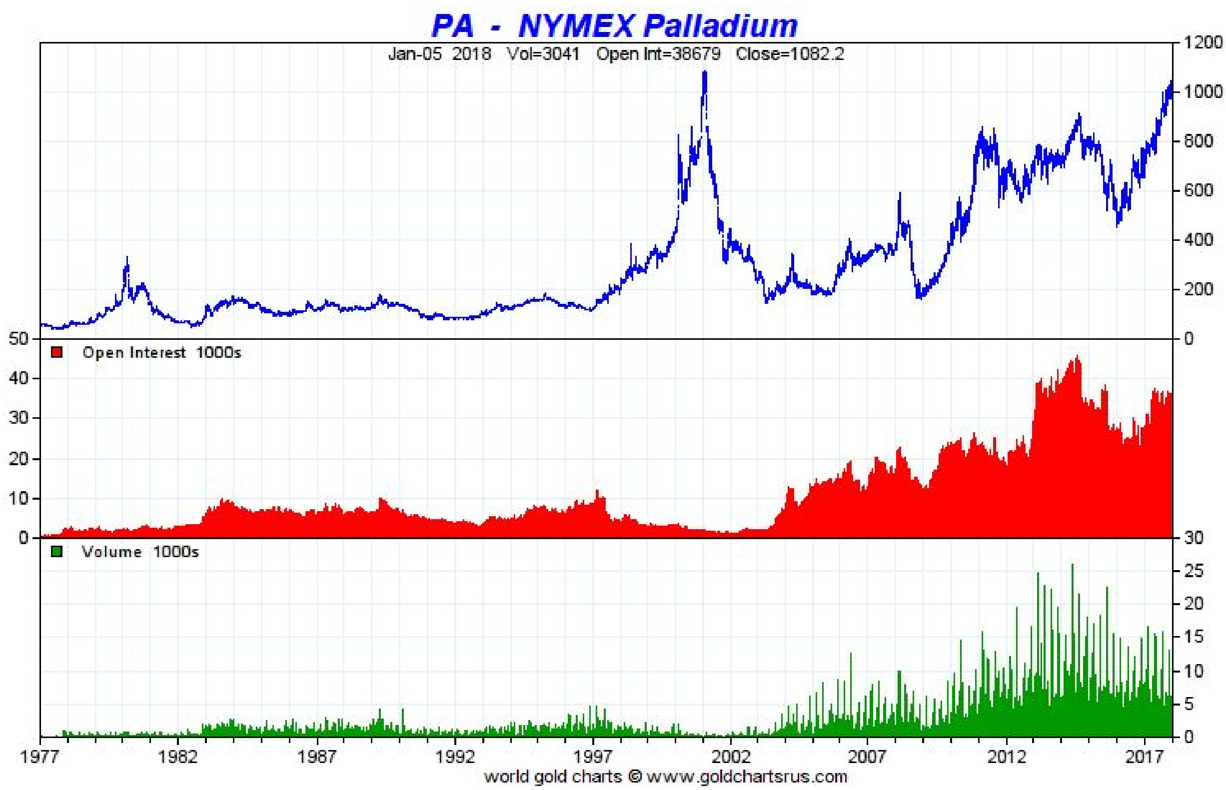
Palladium bullion as an investment is a relatively new phenomenon when compared to the adornment and monetary history of silver or gold.

For various durations of time (e.g. 1997 - 2003), palladium has sold at price premiums higher than gold and again recently platinum.



On January 26, 2001 palladium hit its former all time price record near the end of the Dot-com bubble era. Palladium's $1,094 oz USD London AM fix price in early 2001 was the result of a supply shortage exacerbated by Russia (one of this precious metals' main miners). That same morning in early 2001, palladium was priced more than 4 times the London AM gold fix ($264.50 oz USD), almost 2 times the AM platinum fix ($616 oz USD), and over 225 times that day's silver price fix ($4.78 oz USD).

Today palladium is again hitting all time price highs but for different supply shortage reasons. Notice in the chart below the rampant run up in NYMEX open interest and trading volumes especially since the collapse of its last 2001 price mania.



This year of 2018 should be very interesting for palladium prices. A runaway palladium price is looking technically and fundamentally possible. Any mine supply disruptions in Russia or South Africa could exacerbate the shrinking supply situation. Expect at current and higher palladium prices to begin seeing car manufacturers switch back to platinum use in catalytic converters (Volkswagen scandal aside).

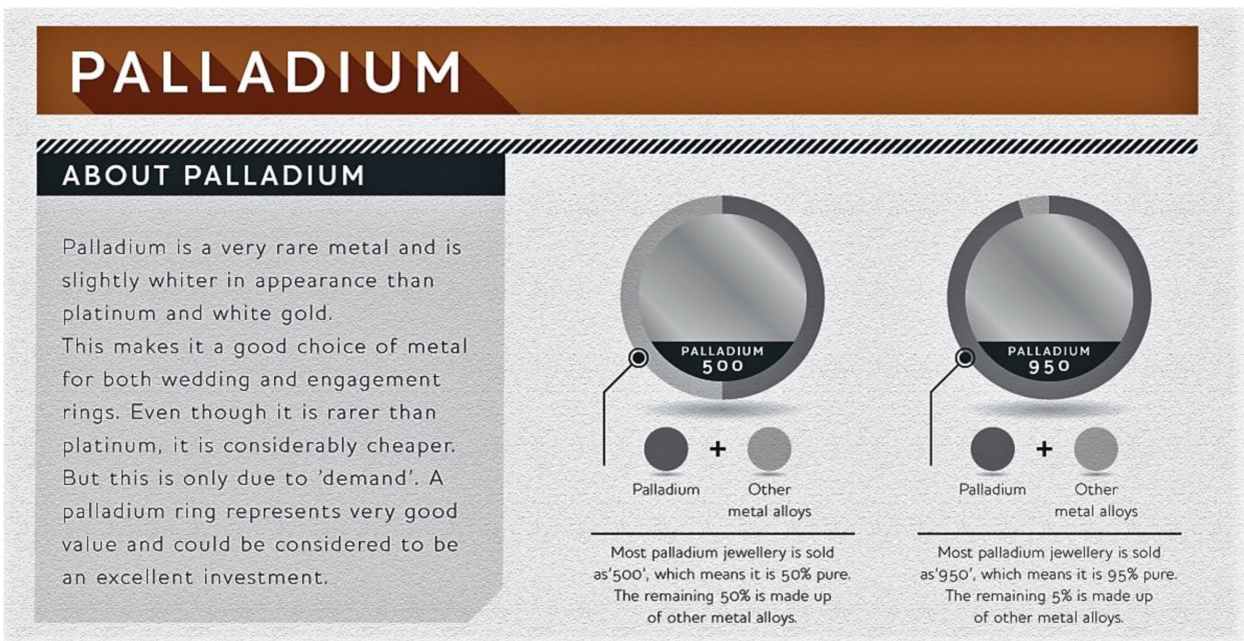
Palladium is a highly rare precious metal with even smaller above ground physical supplies than silver, gold, and even platinum.

With an Earth's crust concentration of 0.015 parts per million (ppm), palladium is over five times more rare in the ground than silver (found at 0.075 ppm). Platinum is still three times more rare than palladium in the ground found at 0.005 ppm, while gold is the most rare of the 4 precious metals cover here with an estimated 0.004 ppm in the Earth.

To give you a more understandable perspective of how rare palladium is, if we converted palladium's parts per million rarity into time, we would find 1 minute of palladium in just over 125 years. For gold it would be more than 450 years, platinum over 380 years, and for silver 25 years to 1 minute of respective precious metal recovery.

Whilst gold is nearly 4 times more rare in the ground than palladium, human beings have been mining gold for many millennia. Palladium was only scientifically discovered somewhat recently in 1802 AD, due to its very high melt point (2,831°F / 1,555°C). Prior alchemists beforehand were not able to achieve fires hot enough to easily melt, refine, and solely isolate palladium and therefore appreciate its unique elemental qualities.

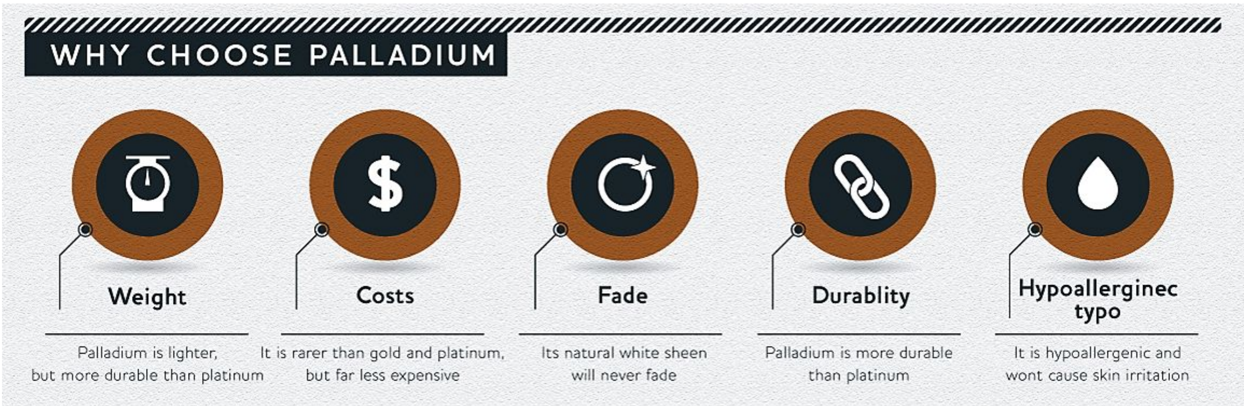
New world explorers of the 15th to 17th centuries regarded palladium (and other high melt point noble precious metals like platinum) at the time as low value annoyances in their quest to find new supplies of silver and gold in the Americas and elsewhere.



Source

Historic mining data shows just over 6,000 tonnes of palladium have ever been mined. Throughout history about 250 times more silver and 30 times more gold have been mined compared to palladium.

The element palladium is extraordinary resistant to wear, tarnish, and corrosion. Palladium is also a very malleable and ductile metal able to be hammered into fine sheets or stretched into a very fine wire without fracture thus it is both useful and easy to work with for many fine jewelers and artisans.



Source

Over the past decade, investment funds for palladium as an investment have increased especially since the inception of palladium exchange traded derivatives. Yet still, almost all of today's palladium demand remains for industrial usage as we will see in the palladium demand section to follow.

Since the beginning of this 21st Century, the world has witnessed a pronounced general increase in palladium's value priced in every single national currency issued by any government worldwide.

Palladium Price Performance — Dec 15, 2017

% Change	USD	ARS	AUD	BRL	CAD	CHF	CNY	EUR	GBP	IDR	INR	KRW	JPY	MXN	NZD	RUB	TRY	ZAR
2000	111.4	111.1	149.0	128.0	119.1	115.8	111.4	127.8	129.0	188.6	127.2	135.8	136.9	114.5	150.2	119.1	161.3	159.7
2001	-53.7	-53.6	-48.9	-45.1	-50.7	-52.1	-53.7	-50.8	-52.2	-49.9	-52.1	-51.9	-46.4	-55.9	-50.7	-50.2	1.9	-26.6
2002	-46.8	79.2	-51.3	-18.5	-47.2	-55.8	-46.8	-54.9	-51.9	-54.1	-47.1	-52.0	-52.0	-39.4	-57.7	-44.3	-39.8	-62.0
2003	-16.7	-27.3	-38.0	-32.3	-31.6	-25.2	-16.7	-30.4	-24.8	-21.6	-21.3	-16.4	-24.5	-10.3	-33.4	-23.8	-29.0	-35.1
2004	-6.2	-5.0	-10.2	-13.5	-13.3	-14.0	-6.2	-13.3	-12.7	2.8	-10.7	-18.5	-10.8	-6.8	-14.6	-11.1	-11.4	-19.9
2005	43.7	47.3	52.6	26.4	39.4	66.3	40.0	64.5	59.4	53.3	49.4	40.4	66.0	36.8	51.4	49.0	44.4	59.6
2006	29.3	31.0	20.3	18.2	29.2	19.8	25.0	16.0	13.4	17.3	26.7	18.9	30.5	31.3	25.4	18.4	35.6	43.7
2007	11.9	14.9	0.5	-6.7	-5.1	3.9	4.7	1.1	10.5	17.5	-0.3	12.6	5.0	13.1	2.7	4.4	-7.6	8.9
2008	-51.5	-47.2	-38.2	-36.4	-40.1	-54.1	-54.7	-48.9	-33.9	-43.5	-39.9	-34.7	-60.6	-38.6	-35.4	-39.6	-36.3	-33.5
2009	119.1	140.0	67.9	63.9	88.7	110.8	119.1	111.4	97.1	88.1	109.4	102.4	123.9	107.3	73.7	114.7	112.7	71.8
2010	96.8	106.9	73.6	87.4	86.9	78.2	90.4	111.7	105.2	88.2	89.1	90.3	72.4	86.0	84.4	100.7	104.3	76.6
2011	-19.6	-13.0	-19.6	-9.6	-17.8	-19.3	-23.4	-17.0	-19.6	-18.9	-4.6	-17.7	-23.5	-9.3	-19.4	-15.3	-2.4	-1.5
2012	9.9	25.6	7.8	20.6	7.2	7.0	8.8	7.7	5.3	18.7	13.9	1.5	22.8	2.3	3.5	4.6	4.3	14.9
2013	1.7	34.9	18.0	17.3	8.7	-0.8	-1.2	-2.4	-0.4	26.4	14.3	0.3	23.5	2.6	1.7	9.2	22.0	26.5
2014	12.2	45.7	22.6	26.2	22.4	24.8	15.0	27.4	19.1	14.2	14.5	16.6	27.9	26.2	18.0	101.2	22.2	23.1
2015	-31.5	5.1	-23.3	2.2	-18.0	-31.1	-28.3	-23.6	-27.9	-23.7	-28.1	-26.2	-31.0	-19.3	-21.7	-15.6	-14.3	-7.8
2016	23.6	51.1	25.6	1.5	19.7	26.5	32.2	27.9	48.4	20.7	26.9	26.8	20.1	47.6	22.1	4.7	49.6	9.2
Average	13.7	32.2	12.3	13.5	11.6	11.8	12.7	15.0	15.5	19.1	15.7	13.4	16.5	17.0	11.8	19.2	24.6	18.1
2017	52.1	67.7	43.2	54.3	45.6	47.8	44.7	36.2	40.9	53.3	43.4	37.2	46.4	40.3	50.8	45.2	66.6	45.0

Compared to gold, platinum price performance vs fiat currencies tends to be more volatile to both the downside and upside.

WORLD PALLADIUM SUPPLY AND DEMAND

(000 ounces)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Change
Supply											
Mine Production											
South Africa	2,677	2,365	2,481	2,646	2,686	2,391	2,432	2,008	2,653	2,470	-7%
Russia	3,049	2,701	2,677	2,722	2,704	2,624	2,527	2,582	2,575	2,526	-2%
North America	995	908	688	726	959	953	934	978	925	932	1%
Others	329	407	475	518	512	528	575	568	561	635	13%
Total Mine Production	7,050	6,381	6,321	6,612	6,861	6,497	6,468	6,136	6,713	6,563	-2%
Autocatalyst Scrap	957	1,200	1,077	1,307	1,514	1,472	1,587	1,813	1,604	1,719	7%
Old Jewellery Scrap	185	192	116	179	248	223	230	248	266	275	3%
Total Supply	**8,192**	**7,772**	**7,515**	**8,098**	**8,623**	**8,191**	**8,286**	**8,197**	**8,584**	**8,557**	**0%**
Demand											
Autocatalysts	4,797	4,489	4,032	5,303	5,594	6,188	6,376	6,647	6,991	7,360	5%
Jewellery	1,281	1,295	1,110	797	674	595	525	478	345	299	-13%
Dental	615	620	602	590	567	546	511	475	449	426	-5%
Chemical	388	372	304	367	382	378	410	396	395	435	10%
Electronics	1,275	1,347	1,240	1,451	1,487	1,500	1,378	1,358	1,200	1,080	-10%
Other Industrial	91	91	84	101	103	110	110	117	116	113	-3%
Retail Investment	45	94	170	80	61	37	38	45	45	45	0%
Total Demand	**8,491**	**8,309**	**7,543**	**8,689**	**8,868**	**9,354**	**9,349**	**9,515**	**9,540**	**9,757**	**2%**
Physical Surplus/(Deficit)	(300)	(537)	(28)	(591)	(245)	(1,162)	(1,063)	(1,318)	(956)	(1,200)	
Stock Movements	620	899	593	(289)	1,282	(148)	(300)	(299)	577	527	
of which ETF Release/(Build)	(280)	(381)	(507)	(1,089)	532	(448)	(0)	(899)	727	637	
Net Balance	**320**	**362**	**566**	**(880)**	**1,037**	**(1,311)**	**(1,363)**	**(1,616)**	**(379)**	**(673)**	
LBMA PM Price (US$/oz)	$354.78	$352.25	$263.22	$525.24	$733.63	$643.19	$725.06	$803.23	$691.63	$613.72	-11%

Source: GFMS, Thomson Reuters; LBMA

Source

Palladium Supply

Today over 75% of the world's fresh palladium supplies are produced by just South Africa and Russia combined. About 38% of all new mined palladium supplies come from South Africa while just over 38% of the world's current palladium mine supply comes from Russia.

WORLD PALLADIUM MINE PRODUCTION

(000 ounces)	2014	2015	2016	Change
Russia	2,582	2,575	2,526	-2%
South Africa	2,008	2,653	2,470	-7%
Canada	578	519	512	-1%
United States	401	406	420	3%
Zimbabwe	325	323	388	20%
Others	243	238	246	4%
World Total	**6,136**	**6,713**	**6,563**	**-2%**

Source: CFMS, Thomson Reuters

Source

Both Russia and South Africa have had major palladium supply disruptions already in this 21st Century.

Palladium supplies (like platinum supplies as well) are considerably more vulnerable to mine production halts (e.g. labor disputes) and political disruptions when compared to other more geo-diversely mined precious metals like gold and silver.

Palladium supply disruptions have often been the catalyst for sharply increasing palladium prices.

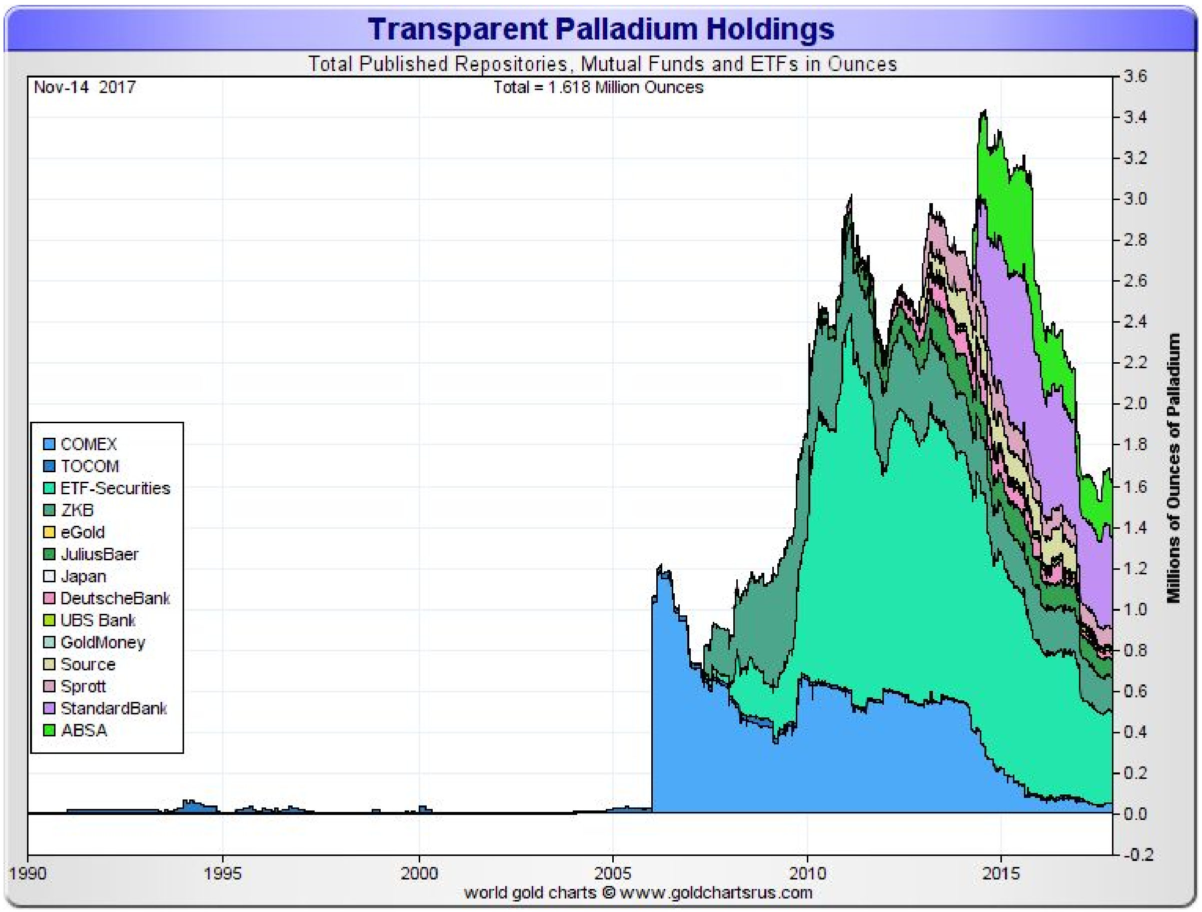
Late in the year 2000, a Russian palladium supply disruption helped incite the still all time palladium price record high of nearly $1,100 USD oz reached in January 2001. This Russian caused palladium supply shortage led to the Ford Motor Company's purchasing department to shortsightedly stockpile palladium at record high prices without prudently using futures or options contracts to properly hedge their downside palladium price risks.

By early 2002, Russia was again exporting palladium supplies and the US dollar spot price of palladium fell by more than 60% from its prior year's all time record price. As a consequence the Ford Motor Company was forced to write-off a $1 billion US dollar loss on the decreased value of the palladium stockpile its purchasing department had acquired unhedged.

In 2014, South African mine strikes and political instability adversely affected palladium supply production totals helping to drive palladium prices higher..

According to Thomson Reuters, palladium has been running *consecutive* annual supply deficits since the year 2007 (for a full decade now).

Palladium today is more heavily used in gasoline catalytic converters. Whilst platinum is more heavily utilized in diesel engine catalytic converters, which have fallen out of favor since the Volkswagen emissions scandal of 2015. A recent factor fueling this latest rarely seen palladium price eclipse over platinum prices.



Investment demand for palladium has risen exponentially since the inception of ETF investment vehicles. Since the 2008 Financial Crisis lows hitting below $175 USD oz palladium, there has simultaneously been a pronounced increase in palladium prices coupled with an increase in the numbers of palladium bullion items being sold to the investing public.

The ongoing downtrend in palladium inventories, due to a now, decade long physical deficit has begun showing signs of affecting market liquidity in recent months.

The palladium market may become more and more susceptible to bouts of inventory tightness if palladium supply deficits persist.

Palladium Demand

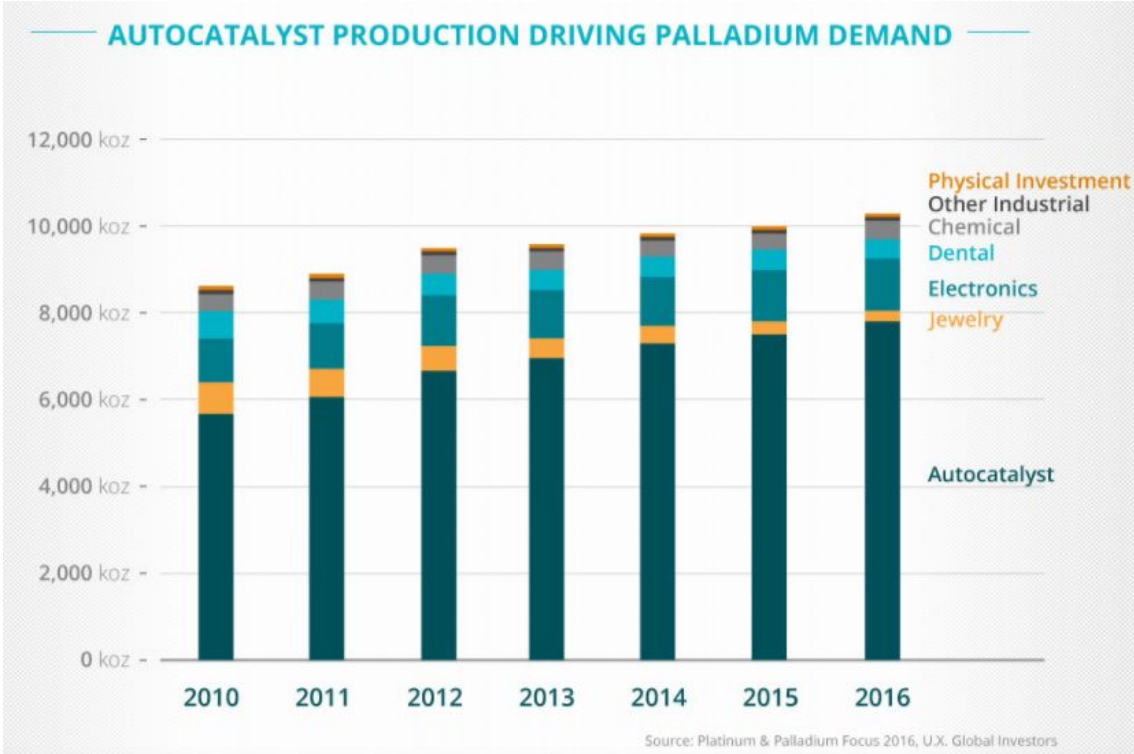
World palladium demand is driven by 6 primary sectors of industry.

About 70% of the world's palladium demand is for automobile catalytic converters used to reduce automobile CO_2 engine emissions.

Just over 10% of palladium's annual demand comes from electrical usage in semiconductor applications, platings, and for battery fuel cells.

Dental and chemical uses combines to make up just under 10% of today's yearly global palladium demand.

Palladium jewelry, investment demand, and other industrial use demand fills out the remaining 5% or so of annual palladium demand worldwide.



[Source]

Today's annual worldwide demand for palladium is now reaching levels just under 10 million ounces or around 300 metric tonnes per year.

Still the smallest segment of world palladium demand comes from the palladium investment sector itself. Palladium by nature is more dense than silver therefore investment grade palladium bullion products take up much less storage space per troy ounce than silver bullion products do.

IDENTIFIABLE INVESTMENT*

	Platinum					Palladium				
(000 ounces)	2013	2014	2015	2016	Change	2013	2014	2015	2016	Change
Retail Investment	136	141	582	540	-7%	38	45	45	45	-
Exchange Traded Funds	892	218	(260)	(5)	n/a	0.1	898	(727)	(637)	n/a
Total Identifiable Investment	**1,028**	**359**	**322**	**535**	**66%**	**38**	**944**	**(683)**	**(593)**	**n/a**
Indicative Value $M**	**1,528**	**498**	**339**	**529**	**56%**	**28**	**758**	**(472)**	**(364)**	**n/a**

*Excludes investment activity in the futures and OTC markets.

**Indicative value calculated using annual average volume and prices.

Source: GFMS, Thomson Reuters

Source

If palladium continues to run further *consecutive* annual supply deficits (it has been since the year 2007, a full decade now), longterm palladium bullion owners may yet see soon a new record US dollar price soon.

We are perhaps only a few final catalysts away (e.g. Russia or South African mine issues or other contributing macroeconomic factors) from yet another price mania ensuing for this precious metal in the years to come.

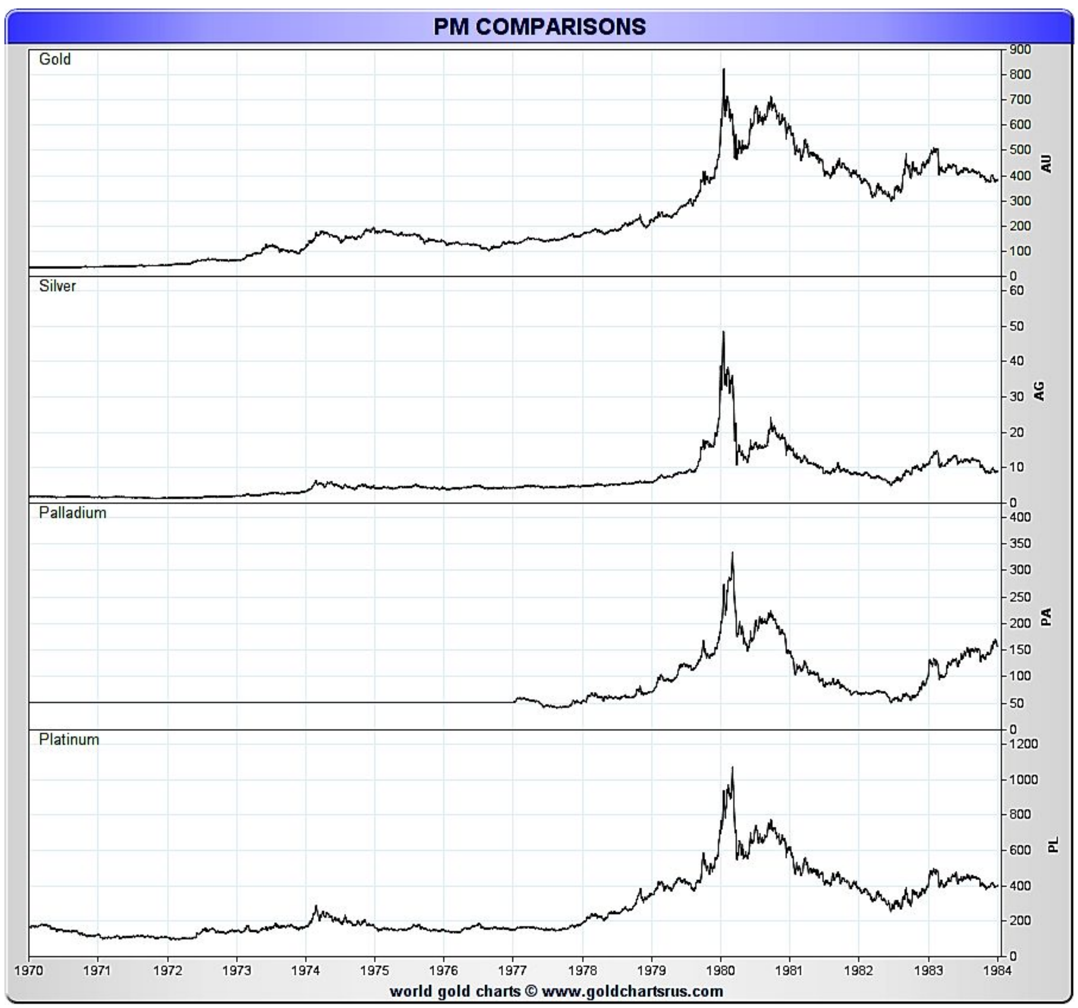
Although still small in scope, it is becoming more commonplace for retail investors to buy physical palladium bullion products online and take direct ownership in order to better diversify potential risks to their wealth and investment portfolios.

Bull Markets Past & Potential Ahead

1980 Precious Metal Price Bubbles Revisited & Hunt Brothers Fallacy

This following 1980 bullion bull market price chart contains the world's fluctuating spot prices for gold, platinum, and silver starting in 1970 all the way to 1984.

Palladium spot pricing begins in 1977 and also extends to the beginning of 1984 on the following chart.



As we have covered, President Nixon unexpectedly closed the Bretton Woods agreement and the US dollar's final ties to gold on August 15, 1971. It was this action and prior decade's deficit spending by the US government which helped set forth inflationary episodes that brought all 4 precious metals to their then all time price highs in the first half of 1980.

In the early 1970s the USA also had two various somewhat severe overnight US dollar devaluations. The first quickly followed the aforementioned Nixon Shock and whereby December 1971 we had agreed to a resultant 11% US dollar devaluation.

By early 1973, the US dollar had to again be devalued overnight by 10%.

This US dollar's value volatility helped both silver, gold, and platinum markets to hit interim bull market highs by 1974 which were followed by multiple years of price consolidations (e.g. bear traps).

Added to the US dollar's inflationary pressures was the start of two 1970s Oil Crisis events. In October 1973 the Organization of Arab Petroleum Exporting Countries' (OPAEC) embargo of oil exports to the United States would have repercussions throughout the remainder of the decade and into the 1980s.

Also in 1979, events in the nation of Iran caused the beginning of the second oil shock which led again to gasoline shortages and panicked long consumer lines at gas stations in the USA.

From 1978 into 1980 the world witnessed a US dollar quadrupling of crude oil prices, a quintupling of platinum prices, a six-folding of palladium prices, and a gold price spike from $200 USD oz in early 1978 to a then record high of $850 oz by January 21, 1980.

During this same timeframe silver went from about $5 USD oz to as high as $50 oz on January 21, 1980. The ongoing confusion as to what contributed most to this silver price increase is what we will examine next. It was not the Hunt Brothers who almost imploded the US dollar's value.


"All the News That's Fit to Print"

The New York Times

LATE CITY EDITION

Silver's Plunge Jolts Hunts' Empire And Brings Turmoil to Wall Street

Fears of Sell-Off of Metal Depress Stock Prices and Pose Threat to Broker

SETBACK TO CAPTIVES SEEN AS IRAN ORDERS NEW VOTING PUT OFF

CONGRESS APPROVES 'WINDFALL' OIL TAX

Sindona Is Convicted by U.S. Jury Of Fraud in Franklin Bank Failure

VANCE BACKS REPORT ON U.S. TIES TO SHAH

Source

Hunt Brothers Market Corner Fallacy

The myth that a few billionaire brothers from Texas cornered and drove the price of silver to come $50 oz in 1980 still exists to this very day. It is a misconception of the truth at best, and at worst a solid framing with public tar and feathers to follow for decades.

Estimates are some 12 billion ounces of silver existed above ground in 1980 (the figure excludes rare coins, jewelry, and antiquities). At their peak of buying, the Hunt Brothers controlled about 250 million ounces of combined silver bullion and silver futures contracts. This total represented about 2% of the then world's physical silver supply.

Yet somehow the fallacy still persists that three wealthy brothers from Texas cornered and drove the price of silver into a bubble in early 1980 which ultimately led to $1 USD billion bailout by the Federal Reserve and other commercial banks.

While the Hunts made a contribution to the $50 USD oz silver price spike on January 21, 1980 the critical question is by how much was silver's price rise contributable to their actions alone.

Bullion market expert and someone who worked directly in the silver market back then, Jeffrey Christian, is purported to believe that a mere 75¢ or $1 USD oz was added by Hunt brother actions to the 1980 record silver price of near $50 oz.

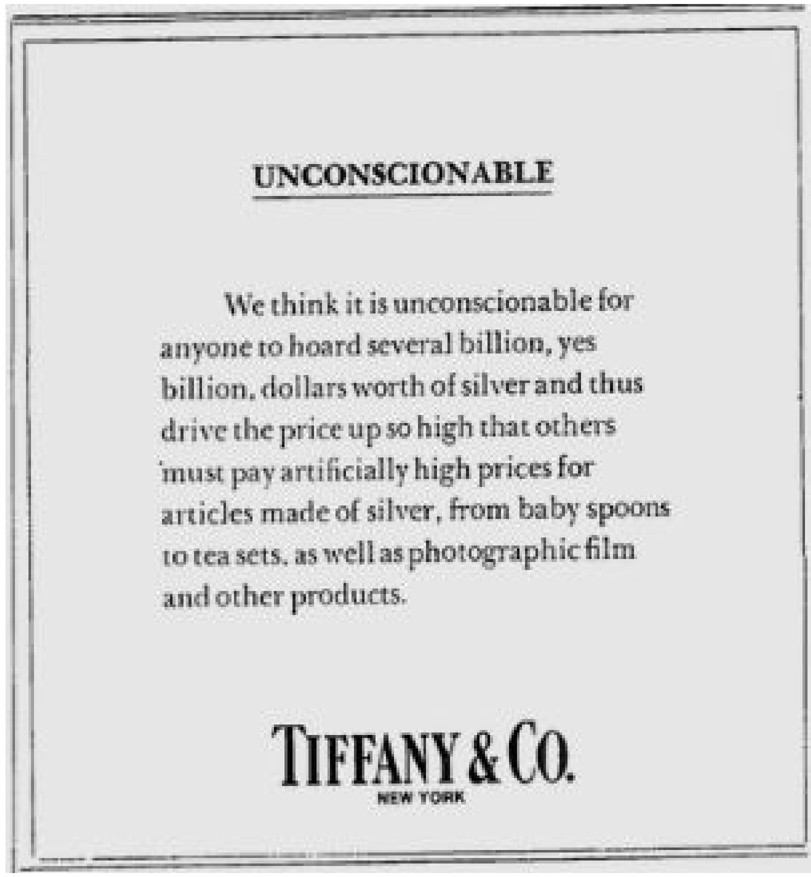
Other economic studies suggest perhaps the Hunt Brothers were simply scapegoated in court and through public opinion campaigns. Even Tiffany & Co. got in on the act.

Cambodian Farmers, Short of Seed, Facing a Crisis

Pomp in Canterbury for New Archbishop

UNCONSCIONABLE

TIFFANY & CO.



Source

Somehow too, most modern financial journalists often fail to mention that while the prices of silver and gold were hitting record highs in early 1980, the COMEX sprung out with drastic rule changes to "liquidation orders only" for silver futures which essentially meant futures traders could not longer go long silver (bet silver's price was going higher). This obviously helped lead to the subsequent collapse in silver futures prices.

This temporary rule change likely spooked gold futures traders as well, turning them bearish given this temporary 'sell silver only' intervention.

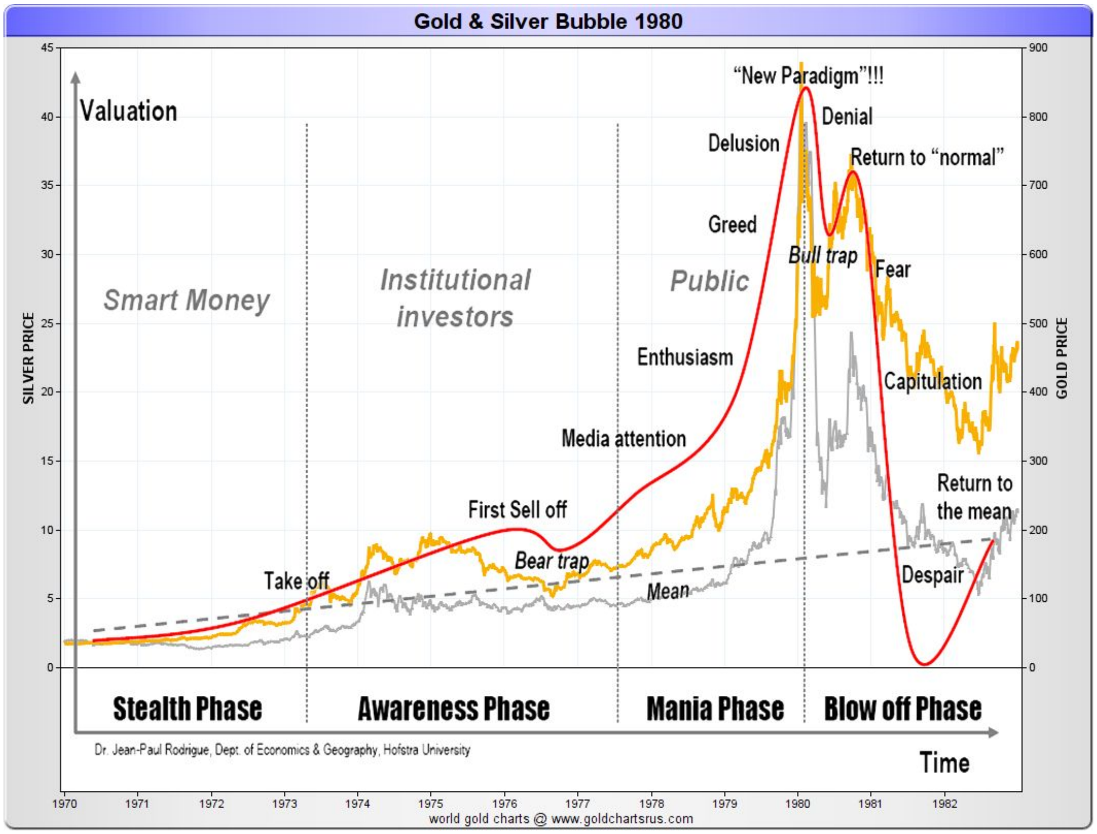
What followed only a few months later were also record high prices hit for platinum and palladium respectively.

Source

The Hunts Brothers losses were so vast that the Federal Reserve had to line up a $1 billion bailout. They went on trial for market manipulation, lost, and were saddled with a likely high interest billion dollar debt to go along with multi decade public legacy humiliations.

The Hunt Brothers silver buying efforts in 1970s do not explain the various price multiples in many other highly traded commodity and precious metal future contracts during this similar small timeframe (e.g. oil, gold, platinum, and palladium).

I doubt Randolph & Mortimer Duke were cornering any of these other aforementioned commodity futures markets at the time. In reality, rampant inflation and real world concerns about US dollar viability were strongly afoot in the 1970s and early 1980s. Of course Hollywood found other ways to dramatize this as these concerns were obviously very palpable back then.



These late 1970s early 1980 commodity and precious metal price spikes were brought about through a mixture of greed, fear, ongoing wars, political instability, and high inflationary pressures ongoing with US dollars, other fiat currencies, and the macroeconomy at the time.

In the same year of all 4 precious metal price record highs, the then 12th Chairman of the Federal Reserve, Paul Volcker, achieved a record Fed Prime Rate of 21.5% by December 1980. This ultimately attracted huge capital inflows into the US financial system as high price inflation was stamped down with resurgent US dollar strength in the middle 1980s (up to and until the Plaza Accord US dollar devaluation agreement).

The U.S and Saudi Arabia's 1974 Petrodollar system agreement and subsequent flooding of the world with US dollar denominated debt issuances also helped garner in an era of financialization the world has never seen before. Precious metals subsequently suffered a 20 year secular bear market that lasted into the beginning of this 21st Century Gold Rush.

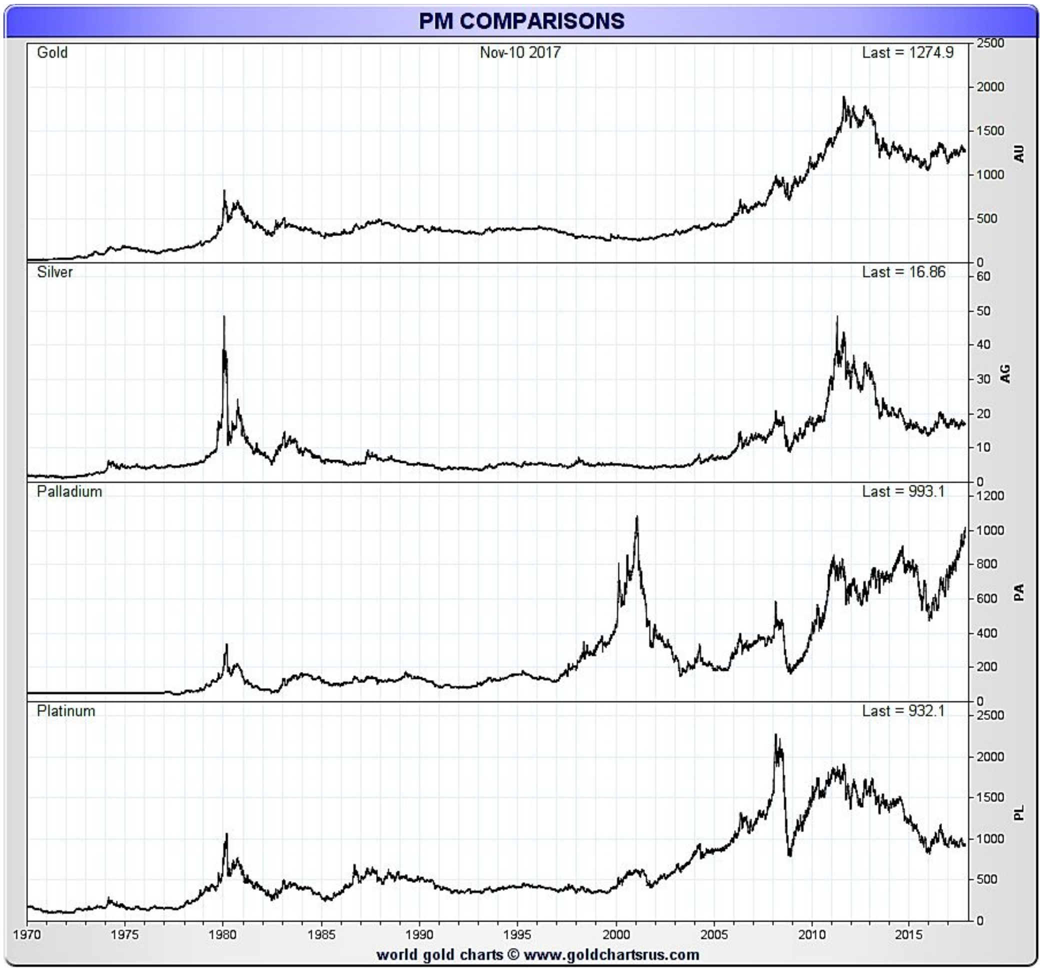
21st Century Bullion Bull Market Potential

During the western world driven 1980 bullion bull market record price highs, all four precious metals traded on futures exchanges saw huge value gains beginning in the early 1970s up to the first few months of 1980.

Gold spot prices multiplied more than 24 times beginning 1970 priced at $35 USD oz ultimately hitting over $850 USD oz in January 1980. Silver spot prices multiplied more than 38 times beginning in 1970 at $1.29 USD oz and finally reaching $50 USD oz the beginning of 1980 all within about a brief year timeframe.

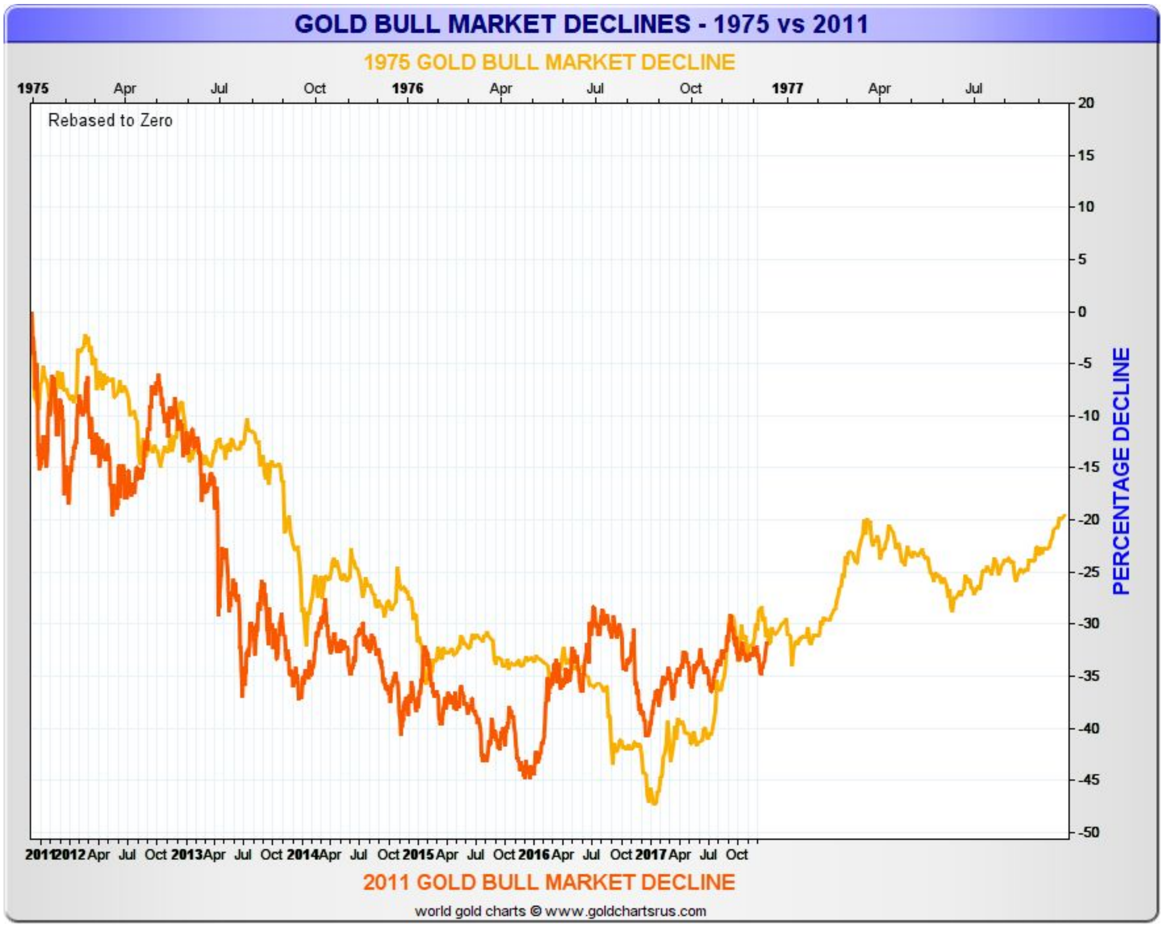
Platinum began 1970 priced at about $170 USD oz eventually reaching $1050 oz in 1980, a more than six multiple in US dollar value. Palladium went from $34 USD oz to $320 in this same timeframe, a near ten multiple in US dollar value.

What might we eventually see this go round?



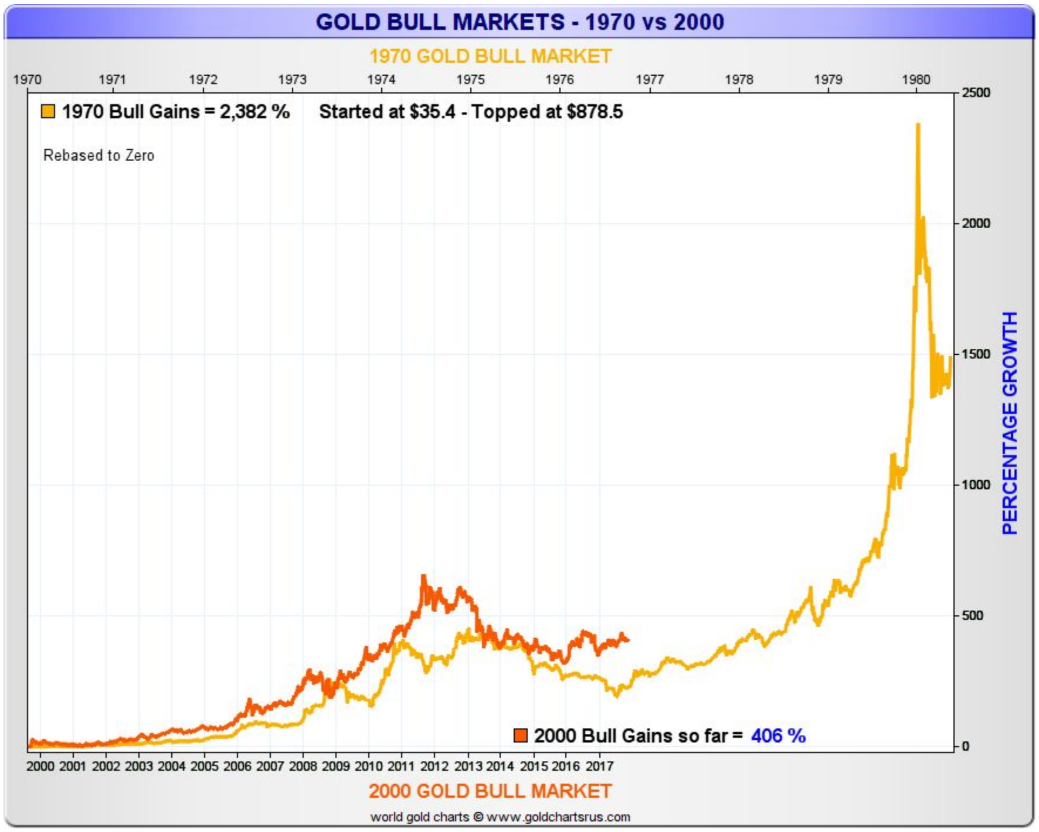
Many secular 21st Century bullion bull market believers (like myself) contend that we are currently nearing the end of a cyclical bear market for bullion values vs other asset classes.

The first bull wave we witnessed for gold and silver specifically was similar to the 1970 - 1974 pattern in the 2001 - 2011 interim price highs (over $1900 USD oz gold and near $50 USD oz silver both prices reached in 2011).



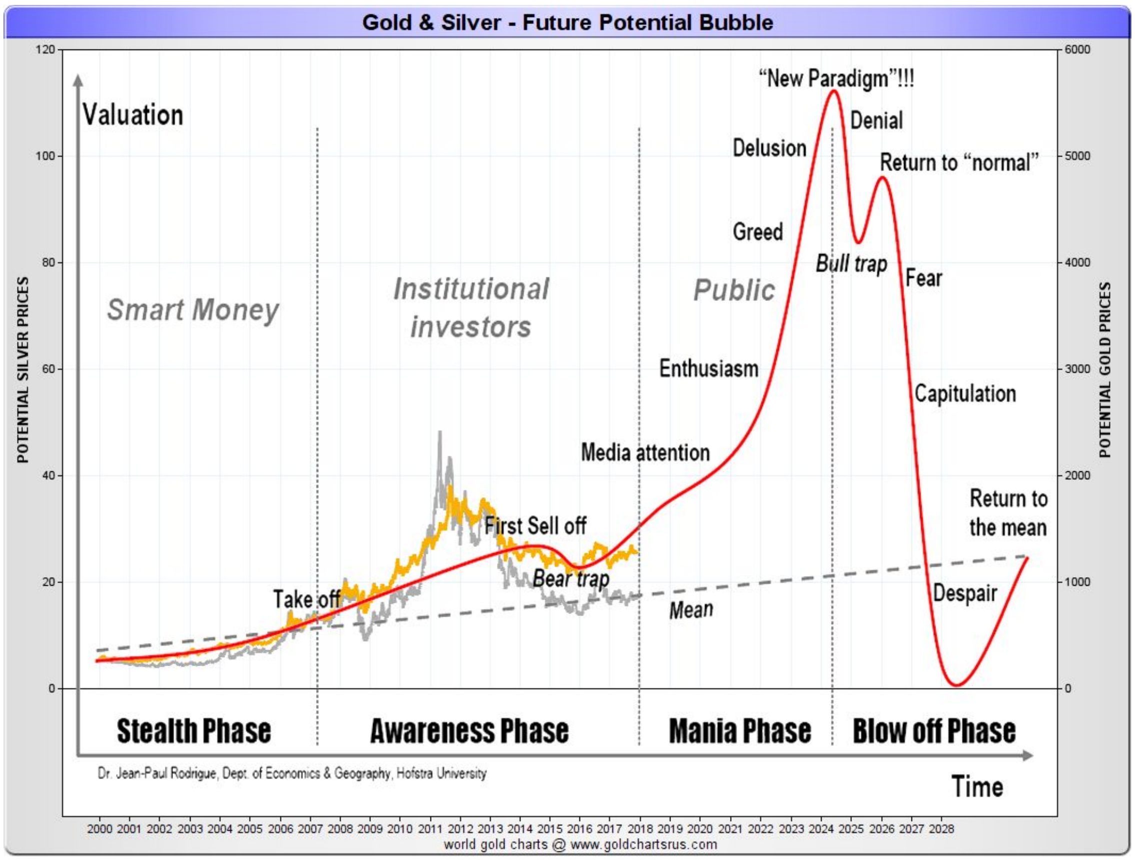
The duration of this 21st Century bull market appears to be taking 2.5Xs the amount of time it took for the 1980 version to play out. By merely measuring notional trading volumes and the amounts of physical ounces that have exchanged hands this go round, this 21st Century version is already the world's biggest bullion market to date.

Take a look at the following charts on where we went in the last western nation only bullion bull market to this all world bullion market of the 21st Century.


GOLD BULL MARKETS - 1970 vs 2000
1970 GOLD BULL MARKET
1970 Bull Gains = 2,382 %
Started at $35.4 - Topped at $878.5
Rebased to Zero
2000 Bull Gains so far = 406 %
PERCENTAGE GROWTH
2000 GOLD BULL MARKET
world gold charts © www.goldchartsrus.com


SILVER BULL MARKETS - 1970 vs 2000
1970 SILVER BULL MARKET
1970 Bull Gains = 2,144 %
Started at $1.875 - Topped at $42.07
Rebased to Zero
2000 Bull Gains so far = 235 %
PERCENTAGE GROWTH
2000 SILVER BULL MARKET
world gold charts © www.goldchartsrus.com

I believe we have much further to go with gold and silver values higher before this secular bull market trend ultimately ends. For now gold and silver are still what feels like a slow motion price consolidation '**Bear Trap**'. The conditions currently are simply helping to build energy for their eventual mania phases ahead.

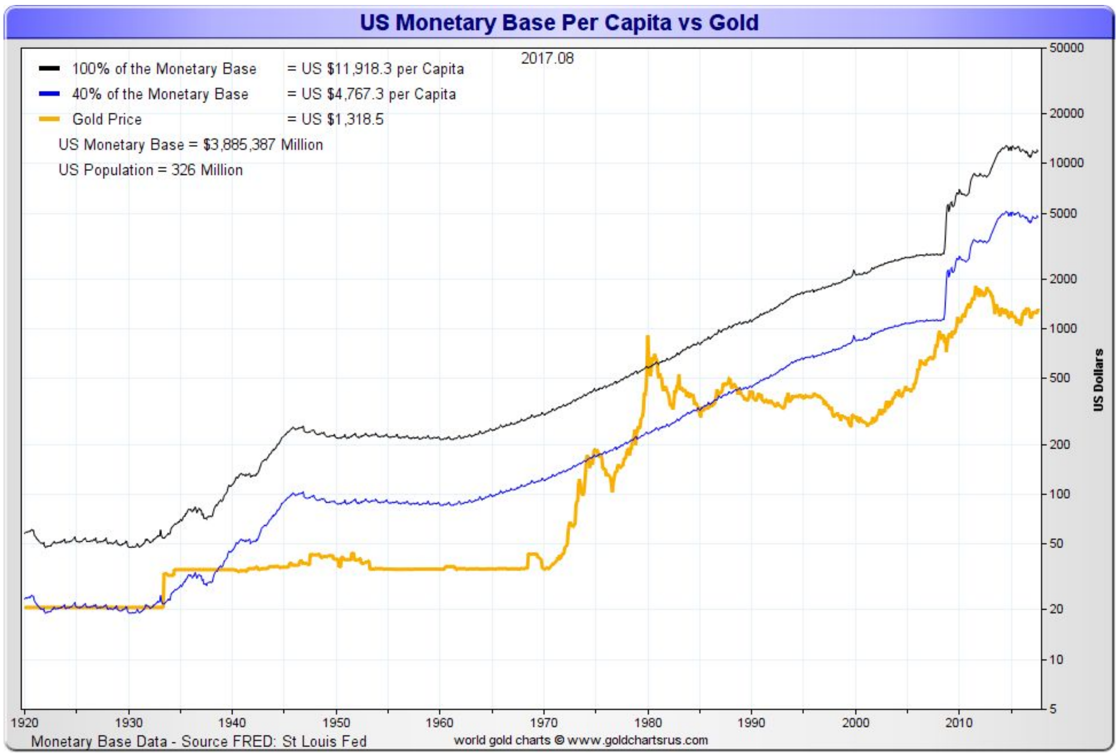


Investors commonly and often mistakenly never count their wealth positions in equivalent troy ounces of more reliable wealth measurements like gold or silver bullion.

Instead we most often privilege our local fiat currency of choice to do this (in most cases today, the US dollar). Price inflation masks real values given that there is almost always more US dollars in circulation year after year versus other limited finite resources and services.

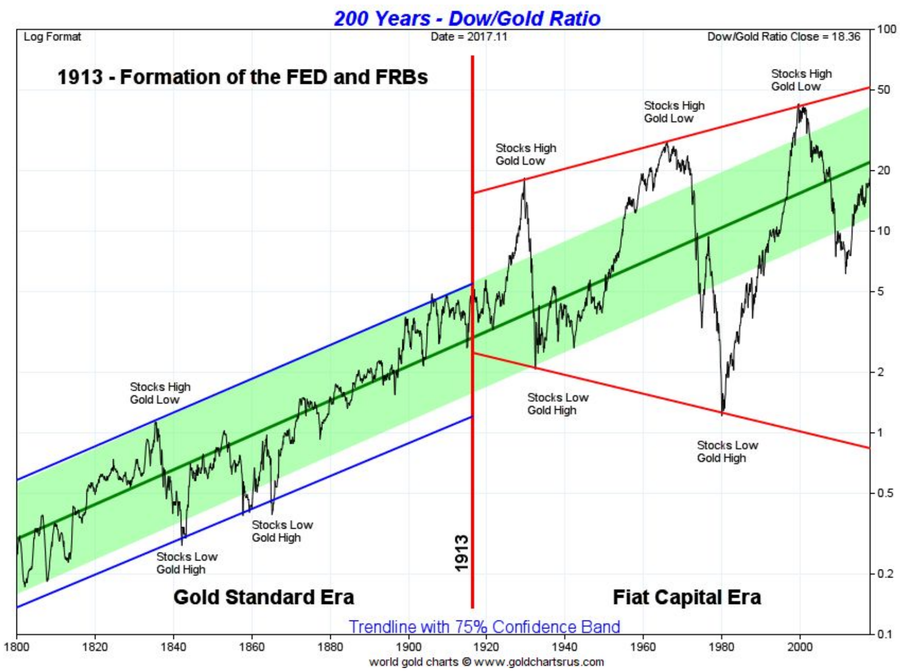
For instance, today there are now more than 20Xs the US dollars in circulation versus that last time US gold reserves were revalued high enough to fully account their value.

Although I am not suggesting this will again reoccur, I personally believe US gold reserves will again revalue high enough to reach the 40% threshold of US dollars in circulation (thus requiring a value near $5,000 USD oz gold).



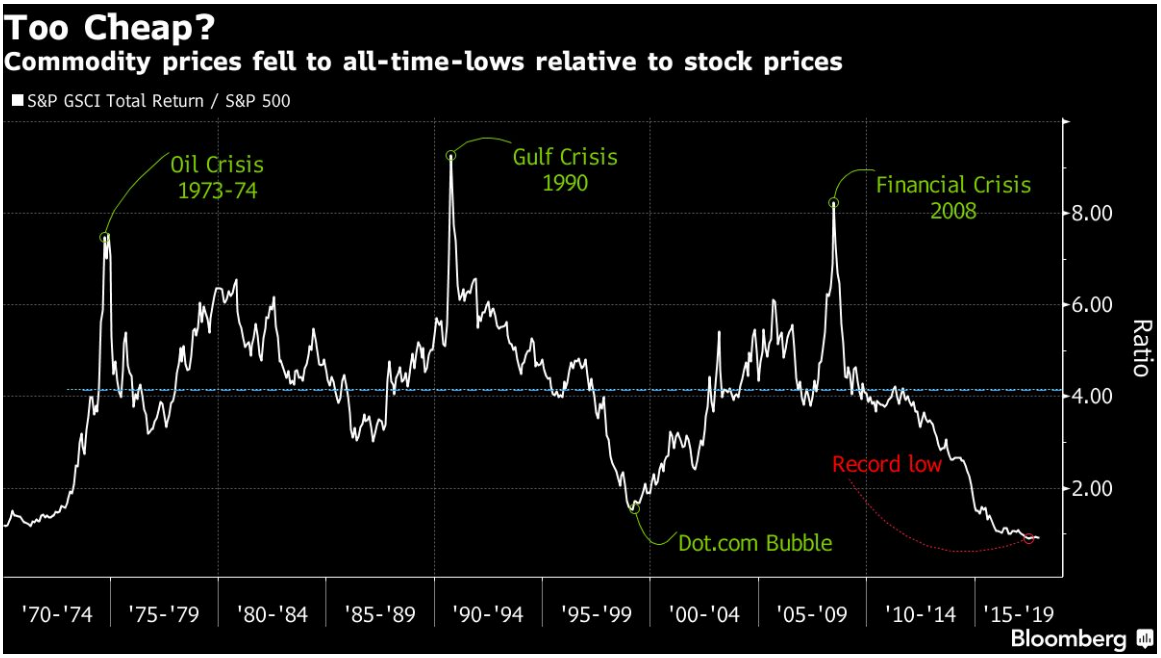
As we await potential revaluations for gold and silver bullion values, we should also note the over 200 year price ratios vs the largest 30 rotating corporation values of the world (DJIA).

Of the current 30 Dow Jones Industrial Average company components, only one corporation has lasted more than 100 years on this particular indice (recently underperforming GE). The rest have fallen away, substituted as the rise and fall of corporate profits and growth have a reinvent or decline life cycle.



My expectation is for both precious metal values to strengthen versus equities as the baby boom generation goes to liquidate positions in the hopes of funding their retirements and living standards.

Although when one lives inside the moments, historic over or under valuations of various assets may appear unending. Yet change in life, is really the only one thing which is ever constant.



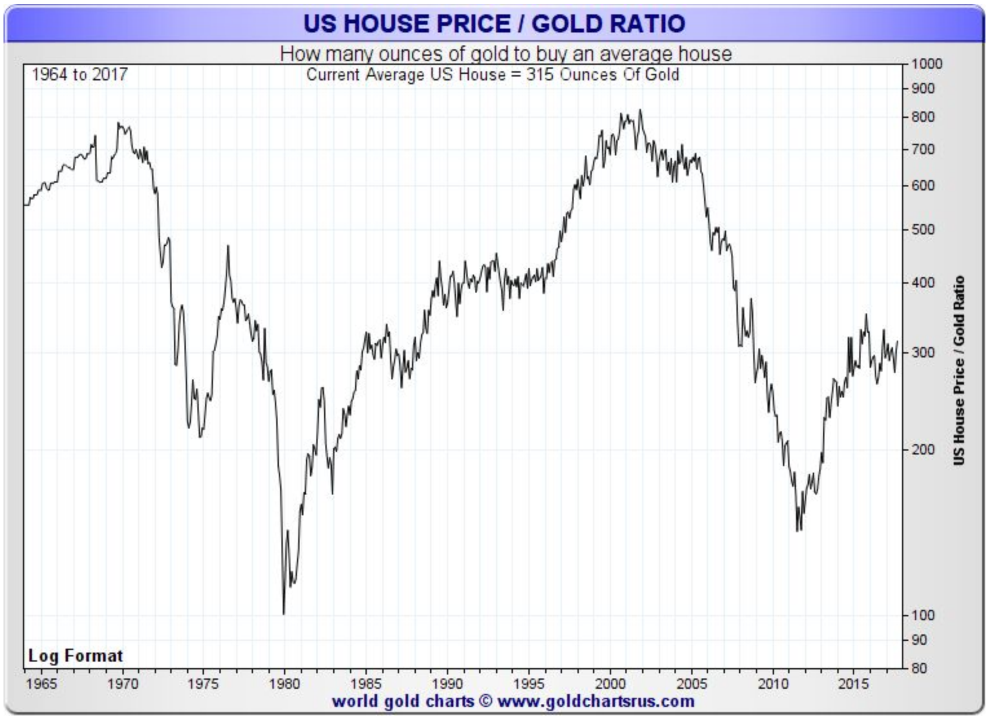
Source

Generally speaking, the longer natural reversions are suppressed (e.g. through artificial stimulus for example), the more vicious and violent become their reversals.

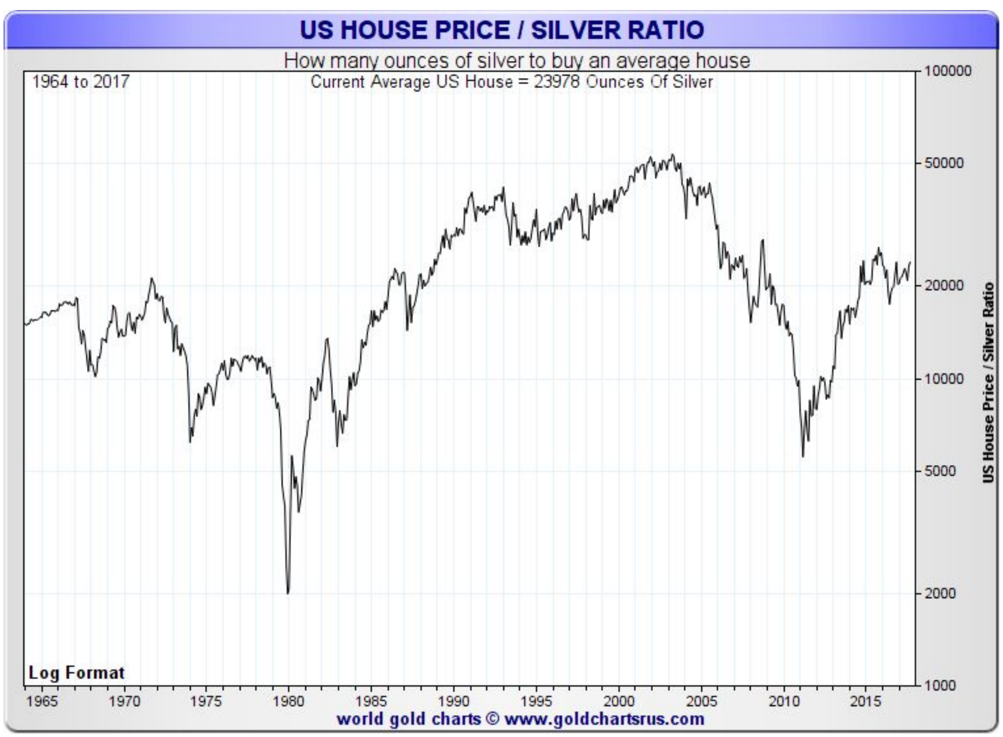
Reversions away eventually move back towards and beyond, it is as cyclical as life itself.

The growing conditions are already in place for the next major global financial crisis.

Simply move now and get ahead of the crowds to come.



My expectation too, is for both precious metal values to strengthen versus home prices as the baby boom generation sells to fund their retirements and living standards.



How Bullion Prices perform during Financial Crisis (e.g. 2008)

Over the past decade the bullion market has had various periods of market disequilibrium (e.g. 2008 leading into 2009, early 2013, and in late 2015).

The best most glaring example of what can occur with bullion premiums during financial crisis is the 2008 global financial crisis.

As a reminder to readers, in the late spring of 2008 we saw a peak in many commodity prices. Crude oil peaked near $140 USD per barrel. Other critical commodities were also hitting their *still record high price levels* in terms of US dollars:

- Zinc
- Cotton
- Aluminum
- Wheat
- Platinum

In March of 2008 silver neared a price of $21.00 oz while gold eclipsed $1000 oz (having broken its 1980 record high earlier that same year, January 2008).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AIG, Lehman Shock Hits World Markets

AIG Faces Cash Crisis As Stock Dives 61%

Source

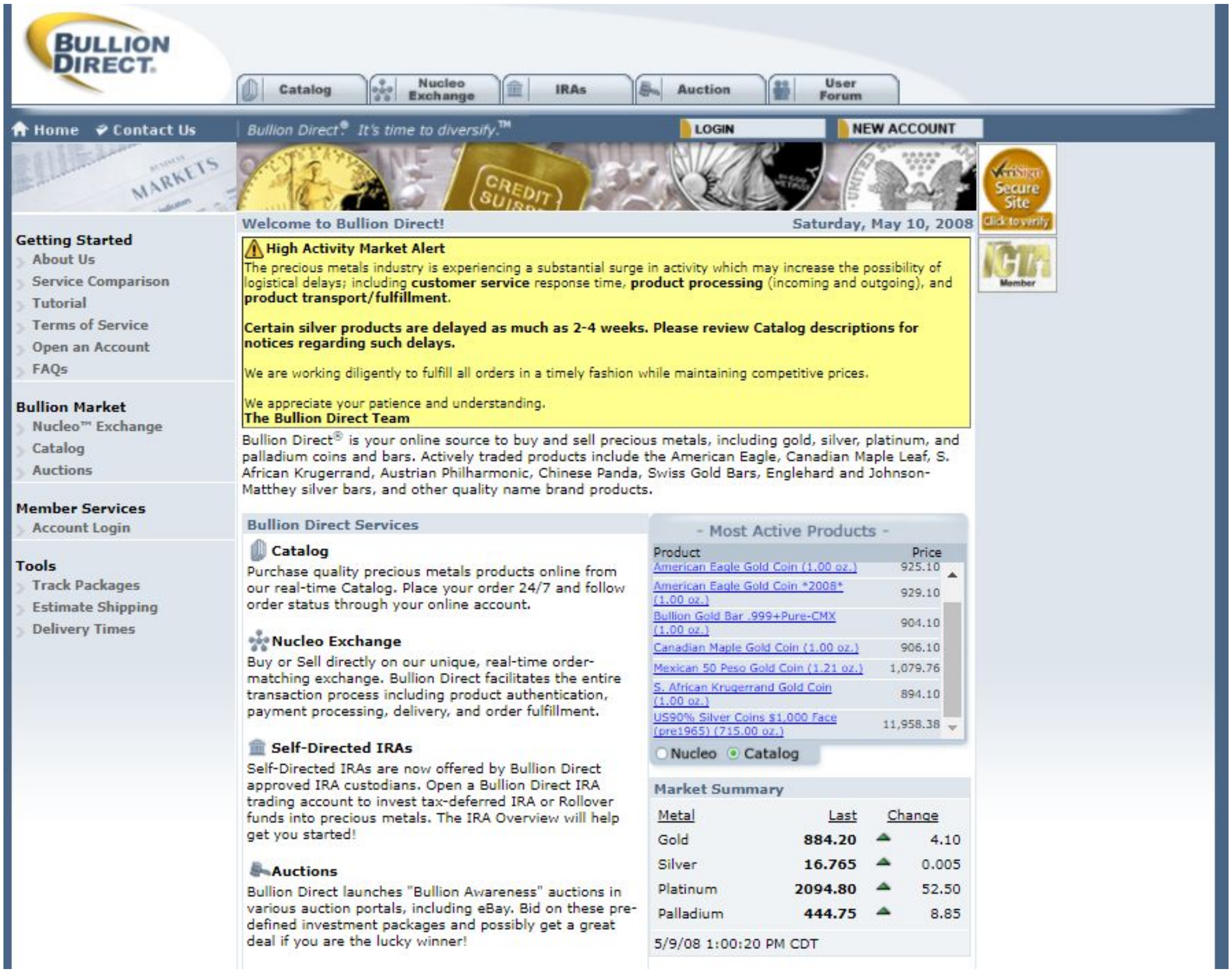
As the global financial crisis took hold in late summer 2008 and into the fall, all precious metals spot prices precipitously fell most likely due to margin calls, lacking liquidity, and trading reserves. Gold touched an interim low point near $650 USD oz in August 2008 whilst silver was fixed as low as $8.88 USD oz in late October 2008. Physical bullion premiums for immediate delivery gapped up strongly in response to increased demand.

Average people and investors were pulling their funds from banks and brokerage accounts (a modern day version of a run on the bank). Many of these same investors were actively buying gold and silver bullion in high volumes. So much so that the bullion industry's infrastructure could not keep up with persistent market demand.

Virtually each and every popular bullion product during a half year timeframe experienced periods of long delivery delays, almost fully unavailable, or being completely sold out.

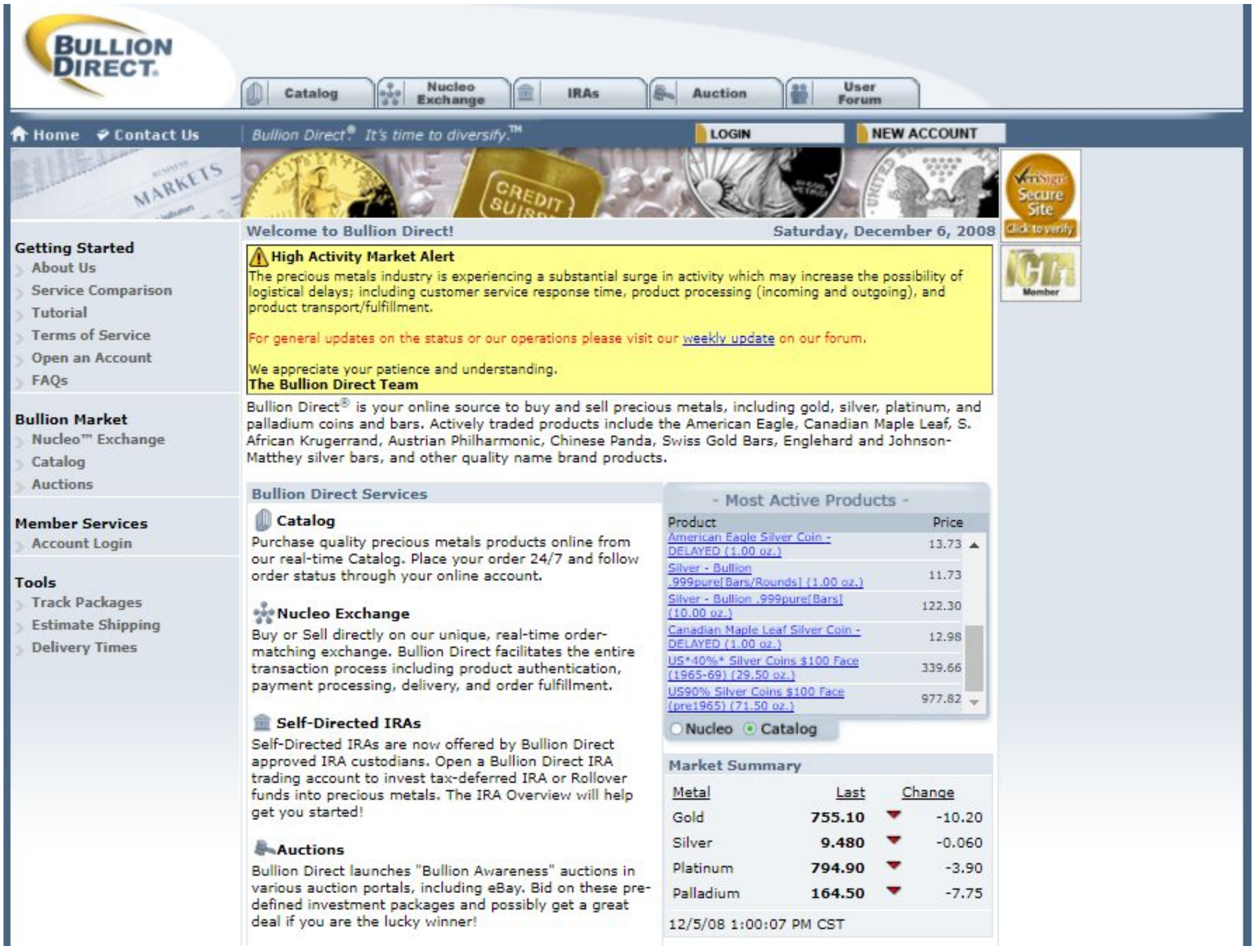
During times of lessening bullion supplies and persistently growing bullion demand, physical precious metal bullion dealers will attempt to find a price balance (equilibrium) for their products to yield as much profit as the market will bear by raising premiums (increasing the additional price over spot to buy a dealer's respective bullion products).

The following is but one real life example of this phenomenon at play.



Source

For example a now defunct bullion dealer, in early May of 2008 was selling US 90% junk silver coins in large volumes ($1000 face bags, 715 oz of silver) at or just below the then fluctuating silver spot price of $16.765 USD oz.

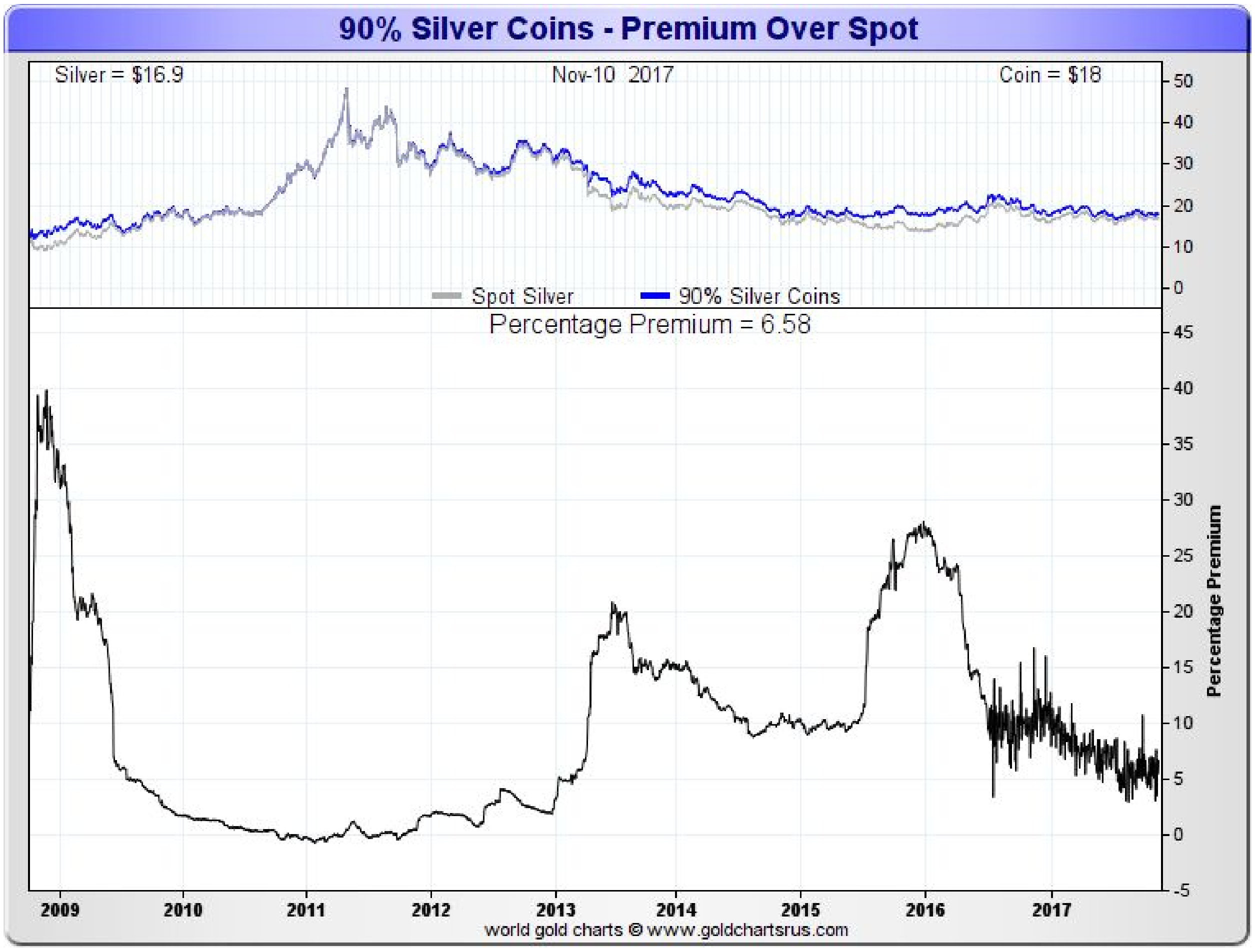


Source

By December 2008, this same now insolvent bullion dealer was selling US 90% junk silver coins in smaller volumes ($100 face bags, 71.5 oz of silver) at an extremely high price premium of 44% per ounce over the then fluctuating silver spot price of $9.48 oz.

Generally in calm low bullion demand timeframes, bullion dealers lesson and lower product price premiums. We have consistently witnessed shrinking bullion product premiums throughout the bullion industry since the midpoint of 2016 as silver bullion demand has dwindled year on year through 2017.

But this trend can revert and snap quickly, sometimes overnight depending upon the specific catalyst(s) at play.



In summation, when there is a lot of demand for physical bullion products, bullion dealers and sellers will increase the premiums they charge over spot to yield as much profit as possible. In house inventories generally get sold off and thus delivery delays tend to lengthen during these timeframes.

In these heavy bullion demand, long delivery delay scenarios, bullion buyers can still generally lock-in a price and a product purchase, but again the premiums will be typically be higher relative to spot prices and deliveries typically delayed.

The physical bullion sector's infrastructure may appear vast from the outside, but the truth you find when studying the physical supply and demand factors at play, you quickly find out the physical bullion market's ability to handle outsized demand is in fact thin and fragile.

The sheer potential capital inflows which could quickly come chasing the physical bullion market in a crisis are much like a frantic crowd trying to run through a narrow doorway.

Since physical bullion is a costly and expensive product to inventory, finance, and hold without knowing the exact moment when demand will spike many fold in volume, the bullion industry simply cannot withstand stampedes of mass populace demand.

In a major bullion buying panic (like in the fall of 2008) most bullion products will be hard to acquire. And the bullion items you can still buy will likely be priced so high it will take much higher silver and gold spot prices for buyers to recoup the premium they had to pay at that time to acquire the heavily demanded bullion products.

Those who understand the market dynamics potentially at play should acquire their bullion positions in a calm market, before a crisis makes doing so very difficult and overly expensive.

How the Bullion Market Operates?

BULLION's SUPPLY CHAIN

Star supernovas produce precious metal elements

↓

Precious metal-laced asteroids crossed the universe,
formed and collided with Earth

↓

We humans mine Precious Metals + Recover Precious Metal Scrap

↓

Precious Metal Refiners purify the elements

↓

Bullion Mints create bullion products

↓

Bullion Dealers trade bullion products

↕

Customers buy, own, sell, trade, etc.

WARNINGs on Unregulated Industry Pitfalls & Poor Business Practices

For the most part, local coin and online bullion dealers have good business practices.

The growth of the internet has also helped expose poor business practices in our industry but everyday there are still individuals who are being taken advantage of.

It is embarrassing to have to admit, but there is a surprising level of bad actors in the industry who use various tactics to take advantage of unsuspecting individual investors.

Shortly we will cover how to perform the best due diligence before you place orders. Where and how to look in order to better ensure you don't do business with potentially bankrupting or nefarious dealers.

There are basically a few business models currently operating in the unregulated physical precious metals industry.

They are basically the following:

- Local Brick & Mortar Coin Shops (Collector Coins / Bullion)
- High Volume Online Bullion Wholesalers / Retailers (SDBullion.com)
- Rare Collector Coin Dealers (Numismatics)
- Semi-Rare and often Overpriced Online Coin Dealers (High Commissions)
- Sell and help you store your bullion models (most with limited costly delivery)
- Leverage dealers (very risky)

First and foremost when buying physical investment grade bullion products, you want a return OF your capital and then likely with time, an eventual return ON your capital.

There is also a common saying in our industry, "*If you can't hold it, you don't own it.*"

This saying essentially means that when one wants exposure to bullion values, one should have direct ownership with possession either in hand and or in a *direct accoun*t with professional fully insured non-bank depository services (e.g. Brink's, Loomis, etc.).

The lone exception being when buying bullion products for an Individual Retirement Account (IRAs) and why the IRS mandates that a 3rd party trustee must be involved (which will cover further in the coming IRA section).

Luckily today the bullion industry has an active blogging, quasi-whistleblower who has documented over 130 industry bankruptcies, alleged frauds, lawsuits, government actions, etc. which can help readers become more aware of some commonly alleged poor business practices possibly ongoing or which may have occurred in the past.

As well the U.S. Commodities Futures Trading Commission has helpful guidelines or best practice suggestions when buying bullion for delivery within 28 days of purchase.

For beginners seeking bullion, the start typically goes something like the following.

Somehow, some way, you got interested in learning more about precious metals. For convenience sake, you likely started your research by visiting Google, Youtube, or perhaps another large internet search engine. There you likely entered various search terms related to precious metals and investing.

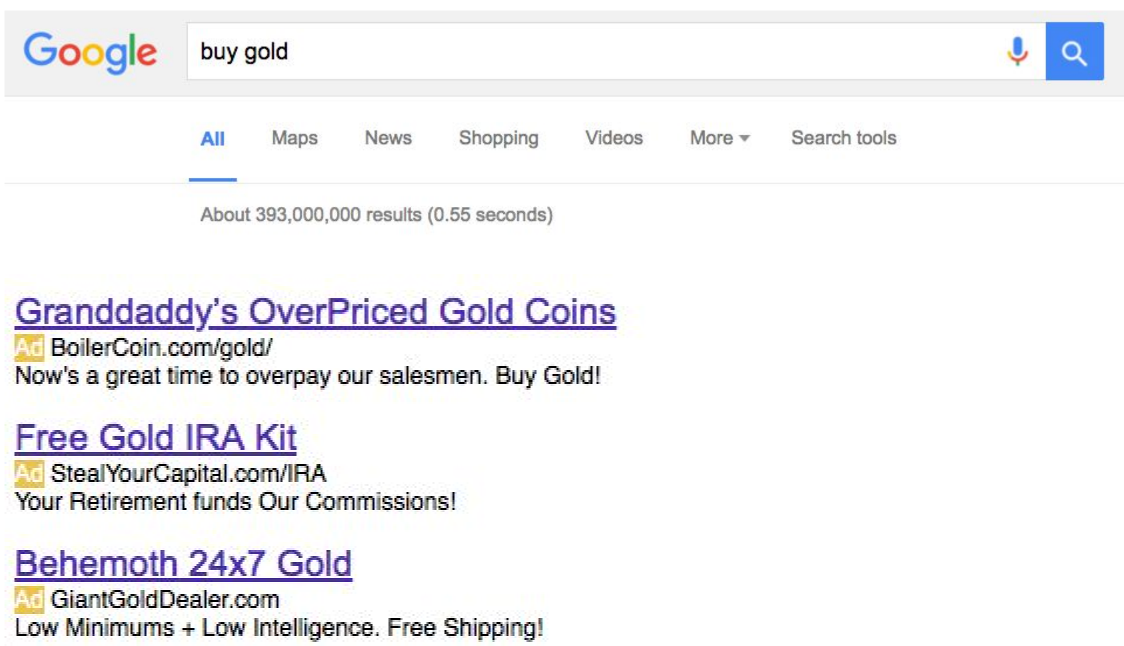
If any of your search terms had the words "*silver*" or "*gold*" in them, the top half of that 1st search result page was most likely first filled with retail silver and gold dealers who have paid for their top listings (e.g. **Ad**) through services like Youtube and Google Adwords.

After you scroll down past the paid advertisement links you likely find other online high google ranked gold and silver dealers who have consciously jockeyed and secured high rankings for the specific search terms you entered using search engine optimization tactics (called SEO for short).

Now how do you figure out who from this unregulated mostly privately owned bunch should be trusted with your hard earned savings?

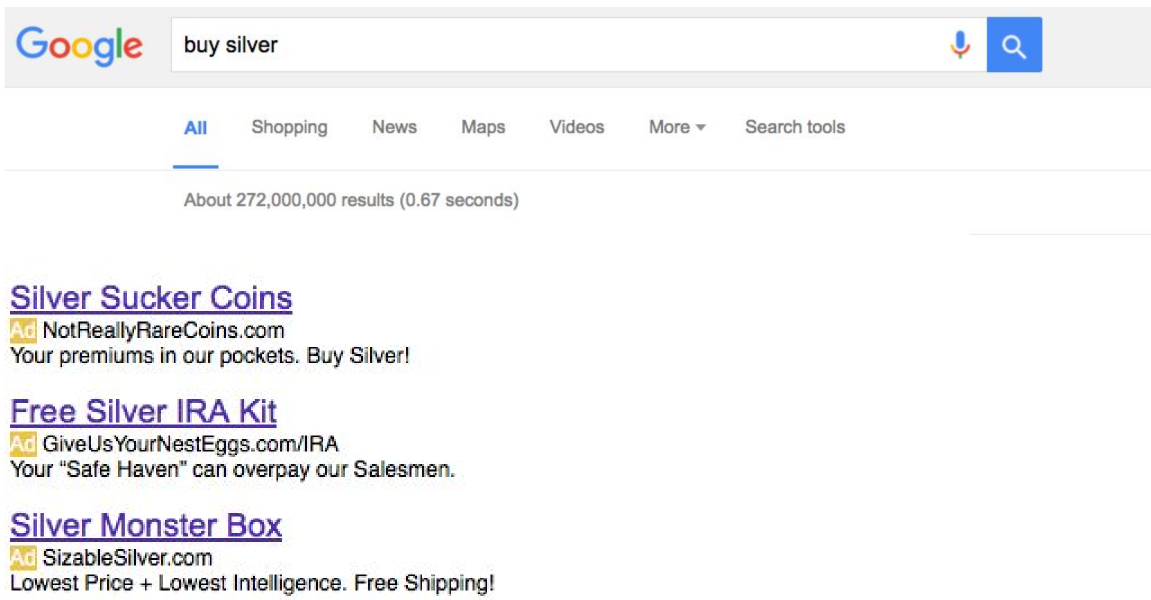
It is not easy.

With over 10 years of experience in the physical bullion business behind me now, here's how I read the top portion of my latest "Buy Gold" google search:



Truth is whether it is through paid advertising or ‘organic’ optimized high ranking website pages, the top to bottom results you are given from internet searches are hardly ever the best results for your specific needs.

And here’s how I see my “Buy Silver” search today:



As your search continues you will likely visit a bunch of online gold dealer websites.

Perhaps you proceed to read some of the writings on their websites, watch some of their videos, maybe you even called them on the phone. One thing in common with all of them is that you likely will find contradictory information.

Next you might think to do a search on local coin dealers in the area. Trouble is many of the search engine results will again give you mixed results between pawn, we buy gold shops, and perhaps a few local local coin dealers most without fully functioning well written websites nor organic online review trails.

Worse yet, there may be state taxes involved with purchasing physical precious metals locally throwing a wrench into a buy low, maybe one day sell some high strategy.

Maybe like me, you figured a smarter way to perform due diligence and learn best practices is to buy some books on bullion. I myself in 2006 visited my local Borders book store and bought the entire portion of the shelf related to gold investing.

That amounted to 4 books in total, two of which were not helpful, while two others were in terms of validating my beliefs in the investment class itself. Yet when it came to actionable content on how to safely buy bullion they all fell short in real applicable advice. They were all limited in real world suggestions on how to perform proper due diligence in order to better one's chances to safely acquire bullion at a reasonable price.

Five years, later Borders was bankrupt, but the bullion I eventually bought remains solvent within my possession (albeit after many beginner mistakes like buying ETFs, having to hear various crooked leveraged account pitches, etc.).

So here I am trying to help you avoid potential pitfalls using real world tools now.

How to Buy Bullion Intelligently?

How to determine your TRUSTED BULLION DEALERs based on:

Track Records

Thanks to the downward price action of silver and gold over the last +5 years, most of the ‘Johnny Come Latelies’ have been weeded out through how highly competitive this industry is, lowering bullion buy/sell business volumes, shrinking premiums and thus lower per transaction profitability.

That all said, there are still many active online “Bait & Switchers” or greed enticing “Leverage Account” pitchers who still advertising in magazines, on radio, and through television commercials. All these forms of expensive advertising campaigns are usually a dead giveaway sign that the business doing the advertising is running a high profit margin business model which may perhaps be good for them, but likely not for their unknowing customers.

When it comes to the bullion dealer(s) you choose, make sure they mostly offer low premium bullion products competitively priced which you can buy in real time (24x7) without having to call anyone or send money by check or bank wire ahead of time. Doing this helps you avoid the bait and switch practitioners who use hard sales tactics after they have your funds cleared in their bank accounts.

The amount of years a gold dealer has been in business successfully is important but it doesn’t mean said dealer has not gotten away with decades of nefarious business practices.

There have recently been high volume (over $300 USD million a year revenue) online bullion dealers with over 20 year track records of fine service, who have unexpectedly imploded into bankruptcy over a smattering of months. Those bullion buyers who had their capital tied up when the company went down have been fighting to get back pennies on the dollar for years now.

My actionable suggestion is prior to *each and every time before you buy* from a bullion dealer is to check their latest hard to rig online reviews on third party maintained websites like GoldDealerReviews.com.

It used to be you could simply check the Better Business Bureau (BBB) rating of a company. If the rating was an A or better, you could rest assured the company was ethical. Unfortunately, according to this investigative report by ABC's 20/20, the BBB rating system has allegedly become somewhat corruptible.

Better Business Bureau Probe

Source

While perhaps BBB ratings do not count for much anymore, you can still get a good feel for how a company runs its business by reading all the official customer complaints currently on the right hand side of the website.

You can drill down and see what these complaints are about and how they were resolved (if at all). It's kind of like reading book reviews on amazon, only about a business being reviewed by its upset customer base.

There you will be able to see the customer's complaints in full, then if the business has chosen to respond you'll see their official response. It may also detail how the situation was finally resolved.

Source

While it's a little contradictory, it is good to see some complaints about a company. At minimum, it shows the company does enough volume to generate some unhappy customers. But better still it gives us insight into how they run their business.

It's not necessarily a good thing to find a company with zero complaints. This could simply be a sign that the company just doesn't have enough customers to complain (possibly signaling other potential issues). It is similar to your credit score history. A bank prefers someone with a credit history with a few minor dings over someone with zero credit history.

What you are looking for are (#1) the ratio of company complaints vs positive reviews as well as (#2) how the company resolves each complaint. What you're hoping to see are a few minor issues. A slight delay in delivery, an unknown shipping charge, etc.

Many complaints are either first due to customers simply not fully understanding the buying or shipping process and then overreacting and going to the BBB before clarifying or rectifying the situation with the company directly. Or possibly too a simple honest mistake made by the business itself.

Physical precious metal bullion items are so expensive, even a single failed order could cost you years of hard earned savings. Thus I don't care how many times you have successfully bought from a specific bullion dealer before. Always perform your proper due diligence on recent customer reviews each and every single time you risk your hard earned savings.

Use only hard to rig organic bullion dealer review websites (not pay to get reviews, nor affiliate kickback website). Doing this has helped hundreds of bullion buyers avoid losing their hard earned capital to imploding, incompetent, and or potentially crooked dealers.

The track record of failing dealers and millions in people's hard earned saving lost remains on this important website:

- **Merit Gold** - *an alleged bait and switch dealer subsequently shut down by the Santa Monica District Attorney's office*.

- **Northwest Territorial Mint** - *bad track record of using customer funds for operational expenses resulting in really long delivery times. Owner recently lost a major lawsuit and the company recently filed for bankruptcy.*

- **Bullion Direct** - *filed for bankruptcy allegedly missing some $30,000,000 in customer cash and supposed bullion vault holdings.*

- **Tulving** - *closed their doors in 2014, went bankrupt, former owner now in prison. Many former regular bullion buying customers from Tulving are still involved in a lawsuit which will likely result in their receiving pennies on the dollars they have had tied up in bankruptcy proceedings.*

- **Penn Metals** - *closed their doors in late 2016, supposedly due to an unforeseen and unpredictable personal health crisis of the owner of the business. Penn Metals allegedly ceased operations and accepting new orders after December 9th, 2016.*

As often happens in these situations, high volumes of bad customer reviews get increasingly posted online before a company goes bankrupt or shuts their doors perhaps unexpectedly. I suggest you stay on top of any bullion dealers customer complaint trends before each and every order you might place online.

In the case of the somewhat recent bankruptcy of the Tulving Company in the spring of 2014, most of Tulving's regular and even newer clients didn't do the proper pre-order due-diligence before ordering in late 2013 or early 2014.

Understandably many repeat customers had ordered successfully from that company year after year so they likely assumed all was well and it would be business as usual (order at a cheap price, bullion delivered fast, safe, etc.).

You know what military professionals say about assumptions?

Many of these poor souls who were trying to buy bullion from Tulving are still stuck in a settlement lawsuit, hoping to somehow retrieve dimes on their lost dollars.

You may be thinking to yourself, "*O.K., screw these online risks, I'll just buy locally*".

If you are buying a decent amount of bullion understand that most local coin shops are simply mint and larger dealer middlemen. For most $10k to over $100k orders for bullion, you'll have to likely give the local dealer 100% of good funds for the order before it is placed and the price gets '*locked in*'. The local dealer will most likely simply order the bullion items you want from a mint or larger bullion dealer, and you'll be forced to wait it out for delivery in full regardless.

For example, it wasn't just online buyers who got hit by the recent Tulving bankruptcy, it was also street level retail bullion buyers who were left flailing without delivery of what they supposedly bought at their local dealer.

My suggestion is as follows.

If you buy bullion locally, get it in your hand that very same day.

If you buy online, investigate each and every time before you buy. Make sure to confirm if a company is indeed still delivering products within acceptable delivery time frames to be more confident on their solvency and ongoing business practices.

Online or Local Bullion Dealer?

Even if you live in or near a major city, your best bullion prices will still most likely be found online. This is mainly due to what in business is referred to economies of scale.

High volume online bullion dealers typically have way larger sales volumes and lower overhead costs without a retail storefront. Online bullion dealers can market to their entire respective countries of delivery, this gives them a much larger population of potential clients.

Finding a trusted local coin shop is great if you are in need of a quick purchase or a sale for cash. There is also a sensical argument for privacy being stronger in a local coin shop but I would also point out the fact that if you are buying in bulk ($10,000 USD or more) you will still get a paper trail from either a check or bank wire transfer used in payment (this is due to Anti-Money Laundering policies will cover later, known in short by its acronym AML). The employees, other customers, and even bystanders on the street nearby could begin recognizing your face or worse trail you on your way home.

Bottom line is all choices of whether to buy bullion online or locally have various risks associated. In a coming section of this guide (*Taking Delivery*) I shall propose some potentially safer alternatives for you to consider before acting.

Price

Before buying bullion you should competitively check total prices either locally to hand, to your direct non-bank vault account, or to your door. You will also want to steer clear of any potential loss leader products sold by dealers at low prices, with the ulterior motive of getting you on upsell phone call or mailing lists.

Every month or so there is a new article online documenting poor people who mistakenly bought fake counterfeit ‘bullion’ products via Craigslist or other online exchanges. This is most likely done with culprits buying fake chinese products and then advertising them priced at or below spot to entice unknowing buyers to fall for the scam.

Stick with only trusted proven bullion sellers to ensure you get the genuine articles. Know that any offers to buy bullion heavily priced *under* spot is virtually 100% of the time, a scam in waiting.

Value

Consider the company's value proposition from which you are buying potential bullion products from. Do they offer expedient friendly customer service and valuable free information? Are they educating you on your best options as a potential buyers? Is there any intelligence to the information they provide are they simply playing on fear or greed based emotions to steer you into the product(s) they want you to buy?

Product Selection

Does the dealer offer high volume two way bought and sold bullion brands? Or do they merely offer an overwhelming number of specialized high price products to choose from?

Perhaps steer clear of those who only specialize in once hoarded, now graded, great-granddaddy pre-1933 coins, proof coins, or rare high profit margin collectibles.

Large product premiums, when given enough time almost always disappear. Bullion market veterans know this and thus virtually whenever any silver or gold product develops large premiums over their precious metal content, the savvy bullion buyer tends to sell off the premium product and uses the proceeds to buy cheaper lower premium bullion items in order to increase the number of physical precious metal ounces one holds in total.

Speed of Delivery

Huge demand upheavals in the physical bullion markets aside, in calm markets after your payment clears with your chosen bullion dealer you should get tracking information and delivery to follow in a matter of mere business days.

The CFTC declares the time limit for retail delivery of bullion to be 28 days. If it takes longer than that for physical delivery of your order you may be financing a losing venture.

Shipping Fees

A recent trend in the high volume online bullion dealer industry is to front load premiums and prices with shipping and insurance costs included, and simply offer FREE SHIPPING with a minimal spending threshold to qualify.

If negotiated well by a high volume bullion dealer, the cost to safely ship bullion fully insured to domestic USA customer's doors or direct non-bank vault accounts should vary from $5 to $50 USD per 5 to 500 ounces of silver shipped or 1 to 10 ounces of gold shipped.

Unless you are shipping to or taking bullion delivery from sources internationally, shipping and full insurance fees should be minimal, yet still dependent upon the size of the order and distance being shipped.

Buy Back Prices

Does the dealer you are buying from publish both live bid and ask prices?

Bid prices are what the dealer is offering to buy the like kind product at. Ask prices are what they dealer is actively selling the bullion product at. Ask prices will always be higher than bid prices, unless the bullion dealer intends to eventually go broke.

Additional Services (IRAs + Professional Non-Bank Storage Options)

Bullion IRAs

By using a Traditional IRA, investors are able to make contributions to their retirement account tax deductible.

Conversely with a Roth IRA, investors won't be able to deduct their contribution now but the may be able to circumvent future capital gains taxes on bullion price appreciations (which currently can be as high as 28%).

Also depending on the state you reside in, IRAs may be totally protected against bankruptcy liens or lawsuits aimed at an individual or individual's estate.

Be careful here.

If you simply google the search term "gold ira", approximately 80% of the first page's search results will have either be paid for by $25 a click google advertisements (e.g. **Ad**) or kick-back lead generation affiliate websites.

Likely the end the results of those paths will be some form of overpriced high premium collector coin 'Bait & Switch' or perhaps even a non-IRS approved 'physical IRA possession pitch' neither of which will be in your long term best interest.

To acquire honest and fair bullion products for your IRA, the process is still pretty simple.

Try the following 5 steps.

Step 1)

Find a trustworthy bullion dealer who offers IRA services.

Step 2)

Find out which IRA custodians they work with for physical precious metal bullion IRAs. Perform your proper due diligence on the various physical bullion IRA custodians offered.

Step 3)

Choose and complete your new IRA paperwork and rollover forms from your former retirement account custodian(s).

Step 4)

Fund your IRA with a monetary contribution, or a direct transfer of rollover funds received from another IRA or retirement plan, such as a 401(k) or 403(b).

Choose the right IRS bullion approved products in line with your long term investment objectives. High trust bullion dealers like us at SDBullion.com will have experienced staff members who can assist you throughout the bullion IRA buying process.

Step 5)

Purchase your selected bullion products with the proceeds from your IRA paid for them by your new IRA custodian. The bullion in your IRA will then be shipped to the trusted non-bank depository the custodian or you perhaps have selected.

The most important part of the entire process will be finding the combination of a highly trustworthy bullion dealer and IRA custodian who offers responsive high touch service which best suit your long term needs.

Source

Bullion Storage Options (Non-Bank, Professional)

For years a portion of my job entailed vetting silver and gold vault storage facilities for clients, the companies we represented, and for ourselves with our personal silver and gold holdings for which we also needed professional vaulting services.

You don't think we would market silver and gold bullion over the internet and then still keep our bullion at home?

What of our silver and gold vault vetting experiences do have we to share?

Lots… first thing to take note is the following.

It's not like the movies.

Although you are often marketed to as if professional bullion depository storage facilities are all gorgeous Scrooge McDuck-like lairs. The truth is most professional fully insured non-bank bullion storage services are rather understated with industrial blue collar designs.

Although almost every bonded silver and gold storage facility has state of the art vault doors in the center depths of their building infrastructures, most facilities are not stainless nor picture friendly. Think industrial neighborhoods, low rent domestic warehouse architecture, wire fencing, wooden pallets, forklifts, and humble blue collar guards with guns.

⬆ A typical bullion depository from the outside ⬆

The employees who generally guard today's bullion vaults do so on the cheap, typically earning some $15 USD an hour. Guns are toted on nearly all employee waists, shotguns are often affixed to walls like fire extinguishers, security apparatuses lock nearly every passageway, x-ray scanners typically protect against employee theft, and digital camera systems typically cover all corners filming 24 x 7.

Yet although risks can be somewhat averted, they can never be fully outed.

Contrary to many gold salesmen claims, gold and silver bullion do have one major form of counterparty risk... the risk of outright theft.

Even with the greatest depositories and bullion vaults, there is real difficulty stopping the threat of inside jobs. If enough people collude, Señor Ponzi could make an appearance wherever you least expect him, so we must always guard against the potential of fraud and deception.

So long as gold and silver holdings are guarded by humans, risk remains inherent. That said, there are trusted security brands and vault facilities which have been in operation for centuries. There are plenty of trustworthy servicemen in this sector.

So how can you best protect your privately vaulted gold and silver assets? When it comes to professional bullion storage facilities what separates the best from the herd?

Segregators of Gold and Silver Vault Storage Services:

- *Track Record*
- *Service*
- *Storage Model*
- *Visitation Policy*
- *Price*
- *Payment Model*
- *Location*
- *Size*
- *Options*
- *Insurance*
- *Documentation*

Track Record

How long has this operation been in business? Is it another johnny-come-lately to this 21st Century bull market or has the firm been established for some time?

In general, the longer a company has been in business the more experience it will have at operations. Fraud can more easily occur at companies that don't have proper systems and protocols in their setup and is often learned by real experience.

You will want to steer clear of ever storing bullion with a bullion dealer you purchased from as there is an inherent conflict of interest in such a setup.

For example if a bullion dealer was having solvency troubles, it is not hard to imagine a scenario where they began expropriating bullion holdings of clients and thus begin running a fractionally reserved ponzi of sorts.

On the other side of the puzzle, you also don't want the storage solution and management you seek to actually trade in the markets or buy and sell bullion for its own account.

In this 21st Century bullion bull market, there has already been shocking news of various storage facilities who have committed fraud for years with their customers' would be holdings.

We want to help you avoid poorly run operations and difficult lawsuit scenarios.

Service

Can you quickly get a hold of competent depository staff members or the vault manager directly if necessary? Do you know the vault manager's name and their track record? Do you have their direct phone number and email address?

When establishing a rapport with the person looking after your safe haven holdings, trust but always verify. Befriend your chosen vault manager(s) as soon as possible.

Storage Model

If your holdings are large enough it may merit your finding and setting-up your own direct segregated vault storage account. Not merely allocated. Not certificate driven, certainly not unallocated. Never low price pool accounts either.

You only want to choose vaults where your own account (your direct bullion) is separated and segregated from the masses of other accounts because this forces the vault to always stand ready to deliver the exact products you hired them to safeguard.

This also deters a depository from falling down the slippery slope of running a potential fractional reserve fraud (e.g. ponzi scheme).

A poorly managed segregated vault facility will be caught by its clients much quicker than an allocated scheme might. If a vault manager knows that each and every specified original ounce stored by its clients in their vault will be the exact ones which must be returned to the clients, they will likely be much more prudent and steadfast in the operation they run.

For example, many larger bullion bars have individualized unique serial numbers. Clients typically have these serial numbers therefore on record and their storage certificates can reflect them as well when storing them in a vault. If these customers some day do not receive the exact serialized bars they have stored on demand, word will most likely spread online and around.

The opportunity for larger frauds and ponzi schemes are greater with allocated vaults, as most allocated vaulting storage services are managed heavily by the companies which provide the bullion for those customer's accounts. This is a conflict of interest given the machinations involved.

Many allocated vaults have high restrictions or costs associated with taking delivery of stored metals and or visiting and inspecting one's holdings.

Visitation Policy

Any storage facility you contemplate doing business with better have a reasonable visitation policy which allows you to indeed personally inspect your holdings within a reasonable time frame.

You might have to make an appointment with 24 hours notice and likely send them some of your identification documents ahead of time. This is all standard in the bullion depository industry. Yet having the right to visit and inspect your precious metal holdings is something you should require of any service you choose.

Price

Your chosen facility's vault storage prices should compete or beat unallocated gold ETF and silver ETF management fees (sometimes called expense ratios). These fees average around 40 basis points or 0.4% of your holdings annual currency value (dollars, euros, etc) in cost.

Payment Model

You only want vaults that are direct and transparent with their storage charges.

You will most likely want to pay the vault storage fees in fiat currency (dollars, euros, etc) on a month-to-month, quarterly, or annual basis. This will help you keep on top of your investment and be aware of any new fees or changes in the chosen depository's policy.

What you don't want, in our opinion, are payment setups where the vault owners charge your vault storage fee in bullion ounces, grams, or even grain payments. This kind of setup allows you to become lazy about your holdings (because everything is automated) causing your bullion investment to shrink over time. Meanwhile, the company 'charges' your bullion holdings and thus dwindles the troy ounces you own over time. On top of that, you may become less likely to notice any new changes (including increased changes in fees).

Location

Most investors want their bullion safe, fully insured, and within a day's drive of their home if possible. Unfortunately the bullion industry's vault service supply is behind in meeting demand and it probably won't be fully caught up until this bull market peaks. For now, intelligent trade-offs may be required to properly vault your bullion.

Are you interested in vaulting your holdings domestically and, or internationally?

What country are you a citizen of?

If something goes wrong at the vault of your choice, it may pay serious dividends to actually be a citizen in the country where the potential fraud occurs.

Whose potential actions concern you most, your neighbors or your government?

There are many bullion buyers who choose to establish geopolitical diversification. International bullion storage options can make sense given a large enough position.

Yet most U.S. citizens chose to take direct possession of their bullion first regardless.

Company Size

The general rule of thumb, the larger the facility is, the less you will be served. Steer clear of ever allowing the likes of HSBC, JP Morgan, Barclays, Deutsche Bank, or other commercial bank(s) to safeguard your safe haven assets. These institutions track records are a contributing reason we should be holding bullion outside of their reach.

Simply stick with trusted professional precious metal secure logistics providers who operate non-bank fully insured bullion storage facilities where service is swift and various pickup or delivery options are available upon request.

Options

A few questions worth pondering that helps separate bullion depository facilities:

- *Can you take physical delivery at any time?*
- *Can you physically visit your holdings? Granted, you submit to facility protocols.*
- *What countries can your vault or depository safely ship your bullion to?*
- *What insurance company backstops their full insurance policy and what are the terms (can you see them)?*

Insurance

Firms like Lloyd's of London or Marsh McLennan are typical insurance backstops in the professional bullion storage game.

Whomever insures your physical precious metal depository holdings, make sure to always have your insurance documents in hand as soon as possible.

It is very unlikely someone would ever try and steal your holdings in a head on robbery. Even governments know various trail balloons and sleight of hand are needed for a gold nationalization (unlikely yet still today).

Most of the time, your biggest risk of theft would be a dishonest employee taking advantage of their work situation.

Bullion storage insurance is critical for protection. With a robust insurance policy, even if a clever thief does steal, the proper insurance documentation should help rectify the situation. Demand these documents and keep them in your up-to-date files.

Documentation

Insurance papers and vault storage certificates are key documents to have on file.

You have physical bullion holdings somewhere? Where is your insurance agreement? Where is your vault storage agreement? Are you the first in-line creditor or are you the sub-account in a master account in which a bullion dealer acts on behalf of your account? Avoid that situation.

Where is your updated vault storage certificate? Does it explicitly state all your current up to date bullion holdings? Say your holdings were somehow taken, what documents would you be bringing with you to court?

Always demand the appropriate vault storage documents you deserve.

Vaults We Have Used & Suggest

You must execute your own proper due diligence before entrusting some of your safest of haven assets with any organization.
If you are so inclined, perhaps pick up your phone, call and ask for the vault manager and interview them. Ask for their storage fee schedule and about their visitation policies, etc.

Below is a list of various professional secure logistics providers for educational purposes:

Loomis International

- New York, NY (USA)

  Loomis International (US) Inc.
  130 Sheridan Blvd.
  Inwood, NY 11096
  Phone: +1 718 868 1500
  Fax: +1 718 868 1181
  E-Mail

- Los Angeles, CA

  Loomis International (US) Inc.
  1375 E ACACIA ST
  Ontario, CA 91761-4595
  Phone: +1 718 868 1500
  Phone: +1 909 947 2400
  Fax: +1 909 947 2440
  E-Mail

- Miami, FL

  Loomis International (US) Inc.
  1315 NW 98 Court, Unit 5
  Miami, FL 33172
  Phone: +1 305 513 2600
  Fax: +1 305 436 6060
  E-Mail

Brink's Global

- Salt Lake City, Utah (USA)

  Brink's Global Services USA Inc.
  1070 W Parkway Ave,
  Salt Lake City, UT 84119
  Tel: (801) 978-9420

- New York, NY (USA)

  Brink's Global Services USA Inc.
  580 5th Avenue Suite 400
  New York, NY 10036 USA
  Tel: (212) 869-7720
  Tel: (800) 825-8332

- Los Angeles, CA (USA)

  Brink's Global Services USA Inc.
  550 South Hill, Room 805
  Los Angeles, CA 90013 USA
  Tel: (213) 627-4609

- Toronto, Canada

  Brink's Canada Ltd.
  1000-One Robert Speck Pkwy
  Mississauga
  Ontario L4Z 3M3
  Tel: 1-905-306-9600

- Montreal, Canada

Brink's Canada Ltd.
9630 St. Patrick Street
Montreal
Quebec H8R 1R8
Tel: 1-514-363-1415

What kind of Bullion Products are Best?

First let us establish the generally accepted industry definitions for bullion coins, bullion rounds, & bullion coins as follows:

> **Bullion Coins** - *(n) physical precious metal items struck in a coin shape by a sovereign government mint. Their value is most entirely based on precious melt value with a slight seigniorage premium. They almost always have an enforceable legal tender face value (an exception being Krugerrand coins struck by the South African Mint).*
>
> **Bullion Rounds** - *(n) physical precious metal items struck in a flat round shape by private mints and thus have no legal tender value by law. Their value is almost entirely based on the precious melt value alone (with some rare collectible exceptions).*
>
> **Bullion Bars** - *(n) physical precious metals manufactured in a bar formation. Their value is almost entirely based on the precious melt value alone (with some rare collectible exceptions). Struck by private mints mostly, there are a few sovereign government mints who also strike ingots (e.g. Royal Canadian Mint bullion bars).*

Bullion Product Factors to Consider:

- *Brand recognition*
- *Smallest premiums over spot*
- *Privacy when buying / selling*
- *Legal tender law rights*
- *Currency crisis insurance*
- *Lowest counterfeit potential*
- *Ease to store*

Brand recognition

For the vast majority of your bullion holdings, you should choose bullion brands and hallmarks which have the highest levels of market recognition and popularity.

There are literally thousands of coin dealers in the USA and around the world who buy and sell government guaranteed US Mint bullion coins or futures exchange approved private mint products by Republic Metals for example.

Own bullion products that are trusted, easy to buy and sell. Know the more niche a bullion product is, the higher a chance that future bullion buyers may not offer a fair or reasonable price when you move to sell it. As well, some niche bullion products can and do gain popularity and collectability premiums amongst smaller discerning bullion collectors.

For beginners, the likely start is buying trustworthy government bullion hallmarks with large two way trading volumes. The lone big drawback on buying government guaranteed bullion products is that they tend to have higher premiums than the private bullion market competitor hallmarks or brands.

Smallest premiums over spot

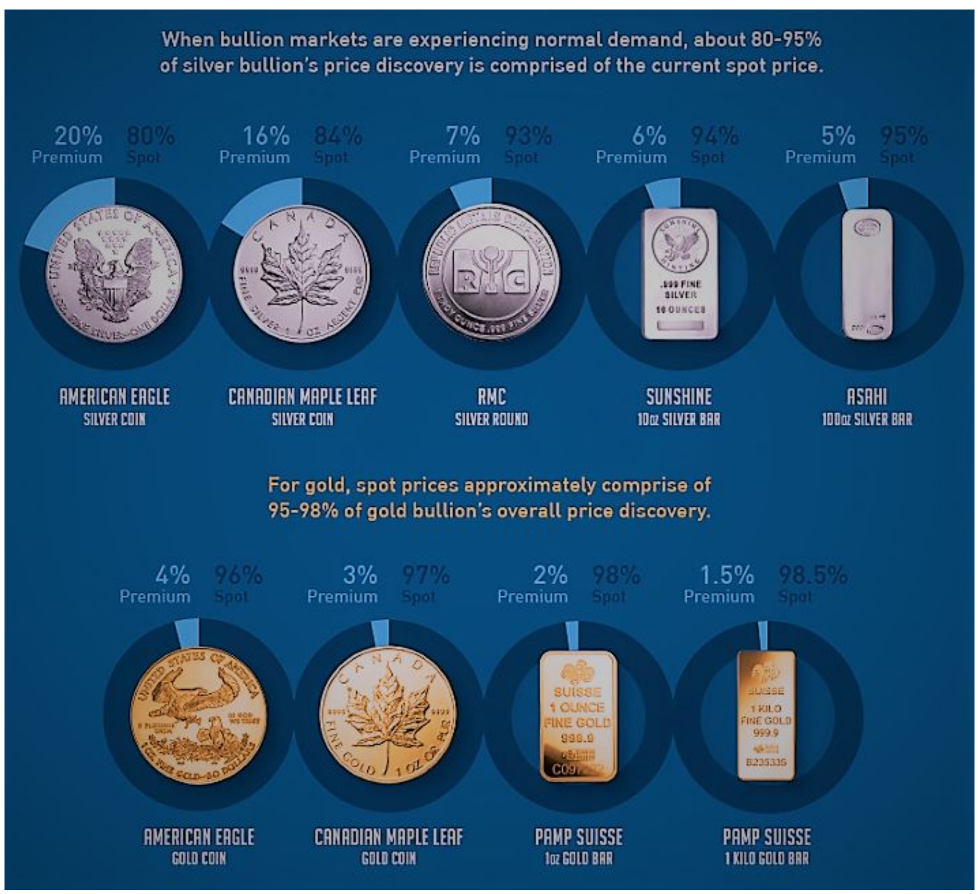
As a general rule, government bullion products are more pricey than popular private mint bullion bars and rounds. As well, the larger a bullion product is, the lower price per ounce over spot will be its bottom line cost.

The basic laws of supply and demand for bullion are major influences on product premiums and fluctuating prices. Bullion dealers operate businesses and are almost always trying to balance their product inventory, profitability, and grow their market share if possible. Too much bullion inventory without inventory turnover means high financing costs. Too little inventory means vanishing product availability, backorders, and angry customers. Fluctuations in precious metal spot prices certainly have a large effect on bullion market prices, supply levels, demand levels, etc. All these factors and other impact product premiums and their overall prices.

Every bullion seller incurs costs per transaction. Inputs like time, office overhead, administrative payment processing, shipping costs, etc. For bullion sellers some costs are fixed regardless of the size of the transaction. For example selling 1 oz of gold may have similar transaction costs as a 1000 oz transaction in terms of employees required to efficiently execute the transaction. Thus, tier pricing is a common practice in the bullion industry. This means a small buyer's premium will tend to be higher on their small volume bullion purchases whereas high volume bullion buyers tend to enjoy slightly lower prices per troy ounce.

In calm bullion markets within the USA, about 80-95% of a silver bullion product's total price is at the current fluctuating silver spot price. Gold bullion product prices are set at about 95-98% of the current fluctuating gold spot price. Of course there are exceptions to these figures (e.g. low mintage high priced bullion collectibles, periods of low supply high demand, during financial crisis, etc.).

The following is a good general premium guideline on popular bullion product prices when market are calm:



Source

You can see that there is typically a significant difference in price premiums between government and private mints. Especially in silver, between bars / rounds and government issued coins.

For example, the most popular precious metal bullion coins in the world are American Silver and American Gold Eagle coins. The U.S. Mint charges bullion dealers a minimum of $2 per ounce over spot for every newly issued 1 oz Silver Eagle coin they sell. The US Mint charges +3% over the fluctuating gold spot price for each 1 oz Gold Eagle coin they strike and sell to the world's bullion dealer network.

A private bullion mint like Sunshine Metals Inc. will sell their silver rounds and bullion bars in bulk for less than ½ the premium most government mints sell their products at.

During periods of increased buying and selling, bullion dealers typically mark up their overall prices to prevent running out of inventory and to capture increased profits if possible. If a bullion dealer has their prices too high, potential buyers will likely choose to do business with a lower priced dealer.

Conversely if bullion dealer's prices are too low, they may end up selling out of their inventory as well as potentially not garnering enough profits for the company's future needs. Bullion sellers are typically trying to find the price equilibrium or the "sweet spot" where the time required to complete a sale is minimized and that specific seller's profit is maximized.

Privacy when buying / selling

The following United States bullion buying and selling privacy information is not exhaustive and can change at any point in time. You should consult tax professionals on any and all capital gains or losses resulting from selling your bullion holdings.

In the United States all bullion dealers are mandated to establish anti-money laundering policies (AML) to better track potential money launderers. Any bullion dealer you work with should have AML policies, compliance procedures, and employee training in place.

Buying Bullion Privately in the USA

When you are buying bullion in the USA, most online bullion dealers only accept non-cash payments like bank checks, bank wire transfers, credit cards, debit cards, PayPal, etc when taking payments from customers. Cash transactions even at a local coin shop within small time frames of $10,000 USD or more are deemed reportable by the IRS.

Bullion dealers and mints who don't comply potentially and often do end up in prison.

By only offering non-cash payment options, online bullion dealers ensure their customer's bullion purchases maintain in line with current AML statutes, whilst simultaneously lessening paperwork and privacy intrusions on their customer's purchases.

Selling Bullion Privately in the USA

Specific quantity thresholds and types of bullion products when sold to bullion dealers in the United States are deemed reportable on IRS-1099B forms.

When selling to US based bullion companies either in one transaction or within small time frames, the following current minimum reportable bullion transactions are as follows:

REPORTABLE BULLION ITEMs *(US based bullion dealers when buying from customers)*	**MINIMUM FINENESS**	**MINIMUM REPORTABLE AMOUNTs** *(not structured)*
Gold bars / rounds	0.995	32.15 troy oz or more
Silver bars / rounds	0.999	1000 troy oz or more
Platinum bars / rounds	0.9995	25 troy oz or more
Palladium bars / rounds	0.9995	100 troy oz more

1 oz Gold Maple Leaf Coins	as minted	25 troy oz or more
1 oz Gold Krugerrand Coins	as minted	25 troy oz or more
1 oz Gold Mexican Onza Coins	as minted	25 troy oz or more
Constitutional US 90% Silver Coins	as minted	$1,000 face value bag, any combination of various sized coins

At the time of producing this document (December 2017), every other bullion item not listed above remains exempt from US based bullion dealer IRS 1099B reporting requirements.

Thus based on current statutes, you can currently sell any and all government minted .999 silver bullion coins to US based bullion dealers and those silver coins are exempt from IRS 1099B bullion dealer reporting requirements. Of course take note that all applicable capital gains taxes are to be paid regardless if the transaction is private or not.

Legal tender law rights

If you are a US citizen it may make sense to buy US Mint bullion coins and even older 90% Silver Coins as they all have legal tender face values. Coins with legal tender values give the holders the lawful right to use them in direct contracts. For example, you could buy a private business explicitly using legal tender coinage in the bill of sale (the contract). If enforced by a notary public, the bill of sale would most likely be enforceable in a court of law. Of course there are some who foolishly thought they could use this loophole to avoid paying capital gains taxes but that has proven to be problematic.

We simply make this legal tender coin suggestion in the worst case scenario of a currency crisis or hyperinflationary episode where buyers and sellers may not want to transact in volatile fiat currencies as opposed to more historically reliable bullion coinage.

This option would not likely be possible using generic privately minted bullion products or non-legal tender coinage or even government struck and guaranteed bullion bars.

Currency crisis insurance

If potential bank and financial system closures lead you to believe you may have to potentially use bullion in direct commerce, you can perhaps buy small silver and gold coins, bars, or rounds and even breakable gold bars if you'd like.

Priced at currently less than $20 USD per ounce (December 2017), almost any 1 oz silver bullion product would likely be a more convenient choice to buy with than perhaps trying to use a much more expensive 10 oz gold bar for instance. Thankfully, now in the bullion industry you can now more easily buy gold in tiny single or multi gram gram bits (as well as small platinum bullion bars) therefore silver is not the sole option for those seeking to own bullion for their potential use in small scale trade.

Lowest counterfeit potential

A real concern in the bullion industry is protecting buyers from fake products. If you have ever held a troy ounce of physical precious metal (gold, silver, platinum, palladium) you would realize how dense and heavy it is. Still there are many new difficult to detect plated alloy fakes and thickly plated tungsten counterfeit gold bars now coming out of China.

Thus bullion mints have recently begun designing counterfeit-proof features for their popular bullion products. For instance both Sunshine Minting Inc. and the Royal Canadian Mint have introduced cutting edge security features on their popular bullion products in recent years.

Be wary of any bullion deals or prices which sound too good to be true. Stay away from Craigslist, unknowing pawn shops, and online exchanges without trusted bullion dealers.

The safest tactic to take is to only buy bullion from trusted well known bullion dealers who source products direct from bullion mints and refiners. All trusted bullion dealers should also test and verify *100% of any and all the bullion products* they buy and sell from secondary market sources.

Ease to store

Before you buy bullion, you will want to have an idea on where you might safeguard it.

The denser a precious metal bullion product is the less space it will take to store and hide. Platinum or gold bullion bars are both more valuable and denser than silver bullion bars for instance. Thus platinum or gold bullion bars will take up a fraction of the space required as opposed to silver bullion bar stacks with equivalent purchasing powers.

Bullion bars stack and stow easiest of all in terms of minimal space required. Protective government coin mint cases are also easy to stack and stow although they do take up more space given their typical hard plastic packaging.

How to Safely Store Bullion?

Home Storage Best Practices for Safety & Privacy

Inconspicuously hiding bullion in a home or apartment is nothing new and not extremely difficult. Yet it may be most prudent to use diversification of unseen safely hidden locations to better safeguard your bullion against as many scenarios as possible.

Common sense says the lesser amount of people who know you own bullion the better. This may sound cynical but the highest probability of having your bullion stolen is by someone closest to you (acquaintances, friends, house servants, or even family members).

The likely safest way to stash bullion is using various well diversified hidden locations. Keep, perhaps, only your most trusted loved ones knowing their exact hidden whereabouts. One’s physical ownership of bullion at home should remain as unknown as possible in relation to one's circle of acquaintances, servants, and peripheral friendships.

Your imagination and creativity may be the lone limit to your hidden home bullion storage options and tactics.

Home safe(s) can be useful if hidden well and completed private with trusted, bonded professionals during installation. Depending on how much you are planning on storing first hand, you might want to consider having two hidden safes. With two hidden safes you could simply stuff some petty cash in a decoy safe along with some trivial bullion stack you would be willing to lose if the worst were to happen. In the case of a home robbery or invasion, thieves will likely just take the decoy safe contents believing they have made off with all your best tangible valuables.

Other typical home bullion hiding spots include inside furniture, walls, ceilings, attics, under beds, in closets, or hidden in dresser drawers.

The more creative your bullion hiding spot(s) are, the better protected you will likely remain against potential theft because criminals won’t think to search in some “outside of the box” locations. If you want to brainstorm on potential ideas for bullion hiding spots, try an internet search for ‘secret hiding places for valuables’ or ‘secret compartments for valuables’ and you’ll find a wealth of potential ideas and even products.

Be certain to choose hidden locations that are dry with low humidity if possible. Silver bullion does oxidize easily and can erode in value if a large portion of its value relies on its collectibility or condition. Gold coins that aren’t 24k pure can corrode as well given that 22k gold coins often have copper and even silver mixed into them. It may be prudent to invest in some desiccant packets to keep hidden bullion items at dry as possible while being stored (especially in damp basements for instance).

Fully Insured 3rd Party Non-Bank Non-Dealer Depository (Brink’s, G4S, Loomis)

Earlier in this document we discussed various fully insured, third party, professional non-bank segregated bullion depositories and secure logistics firms larger bullion owners should consider (as opposed to having too much bullion under one’s own domicile).

You do not have to be a millionaire bullion holder either. With many secure logistics firm’s prices you can rather justify having about $50,000 US dollar valued bullion holdings or more mostly depending on the minimal storage fees associated. Revert back to this aforementioned section for further suggestions and details.

Remember to minimize risks and conflicts of interests, only store directly with professional non-bank secure logistics providers with long successful track records. Steer clear of storing with who you buy (a potential fractional reserve conflict of interest can arise with such business models). Own and control your direct account outright, unencumbered.

Bank Safe Deposit Box (not FDIC insured, 3rd party insurance options)

There are many well intentioned bullion buyers who choose to take delivery of their bullion and then go right out and rent a safe deposit box at their local banking institution for storage. The issues with this choice are wide-ranging.

First, bank safe deposit boxes are not FDIC insured. They are often limited in size and not cost effective for bulk silver bullion storage. If stored items are somehow stolen either by bank employees or potential thieves, the bank would likely need a separate insurance policy to hopefully make you whole. Bank safe deposit boxes are also subject to freezes and seizures resulting from tax debts, penalties, court orders, and failure to pay or adhere to the bank safe deposit agreement itself. Finally banks are also susceptible to financial system failures or potential 'bank holidays' where you may not have access to your holdings when you might need them most.

On the contrary there are some arguments which do make sense for having some bullion in a safe deposit box so long as perhaps a third party private bank safe deposit insurance policy is procured. Given the close proximity most banks are to their bank safe deposit holders, and the security most banks have, there is a case for potentially having some bullion hidden away in a bank safe deposit box so long as one understands the potential drawbacks of such a choice.

Benefactors in Sudden Death Scenarios

An important final point for anyone with dependants. Father time can come any time.

Make sure your most trusted loved one(s) have an ability to locate hidden bullion holdings in case the worst were to ever happen. Itemizing bullion holdings in a last will and testament is a common practice that can be sealed and only opened in the case of sudden death for instance.

Plan accordingly.

Action Steps to Buy Bullion

Bullion Buying Process

Online bullion dealers typically allow customers to buy bullion 24 hours a day, 7 days a week. The vast majority of time (about 69% of the hours during a regular 7 day week) precious metal bullion products have fluctuating prices; as spot price data feeds are, for the majority of time, actively changing and updating.

Precious metal spot prices are traded (barring holidays) starting in eastern futures markets on Sunday nights at 6:00 PM eastern standard time. There are also 60 minute intervals when precious metal spot price markets are closed Monday through Thursday from 5:00 PM to 6:00 PM eastern time.

Precious metal spot prices remain static when futures markets are closed. The prices for physical precious metal products are constantly fluctuating during all other regular trading times though.

When you agree to buy bullion product(s), virtually all online bullion websites ask for some form of collateral that usually consist of requiring an active credit or debit card to lock in price(s) and product(s) at the moment of purchase.

Bullion Payment Processes

The most cost effective payment methods for bullion buying are typically two options (mailed bank checks and ACH).

Virtually all online bullion dealers accept mailed personal and business bank checks for payment. Although due to security and fraud prevention, the industry standard has a hold for check payments fluctuating between 5 to 10 business days for fully good funds to clear (irrevocable payment clearance).

Some of the largest online bullion dealers are also beginning to offer higher automated ACH payment options as well. Perhaps the biggest advantage of using ACH (automated clearing house) payments for bullion purchases is convenience. With new ACH payment options, bullion buying customers no longer have to worry if a mailed check will reach their intended recipient within a limited timeframe; nor whether or not a check might get lost in the mail. Bullion buyers paying with ACH also benefit from not having to pay any postage fees incurred by mailing their check, as well as shorter order processing times and ultimately delivery when compared to mailed checks.

The fastest but most costly method of payment is via credit or debit cards. Nearly all competent high volume online bullion dealers offer volume tiered pricing meaning the more bullion you buy in a transaction the lower price per ounce premium you will likely end up paying.

Online bullion dealers also typically post two variants for same quantity pricing (#1) with a higher price per ounce for credit / debit card payments and (#2) a lower price per ounce if customers agree to pay using other payment methods (e.g. bank wire transfer, check, ACH, etc.). The difference in payment method pricing is due to average merchant account fees in the bullion industry of around 3.5% on credit / debit card transactions (the bullion industry is often subject to fraud attempts).

Most high volume online bullion dealers operate on razor thin profit margins typically at a small fraction of those aforementioned merchant account fees. In other words, if online bullion dealers didn't have two price options based on payment method agreements, online bullion dealers would incur losses on credit and debit card sales and thus most likely not even accept credit / debit card payment options at all.

Finally for larger bullion purchases ($10k USD or more), many larger bullion buying customers choose to pay by bank wire transfer. Domestic banks typically charge $25 USD per outgoing bank wire transfer and the time for full payment clearance is typically less than 24 hours. In terms of speed and price, bank wire transfers are likely the best option for larger volume bullion orders. Take note that bank wire transfers typically require a trip in person to your local bank to execute. Sometimes, well meaning bank tellers will try and save bank customers funds by trying to switch them in ACH payments as opposed to bank wire transfers. If you agreed to pay a bullion dealer by bank wire transfer you should simply deny the offer and execute the agreed upon bank wire transfer payment method execution.

Bullion Delivery Process

The safe delivery of physical precious metal bullion products by domestic mail are much more common than you likely may think. Bullion shipments by high volume online bullion dealers are fully insured, with tracking information documentation, packed tightly in non-descript parcels, and usually requiring adult signatures on delivery.

In calm markets, upon fully cleared payment, the bullion products you have purchased should be shipped within 1-2 business days with tracking information emailed to your account's email address on file. The bullion products become your responsibility once adult signature and delivery have been made.

Bullion Storage Process

If you decide to ship your bullion to a direct professional depository account on your behalf, the same shipping process is utilized. You should still receive tracking information for your parcel(s) in route to their respective non-bank storage account of your choice.

Upon delivery of the physical precious metals, it is customary for the professional bullion depository to update your account holdings accrediting and documenting your updated bullion holdings.

Bullion IRA Process

If you buy bullion for an IRA account, speed of delivery will mostly be contingent on your chosen IRA custodians payment policy method (check or bank wire transfer typically).

Tracking information on all mailed bullion parcels should still be available to you by email Upon delivery of the physical precious metals to your IRA custodian depository, it is customary for the IRA custodian to then update your account holdings accrediting and documenting your updated bullion holdings within your IRA.

How to best Sell Bullion?

Bullion Selling - Do's & Don'ts

- Do shop around for the best bid prices for the bullion products you are selling.
- Do not simply take the first offer you get when you are looking to sell bullion.
- Do your research between both local and online bullion dealer bid prices.
- Do not sell your bullion on websites like Craigslist (*dangerous and fraud riddled*)
- Do consider selling highly collectible bullion items on eBay but be sure to note that as of 2017, eBay takes 10% or up to a maximum $750 USD of current bullion sales. Hence for example on a $10k bullion sale, eBay would take $750 USD meaning you would get back $9,250 USD barring all other listing upgrade fees.
- Don't sell your bullion to any dealer without performing proper due diligence on their business practices and organic customer reviews. Try using 3rd party

review websites and bullion forums (reddit / facebook) to hear as many new and unbiased customer experiences as possible.

- Do consider packaging and fully insuring shipping costs to the location where your bullion is being shipped and safely delivered to when sold.
- Do not accept checks from any individual buyers as a bank check can be rescinded or cancelled only a few days after you have given your bullion to the buyer (*potential fraud here is rampant*).
- Do consider, during high demand, high bullion price premium bullion market surges to sell some high premium bullion items you own and quickly convert the proceeds into lower premium bullion products (thus acquiring more troy ounces) or divert the funds into other, more undervalued asset classes at the time.
- Do not simply sell based on the highest bid price, consider safety and the business track record of the potential counterparty you may be selling to.
- Do consider that often many high volume bullion dealers may have published live bid prices for the products they are bidding to buy. Yet note also these live bid price posting bullion dealers may have hidden tiered volume bid prices or minimum buyback thresholds. This means if you are only selling a small amount of bullion, you may not receive the bid price they have actively published on their website. Always inquire about additional fees potentially hidden (restocking, even assay fees, etc.).

Bullion Selling Process

When selling large lots of bullion, trusted online bullion dealers are likely the safest and best method to receive the highest price possible for what you are selling. When selling small lots of bullion (less than $1k USD) trusted local bullion dealers in city centers may be best given the speed of payment and lack of shipping fees associated with such a quick, same day sale.

For online bullion dealers, the process generally involves a phone call and an explicit description of the exact product(s) you are seeking to sell. Most bullion dealers will be able to give you an immediate bid price offer on the phone. If you have already shopped around, and this price and process works, most often you can 'lock in' that bid price with a credit or debit card for collateral reasons (in case for some reason you don't deliver the bullion you are selling according to the bullion dealer's policy).

Bullion Shipping Process (Fully Insured)

Before shipping your bullion products, be certain to document all the contents of the package before sealing the parcel. This means taking pictures of the bullion products and specific packing slip documents you are packing into the parcel. You want to do this in case of the small chance someone steals and or breaks into the parcel in route to its destination.

Now let us discuss the most safe, fully insurable method to ship bullion parcels domestically in the USA.

USPS Registered Mail for Bullion Shipments

When shipping bullion in mail within the USA, the USPS Registered Mail service remains the best general shipment option in terms of overall price, safety, value, and potential insurance coverage.

USPS Registered Mail can be insured for up to $50,000 USD per parcel at your local USPS Post Office. In order to ship with USPS Registered Mail you will need a few items to make a safe and compliant shipment:

★ *Have a filled out USPS Form 3806*

★ *Use a minimum of 2 boxes, one smaller for inside the parcel, another Priority Mail box for the parcel's exterior.*

★ *Ensure a lack of bullion content jingling by putting packed paper or styrofoam peanuts inside each round or coin tube's top before securely taping them shut. For bullion bars, use tightly taped paper coverings or bubble wrapping between bars for secure silence.*

★ *To ensure bullion round or coin tube tops stay shut, apply robust filament tape to secure each tube top remains closed in transit.*

★ *All box USPS Registered Mail parcels should have 3" wide gummed paper tape covering all corners of the outer box to ensure a tamper proof stamped seal on the outer edges of the parcel.*

Private shipment service providers like FedEx and UPS explicitly prohibit individuals (not bullion businesses with direct operation agreements) from insuring precious metal bullion shipments.

USPS employees who are caught stealing Registered Mail parcels typically end up in Federal Prison and also forfeit their often coveted pension plans.

The US Postal Inspection Service helps ensure that USPS Registered Mail will likely remain the safest best option for individual shipping bullion fully insured through the domestic mail system.

Bullion Sale Payment Process

Most online bullion dealers offer payments on bullion sales to them via a mailed bank check or bank wire transfer typically dependant upon the size or quantity an individual is selling to them.

The entire process from price ‘lock-in’, shipping and safe delivery, and final payment can be less than one week to a few weeks depending on logistics and market demand volumes.

Educational Bullion Resources

About.ag	BIS	Coinflation	CFTC CME COMEX NYMEX ICE LBMA	Ed Steer
FSB	Gata.org	GFMS Surveys	Gold.org	GoldChartsAreUs.com
GoldSeek.com	MacroTrends.net	OMFIF	Physical Gold Fund Podcast	Real Vision Podcast
ShadowStats.com	SilverInstitute.org	SilverSeek.com	Sharps Pixley Gold Headlines	Sharps Pixley Silver Headlines
SilverDoctors.com	SRSRoccoReport.com	TheFelderReport.com	Twitter: David Brady InGoldWeTrust Jim Rickards Luke Gromen Willem Middelkoop	Youtube: iGoldAdvisor SD Bullion SilverDoctors

We hope you enjoyed this 21st Century Gold Rush.

Thank you for downloading this document and affording us the opportunity to impart some of our experience and research with you.

Five years ago, when we put a phone number on a blog with the motto, "*Nothing Fancy. Just a Telephone and Low Prices*," we could never have imaged the type of response we would receive.

Our online bullion dealership currently has organic 5 ★ 's ratings on various third party bullion review websites (e.g. #1, #2, #3) with over 7,100 individual reviews combined.

We were also recently named the fastest growing precious metals dealer in the United States by Inc. Magazine. This growth has allowed us to create this hopefully entertaining document so that you might glean additional information and peace of mind with your decision making.

If you are considering buying or selling physical bullion products, we would be thrilled to have the opportunity to serve your precious metal needs.

Please visit us online at www.SDBullion.com or call us at 1-800-294-8732. Our phone lines are open Monday through Thursday 8AM to 6PM and on Fridays from 8AM to 5PM eastern time.

SD BULLION

The Lowest Price. Period.