The Atlantic GOLD & SILVER CENTRE

JULY 2014 NEWSLETTER – EDITION 1, VOLUME 5

The Who's Who of Precious Metals – Six People You Need to Know About if You Own Gold and Silver

Written by Kevin D.

I first became interested in learning about how the economy and the financial system operated back in 2005. At the time, I bought and read nearly every book on precious metals that I could find. There weren't many, because analysts who spoke positively about the future prospects for gold were considered 'contrarians'. Back then, the stock markets were hitting all-time highs, housing prices were increasing over 10% annually, unemployment was low, and the global economy seemed to be humming. As we now know, that was just an illusion brought on by cheap credit, lax lending standards, and 'irrational exuberance'. Here are some of the very best writers that I've encountered during my self-education on the topic of precious metals. I think anyone interested in gold and silver should read what they have to say on the topic:

Mike Maloney is an inventor, entrepreneur, and the best-selling author of ***Guide to Investing in Gold and Silver***, one of my favorite books on precious metals. I first read Mike's book back in 2008, right around the time that silver dropped from 22$ to under 9$/oz, and although I had been buying small amounts of silver and gold regularly for several years prior, after reading his book I decided to get serious about making gold and silver an important part of my portfolio. Because Mike has dyslexia and has difficulty reading, from a very early age he was forced to learn to memorize everything. As a result, he has an uncanny ability to 'connect the dots' across many different subject areas. The most important contribution of this book is the concept of measuring the value (not the price) of assets, relative to each other instead of against a constantly devaluing currency. When you do this, you can see quite clearly that over long periods of time, all asset classes go from overvalued to undervalued to overvalued again, which has profound implications for how you view the relative under/overvaluation of asset classes today, and makes the opportunity for gold and silver clear. This is the book I recommend to everybody who is new to precious metals. It is written in plain language, yet is meticulously researched and contains plenty of data and graphs illustrating the concepts introduced in the book. He has also produced excellent free videos including:

Why Gold and Silver (https://www.youtube.com/watch?v=E5VNAEmmBQM)
The Case for $20,000 oz Gold - Debt Collapse (https://www.youtube.com/watch?v=tj2s6vzErqY)
Hidden Secrets of Money (http://hiddensecretsofmoney.com/)

James Turk is the co-author of ***The Collapse of the Dollar and How to Profit From It: Make a Fortune by Investing in Gold and Other Hard Assets.*** This was one of the very first books I read back in 2005 that spelled out in no uncertain terms why the US dollar (and by extension all fiat currencies) would eventually collapse leading to an explosion for the price of gold, silver, and other hard assets. Turk also recently published **The Money Bubble**, which is an excellent primer on the effects of the gargantuan money-printing that became standard policy after the 2008 Financial Crisis.

Peter Schiff is the owner of Euro-Pacific Capital and is famous for publicly predicting the bursting of the US housing bubble back in 2004, 2005 and 2006 in spite of constant derision and ridicule:

Peter Schiff Was Right (https://www.youtube.com/watch?v=sgRGBNekFlw)
Peter Schiff Mortgage Bankers Speech Nov/13/06 (https://www.youtube.com/watch?v=jj8rMwdQf6k)

He is also a frequent guest on financial television programs, and is a vocal supporter of the Austrian school of economics which generally advocates sound money, limited government, and economic freedom. I have read several of Schiff's books including **Crash Proof** and **The Real Crash**, and I highly recommend them.

Chris Martensen was the first commentator that introduced me to the connections between the 'Three E's' (Economy, Energy, and the Environment) in his fantastic 'Crash Course' video series first released in 2008 on YouTube, and now newly updated in 2014 (https://www.youtube.com/watch?v=T7up38Jyv0w). He had such a positive response to his Crash Course video series that he began speaking at events, and eventually started peakprosperity.com. His articles are among the best and discuss not only gold and silver, but also the factors that are bringing modern society to a crisis point such as peaking of conventional oil production, declining EROEI rates for new energy sources, and declining global stocks of natural resources such as fish and grain.

Eric Sprott is chairman of Sprott Asset Management and is estimated to have a net worth of over $1 billion. In the early 2000's, Sprott became very interested in examining the available data around gold supply and demand for gold, and determined (quite correctly) that based on supply and demand imbalances, there was a huge opportunity to acquire precious metals at very undervalued levels. Since then, Sprott has published numerous essays on gold and silver (https://www.sprott.com/market-insights/eric-sprott/), and has also created gold and silver ETF's backed 100% by physical metal. Sprott was recently quoted as saying 'Silver will be this decade's gold' in reference to gold being the best-performing financial asset from 2000-2010.

Bill Murphy. 'Crazy' Bill Murphy, so known for his sometimes passionate outbursts, is the Chairman of GATA, the Gold Anti-Trust Action Committee (gata.org). GATA has been active since the 1990's and conducts research into the suppression of the gold price by the world's central banks, in particular the Federal Reserve, in collusion with commercial bullion banks and futures exchanges such as the COMEX. GATA hosts a huge archive of documented evidence of systematic gold suppression obtained from various sources such as Federal Reserve meeting minutes, Congressional testimony and international cables.

Contributing author Kevin D. has been investing in gold and silver since 2005. He believes that every investor should hold at least 10% of their assets in physical precious metals stored securely outside of the banking system.

Q & A – ANSWERS TO THE THREE MOST FREQUESTLY ASKED QUESTIONS ABOUT GOLD & SILVER

Written by Mark Yaxley

Throughout the course of the day, I'm privileged to be able to sit down and spend quality time with our customers. Our conversations can go in all sorts of directions; from the conflict in the Middle East, to stock market manipulation, to covert government operations… It's truly amazing to hear such a collection of opinions and perspectives on a daily basis; it certainly keeps me on my toes because I never know what I'll hear next!

As a general rule, I try to remain neutral, because I understand that my role with our customers is not to convince them of my personal opinions, but rather to guide them with their purchases of precious metals. Questions about gold and silver often arise as we discuss the different options available to them. Below are three of the most common questions I field and my answers to them:

Q: Am I better off buying gold or silver?
A: My answer to this question is always the same; if you're investing in the metals for the long-term, you should own both. Adding precious metals to your portfolio is a smart move because it ads diversity, and therefore diversifying amongst the metals themselves makes even more sense. Whether you go 50/50 or 70/30 is up to you, but having both puts you in a more secure position over the long-term.

On the other hand, if you're speculating, silver may be the better short-term play. Although the spot prices for gold and silver have a high correlation, daily price fluctuations for silver often eclipse those of gold. Also, if you use the gold to silver price ratio as an indicator, currently at 63:1, you may conclude, as many experts have, that silver is greatly undervalued and will close the gap on gold in the near future.

Q: Is it better to buy coins or bars?
A: If you're looking at buying smaller denominations of silver or gold, chances are you'll have to decide between buying coins or bars. Each has its own distinct attributes, but they actually have more in common than they have differences. For example, both coins and bars are .999+ fine, they contain equal amounts of precious metals and both are available from recognized producers like the Royal Canadian Mint.

Bullion coins do feature a face value (e.g. the Canadian Maple Leaf has a face value of 5 Dollars) which makes them redeemable, but it seems illogical to even consider redeeming a 1 oz silver coin for 5 dollars given current, and most likely, future market values. Coins do tend to feature more elaborate designs and artwork, which can make them attractive to collectors and stackers alike.

Bars generally carry a lower premium per ounce than coins, making them the logical choice for investors seeking the most metal for their dollar. Unlike coins, bars are also commonly available in larger denominations, like 5, 10 and 100 troy ounces, again offering lower premiums per ounce as you scale up. That being said, when it comes time to sell, coins are generally bought back at a higher price than bars, which can offset the cost savings bars offer up front.

My advice is to calculate the total spread (see example below) when deciding between bars and coins, but if you're in it strictly as an investment, paying lower premiums for larger bars probably makes the most sense.

Calculating Total Spread - example:
Spot silver price is $22.00/oz.
Price paid for a 1 oz Silver Johnson Matthey bar $24.65.
Therefore, the premium paid for the bar is $2.65 ($24.65 - $22.00).
Price received when selling the bar is $21.50. Therefore, the discount under spot is $0.50 ($22.00 - $21.50).
Total spread is $3.15/oz ($2.65 + $0.50).

Q: ***Should I pay more for a recognized product?***
A: Firstly, it's important to understand what the term 'recognized' actually means within the context of precious metals. Being a 'recognized' refiner (aka mint) denotes that the refiner is listed on the London Bullion Market Association Good Delivery List or the CME Group Approved Brands List. In order to appear on these lists, refiners must satisfy the stringent criteria set forth by these organizations, thus ensuring the quality of the gold and silver products they produce.

Bars and coins produced by recognized refiners are sold at an additional premium because they enjoy worldwide recognition and maximum liquidity. For example, whether you are holding a product produced by the Royal Canadian Mint in Halifax or Hong Kong, the local bullion dealer will be prepared to offer you a competitive buy-back price without hesitation based on the product's globally recognized status.

On the other hand, if you are holding a product produced by an unrecognized refiner, be prepared to have the dealer offer you slightly less for the product you are trying to sell. The logic is simple; if the dealer is bidding on a product produced by an unrecognized refiner, he is assuming greater risk and therefore will pay less for the product. Additionally, once in possession of the unrecognized product, the dealer may have a harder time reselling it in his local market.

So what is the benefit of buying an unrecognized product? Up front savings. You will pay less of a premium up front for an unrecognized product vs. a recognized product. If your goal as an investor is to pay the lowest premiums possible, this might be a good option for you. Additionally, some unrecognized refiners enjoy excellent reputations in their local markets (for example the Sunshine Mint and the Golden State Mint) which makes them attractive to dealers and other buyers regardless of their status.

Author Mark Yaxley first entered the world of precious metals in 2006 when he took a position with renowned gold dealer Kitco Metals (kitco.com), where he worked until 2013. He joined the Atlantic Gold and Silver Centre team for the opening of the new Halifax/Bedford location and is currently the Sales and Marketing Manager there.