BUILDING WEALTH IN CHANGING TIMES

The Solari Report

SEPTEMBER 12, 2013

Precious Metals Market Report

with Franklin Sanders

Precious Metals Market Report

September 12, 2013

Table of Contents

C. AUSTIN FITTS: As always, it's my pleasure to welcome back to *The Solari Report* Franklin Sanders, who is over in South Carolina trying to have a vacation, but of course we won't let him. And anyway, so unusually, I'm in Tennessee and Franklin's out and about. So, Franklin, welcome back to *The Solari Report*. We have, of course, the Precious Metals Report and we have a lot to talk about.

FRANKLIN SANDERS: Oh, yes. Well, thanks for inviting me. Diving right off the board into the ocean, I don't think, you know, there are a lot of times when you look at charts and look at markets that you're just really confused and you think, ah, I don't know "sick-em" from "come here" about what's going on. This is not one of those times. It's not one of those times in gold and silver. It's not one of those times in stocks. Currencies are confused but they always are confused because you don't know how the manipulators are going to manipulate them.

But silver and gold have had a huge run since June, and right now I have to work on the assumption that the 27th of June, the lows on the 27th of June which was about $11.80 for gold and about $18.00 to $20.00 for silver, that those are the lows for the big, long correction that lasted from April and August of 2011 until this year, and the best comparison to understand that correction is to look back at 1974 or '75 and '76 in the gold market and the silver market, and if you remember at the last of 1974 and the first day of 1975, gold ownership was to be legalized in the United States. Now, I won't take a detour to say how stupid it is to treat gold and silver like heroin but in any event they did, and in the anticipation of that, gold reached $195.50 right at the end of December and then, oh my goodness, the government whacked gold.

The treasury had these gold auctions. The IMF had gold auctions. Everybody they could pull in had gold auctions to try and drive the price down, and of course the oil sheiks who were having to take dollars and didn't want them were just as happy as they could be to buy up the U.S. gold that way on the cheap, and this kept up until, well they kept on doing the auctions through '79, I think, but this kept up until August of '76, driving down the price, and they drove down the gold price about nearly 50% to $102.50. That was the low late in August of '76, and then it rose from there about 8.5 times, and silver rose about 12.5 times. So if you look at the sweep of the whole gold market from 1960 to 1980, gold's performance from that low in '76 and silver's performance from that low in '76 were better than anything they had turned in before, better than any period before.

So I think that's what we've come through. I think this has been the big correction, sort of in the middle, not exactly in the time middle but in the middle of the progress of the bull market, and there's several things that make me think that if you look at a longer-term gold chart, what you see is that we're right about the place, ah, we're at the meeting of the downtrend line from those highs in 2011, and the same is true in silver. Actually, silver has crossed that downtrend line from the April 2011 high, and all those things just give the appearance of a long-term bottom.

"I think this has been the big correction, sort of in the middle, not exactly in the time middle but in the middle of the progress of the bull market…"

Gold has not quite gotten through that long-term downtrend line but it's not unusual when you get, you know, when you've had that long of a correction for it to take more than one try to breach an important resistance line like that; but the more important resistance in gold is $15.50 where it broke off back in April, and for silver that's about $27, so they need to get through there. The gains this summer have been wonderful from $11.80 to $14.34 for gold; and for silver, from $18.20 to $25.12. I mean, those are huge gains. And they've digested them well, and right now they're in the middle of sort of short-term corrections that will take silver probably down to $22.50 or $22.00 and gold down to $13.50, and those are really going to be historic places to buy.

In other words right now, in the next couple of days, will be one of those historic opportunities where you can point back at the chart and say, "That's the place we ought to have bought," unless they break those levels, and of course you never have any guarantee beforehand. There's more than that. Now I'm just talking. If you want to interrupt me, please do.

C. AUSTIN FITTS: Well, you know, one of the things I was going to say, I don't remember a time when, among the large financial institutions, there was such divergence of opinion being publicly stated about what they anticipate. I was just looking at Stewart Thompson's newsletter this morning, and he's affirming what's come to me from other people in the market. SocGen, UBS, and Goldman are talking about tanking to $1,250. Actually, one of them was $1200. Commerce Bank is calling for a low of $1,180. Bank of America, who was critical in driving the drop in April, is a bull, saying it's up. Barclays is saying it's down. You've got a couple of other saying it's up, and of you look at the divergence of what they're expecting by the end of the year, it's a massive spread.

So some are really saying, "Okay, we're going to test the low again"; and others are saying, "No, the lows are over, here we go." But if you look at sort of the large financial institutions, there's incredible divergence in terms of what they're saying publicly, and I don't remember it being that sort of publicly – I don't remember the large financial institutions being that incoherent publicly. Do you know what I mean? It's almost as though the Midianites are warring again and everybody's trying to figure out who can rig it what way.

FRANKLIN SANDERS: Well, I was talking to a customer of mine who manages a small hedge fund, like 500 million dollars, 200 million, something like that, and he said that everybody he talks to about stocks believes it's a casino. They have to play but they all think it's a casino. They can't find, you know, any rational footing for it. And I think that's reflected – what you see happening in silver and gold is reflecting that because if you look at the industrials, the Dow in gold or the Dow in silver, what you see is that we've had a bear market rally up through the downtrend line and slightly past it and then, boy, in July and August they came crashing down, both of those, both the Dow in silver and the Dow in gold, and silver actually moving faster than gold back to that downtrend line, and they bounced off of that downtrend line but it looks like they'll go back through.

This is one of those places where interpretation is everything because they might have broken out of the downtrend line and returned for a final kiss goodbye or they might pierce it again and continue to fall. The best reason I can give you for saying they ought to to continue to fall is the target, the long term target. Once the primary trend starts in silver and gold and stocks versus silver and gold, it tends to go all the way in gold to 1 to 2 ounces to buy the entire Dow in silver to say 16 to 32 ounces to buy the entire Dow.

And when I say it tends to go to that, if you look at the history of bull markets in silver and gold for the last hundred years versus stocks, then you see that they keep returning to that price. So if something there in the market, I don't know what it is, I don't have to know what causes it, I only have to observe that it exists like gravity of some kind, and that implies that we have a long way to go in the Dow in silver and the Dow in gold, a long way to go down, that is silver and gold gained a whole lot against stocks.

If you look at stocks by themselves, the S&P 500 has been outperforming the Dow. The Dow has been strangely sluggish compared to the S&P 500, and it's obvious, I think, from the chart that they have completed the correction that began at the first of August and now turned back up because they, just in the last two days, pierced the downtrend line. The S&P is above its 50-day moving average, the Dow is not, and the moving average is to show you which way the momentum is. When they're above the moving averages, it means the momentum is up. I think what you're going to see is another high in stocks, maybe a new nominal high, and everybody will think that's just great before they fall of the cliff because we're approaching the top of a 300-year cycle and so that's what we're going to see sometime between now and, say, the first quarter of next year, and that'll be a startling correction.

If you look at what's, you know, one of the things driving the stock market, it's not just the new money that Bernanke has printed, it's also his zero interest rate policy. The zero interest rate policy drove people into bonds, into U.S. government bonds specifically, because why should they take the risk of investing in stocks when returns are so low, so the zero interest rate policy drove people into bonds.

The interest rate broke out earlier this year, well really it started in December of last year, and it's proven that breakout, and now both whether you look at the 30-year bond deals or the 10-year bond deals, you can see that Bernanke and his zero interest rate policy are in trouble; I mean they're gone. Rates are going up, interest rates are going up. They have not yet broken out of the 30-year downtrend but they're certainly moving in that direction.

So those rates rising don't necessarily throw the brakes on the stock market because rates can rise when the stock market is rising but they do make me wonder whether there will be some kind of debacle in the bond market because Bernanke created a bubble in the bond market just the way his predecessor created a bubble in real estate, and before that it a bubble in the stocks, and just bubble in that bubble. That's the way they do, they flounder from one kind of bubble, and they flop from one kind of bubble to the other.

C. AUSTIN FITTS: Well, let me just point out, because I kind of look at this much more politically. You know, I tend to come at this thing from a political standpoint, and what I see is we've had the Fed, I believe, successfully pull in the remainder of the fraudulent paper that they didn't pull in during the bailouts, and basically, the fraud from the financial coup d'état is shredded, and that means we now have two economies. We have an old economy that has the legacy liability, so it's got, you know – so I'm just grossly oversimplifying.

So we have 100 trillion dollars of liabilities in the old economy and 50 trillion of assets, okay, so we don't have the assets we need to carry all the liabilities, and that's, you know, retirements, healthcare, etc. And then in the new economy, we've pulled over 50 trillion, and they're doing quite fine, okay? So now that you've got the fraudulent paper, now that you've got the money across and you've got the fraudulent paper shredded and you're past the statute of limitations on a lot of things, so that 50 trillion dollars is safe, now I think the decision has been made to lower the boom.

Now, the legacy economy was financed with bonds so the question in the legacy economy – whether it's bond holders or retirees or pension fund beneficiaries or municipal unions – of the 100 trillion liabilities who's going to get a dollar, who's going to get fifty cents, and who's going to get zero? – And so part of that is the turn in the bond market because, you know, the creditors are part of that 100 trillion fighting for the 50. So between retirees, union officials, and labor, and creditors, you're now going to have a war for the 50 cents on the dollar; and you're right, I think interest rates, certainly on the long end, are going to come up as part of that.

And then over in this new system, the stock market, I think one of the things we're looking at as one of the scenarios is we're going to get a crash-up which is basically the money that's been printed is going to be funneled into a rising stock market – and there's some other things I want to talk about there – but, you know, I'm with you, Franklin. I think the thing to watch here, to me, the number one variable to watch right now in the market is interest rates, and I think the lowering the boom on that old economy and what's going to go on in the bond market is going to be one of the most unprecedented financial experiences of life on planet earth for the last 5,000 years, so I think this is going to be quite a scene. So to me, interest rates are absolutely the thing to watch, and one of my questions is what does rising interest mean? What does that mean for the gold price?

"Interest rates are absolutely the thing to watch, and one of my questions is what does rising interest mean?"

FRANKLIN SANDERS: Well, let me add here one little confusing thing that may bother some of your listeners. Interest rates and bond prices move opposite to each other so what we're saying, what we're presupposing is that everyone who's listening understands that when we say interest rates are going up that means bonds are going to tank. Binds go down exactly in proportion as interest rates rise.

C. AUSTIN FITTS: Okay, so just because they're not going to, set me just say one thing: the impact on bond prices depends on maturity, and I think one of the things you and I probably both think is the long – you know, the 30-year treasury and 30-year corporates, 30-year bonds are headed up because one of the questions here is, you know, I think certainly this year we could get a situation where rates rise but they rise a lot more in the long end than they do in the short and intermediate so –

Franklin Sanders: Well, and the reason for that is, if you've ever had one of those old-time, you know, a bike inner tube and you stretched it out, you know that the farther you stretch it, the more it hurts you when it snaps back. – And Bernanke has done the most manipulation in the long-end interest rates, and so they've got the farthest to snap back. In other words, he has skewed the market and manipulated the market the most away from where it would naturally go in the long end of the market, and that's what operation twist is all about, and that means that the long end of the bond market will be the one that suffers the greatest blow from the rising interest rates.

Thinking about interest rates, you made me think about the dollar too because one of the things that the whole system depends on is that foreigners but lots and lots of those bonds to recycle the dollars that they get in trade and to recycle the trade deficit, and one of those markets that's confused right now is the currency market. Now, that's kind of always the case, and if you look at charts you can see that that's the case because you can see where a market apparently ought to go up but it goes down, and then it ought to keep going down but it goes back up – those are the currency charts – and right now, the dollar just can't seem to get up off the ground. It had a long drop in July that saw a bottom in August, and it's gone up since then but there's not been much strength to it.

On the other hand, the euro and the yen have just tanked since mid-August. The yen especially has broken out of an upward channel and it appears that the Japanese are targeting 125 yen to the dollar. Now it's not there yet. It's about 100 cents to 100 yen right now but it certainly, you know, when you break out of a long-standing channel like that, then you've got at least a target of the last low, which was like 96.5, so I can't exactly figure out what they're doing because the yen has broken, the euro has broken, but the dollar is not taking off.

C. AUSTIN FITTS: Well, one of the questions I have watching everything is, you know, to what extent are we watching a situation where you're just seeing such a widespread fundamental distrust that it's very deflationary for almost everything.

FRANKLIN SANDERS: Because it just makes everybody pull in its horns.

C. AUSTIN FITTS: Right. I just think you're seeing, you know, psychologically translating into financial, an entire planet sort of backing off in fear. You know how animals will very slowly step away from the one that they're scared of while the predators come in to eat, and I think everybody's just saying, "Hmm, I don't think this is under adult supervision," you know. So when I read these different banks with wildly different projections, you know, at some point you kind of figure well, the whole thing doesn't make sense. So I think there's a natural deflationary force going on that's part of what the system is grappling with.

FRANKLIN SANDERS: Well, you know, that's born out by happened to Draghi last week, Mario Draghi, the head of the European Central Bank. There were headlines within the last week, week-and-a-half, about his failure to contain interest rates. Even the inter-bank lending rate in Europe is rising. He had tried, and this has been one of the amazing things about the course of this crisis since 2008 is the success of jawboning.

You know the Japanese, if you look at what they've done to their money supply, it hasn't really changed but they've brought the exchange rate down from about 120 or so down to, well, excuse me, down from 106 down to 100. No, that's not right. It's come down from about I think 120. Since they announced last year that they were going to gut their currency, it's come down from about 125 to about 100, so a 20% drop is pretty big without taking any actual action – without taking any actual action. And Draghi had the same sort of success in Europe to keep the lid on the crisis just by talking, and now that's not working anymore.

C. AUSTIN FITTS: Well, let's just look into the little box of the legacy systems with 50 trillion in assets and 100 trillion in liabilities. Whether you're dealing with the creditors, whether you're dealing with labor, whether you're dealing with people getting healthcare, whether you're dealing – you know, if history has taught us anything, it's that, whether you're a business leader, whether you're a healthcare leader, whether you're a government leader, turning around and coherently laying out the reality and the options in a mature fashion and taking responsibility in that way is a sure-fire recipe for getting slaughtered and getting nothing done.

FRANKLIN SANDERS: In other words, acting like an adult.

C. AUSTIN FITTS: Right. So providing adult leadership in that situation is a zero success strategy with rare exceptions, you know, they're the occasional miracles, but other than that – and so I think part of the problem is you have all of the leadership acting bizarre and goofy, and that's part of what people are watching and saying it doesn't make any sense. Now, when I watch them it makes total sense to me because I know it doesn't make sense to, you know, it's not a personally logical strategy to act coherently and honorably in those situations.

You know, right now the message is crime pays and honesty and leadership won't within that territory. Now, if you go over to the resource-rich, in the short run it's a different story. So I think, to me, that's why it's so important that everybody listening to the precious metals market report, to *The Solari Report,* kind of have a picture of that because otherwise it can be remarkably depressing to watch everybody behave in really goofy ways.

FRANKLIN SANDERS: Well, what you're saying is that they just are acting to save their own hides. That's the only thing going on is they're acting to save their own hides, to maintain their own position.

C. AUSTIN FITTS: Well, you know, I see a lot of good people in that system. Now what happens is over the last 20 years, a lot of good people have left, so a lot of good people say, "Look, I'm only going to be in this position if I can act honorably, and apparently that's gotten me killed so I'm going to leave." So they do, and so what you have – and it's funny, Colonel Wilkerson was on *The Solari Report* about a month ago, a great interview, and basically that's what he was describing in the military. What he's saying that our problem is the leadership rising to the fore are people who have risen over being obsequious and politics and slapping out contracts to defense contractors, and the worse things get, the more you have – you know, the cream is not rising to the top, the cream is leaving, so how do we get reasonable leadership?

And I think that the thing you and I always come back to, and have come back to for years, which is if the dollar depends on this machinery being strong, and the machinery is constantly operating – you know, taking advantage of the fact that it can borrow an infinite amount of money and using that to become less and less productive, where do you get the, you know, you have a non-virtuous circle between productivity and money, and it's getting worse, it's not getting better, so I watch that.

FRANKLIN SANDERS: Did you say non-virtuous?

C. AUSTIN FITTS: Yes, you have a non-virtuous circle where, you know, normally if I'm running a company and behaving in Looney Toon ways, my money gets cut off, so the SEC won't let my stocks stay publicly traded, the exchanges won't let me stay traded. You know, if for 14 years I said, "Look, I'm not going to produce audited financial statements as required by law," that's can't go on for 14 years because the exchange and the SEC will shut me down or my creditors will shut me down. Now we're in a situation where I can flagrantly, I'm the U.S. government, I can break the law all day long and I can keep borrowing money and I can keep paying for things with dollars because I have a military and a position that will allow me to do that.

> **"You have a non-virtuous circle where, normally if I'm running a company and behaving in Looney Toon ways, my money gets cut off, so the SEC won't let my stocks stay publicly traded, the exchanges won't let me stay traded."**

And so what happens is you go from a system that is dependent ultimately on force, that is very overtly and out front dependent of force, and the problem with that is, of course, the military is exhausted from war after war after war, you know. At what point can you keep that going without some kind of, in other words, if you're really going to depend on the military, then you need the military to be organized for productivity and efficiency as opposed to slapping out the right contracts to defense contractors.

FRANKLIN SANDERS: Right.

C. AUSTIN FITTS: So what we're saying is there's a zero-one feedback loop. You're fine until you're not, and then it's big bang.

FRANKLIN SANDERS: But the private sector economy works the same way as the military economy, and that is that the more you steal, the easier it is to get credit. In other words, the credit all is flowing to an elite that has access to credit, and they use the credit not for productive ends but for speculative ends.

C. AUSTIN FITTS: Well, I don't think that's true, Franklin, and let me just say – because I want to just say what I'm about to describe is not what I think is right. I'm just talking about what I think is. If I take the 40 or 50 trillion dollars and move it over into new legal entities where it's not encumbered by the 100 trillion dollars of liabilities, and I get an income flow of 10% a year, but that's too high. Let's say I get and income flow of 5% a year, I've now got 2.5 trillion a year in dividends and interest which I can use to run essentially my private government.

So I've created an endowment that can then replace, you know, if you think the defense contractors and the military need the federal budget, we've now created an endowment that will give me the equivalent of the same, if not more, tax flow I was having before, and I'm now independent. I'm now free. I've just privatized government and a fee flow. Now, that's not to say I'm not going to try to grab as much of the fee flow as I can from the ongoing U.S. income flow, U.S. taxes, but I'm now sitting free and clear, and I've got the same cash flow to basically build forward.

So I think you're literally looking at two parallel economies, and one is sitting pretty and then one is in a slow grind to reconcile the 50 to 100 trillion; and that's why, you know, I have all sorts of people saying, you know, it's going to collapse. No, I think the legacy systems are in a slow-moving, slow-burn kind of collapse but you have this other economy coming up, and if you look at what it's coming up with in terms of new technology, it's amazing.

And so the big question is, does that mean that the stock market diverges into sort of two groups, one that's dying and one that's coming up? – And we haven't talked about crowd-funding, which I'd like to touch base a little bit, but I think if you're looking at what the leadership that's engineered the financial coup d'état and is engineering this, sort of, new economy, I think they're doing a little bit like what they did in '89 which is where you slam down credit on a whole sector of the economy but then the stock market was strong, and it made those players, you know, it made it much cheaper. Their P/Es were high. They went in and bought up everything for cheap and took over market share. So my question is, are they going to do the same thing but in a much bigger way.

But to me, the critical issue in that new economy is the technology, because I think the kind of technology they're going to start rolling out is very revolutionary to the economy, and if they try and engineer a crash up in the equity markets, the fundamental economic productivity is there to do it for business or certain kinds of businesses. Now, it's going to be devastating. The people who are going to get their liabilities cut over in the legacy systems are also going to lose a lot of jobs because it's not going to create a lot of jobs for a lot of folks. This is very high-tech work. So it's a picture of hundreds of millions of people being left behind.

FRANKLIN SANDERS: What are you going to do with them?

C. AUSTIN FITTS: Well, that's the $64,000 question. Well, you know, I hate to be gruesome because that's not the way I like to look at things. In the United States since 1990, the life expectancy of a woman my age without a high school education has dropped five years.

FRANKLIN SANDERS: Now you're getting into a subject so dark that I don't like to enter into it, and when I say that, I'm not speaking superficially or lightly. I'm speaking from depths of research, and anyone who does the research into what I call the people haters, the population control movement, sees that these are not idle goals that they set of reducing the population of the earth by 90%, and they are motivated by hatred of mankind so strong, so demonic, that when you read it, when you get close to it, it slaps you in the face, and your mind and your heart recoils and says it's not possible. – This kind of hatred is not possible in a human being but there it is nonetheless. And so, you know, to think of killing off or engineering a system that would kill off billions of people is not beyond their intentions because the intentions are there, and I say that having studied it for way longer than I wanted to, a number of years, and I think you've seen the same thing. I don't know but I think you have.

C. AUSTIN FITTS: I've seen the same thing but what I've also seen is I've seen many, many leaders in the legacy systems try and do the honorable thing, and try and protect people, so I'm not saying that you shouldn't always do that but what I'm telling you is that the people will not support – in other words, every leader who tried to inspire a financially responsible solution was not supported by the people who are now experiencing their average age diminish. In other words, there was never – and thousands of people have lost their lives trying, if not hundreds of thousands, trying to build a political constituency for financial responsibility, and the reality is, ugly as it is, that the majority of the people supported the people engineering the financial coup d'état. – And, you know, it's a much more complicated conversation and one we've had in all sorts of different *Solari Reports* as to about why the crowd supported, you know, it's the story of the crucifixion; the crowd supported the criminal, not Jesus.

FRANKLIN SANDERS: Oh, but I think the reason the crowd supports the criminal is because they expect to get part of the spoils.

C. AUSTIN FITTS: Right, yes.

FRANKLIN SANDERS: A system has been built where all of these people have these expectations that never were reasonable it the first place and yet were held out to them, and now they've reached the point where it's becoming obvious that they can't be achieved, and they'll go with any criminal who promises to share the spoils with them.

"A system has been built where all of these people have these expectations that never were reasonable it the first place and yet were held out to them…"

C. AUSTIN FITTS: Right, and so one of the conundrums and one of the things you and I come back to is because you and I were both, each in our own way, honorable leaders who tried to do the right thing within that legacy system, and one of the things that we have both experienced is, over a very long period, why if you really hold to that line and say, "Well, if I can't do the honorable thing, I'm leaving," and why others don't. – And part of what I call coming clean is turning to everyone who's not leading the breakaway civilization or whatever we want to call it and say, "Look we all" – you know, real solutions require we all act in ways which are responsible.

How can we create arks because getting off the Titanic or getting thrown off the Titanic, we all need to grab some deck chairs and build arks but first and foremost there has to be a commitment to whatever we want to call it – right thinking, love of the Lord, the Ten Commandments, ethical behavior, on and on and on. You can't build a culture; we can't stay in the culture of force. It's not going to work because we're going to get thrown overboard.

So if we're going to build a culture there has to be a culture that has integrity towards our recognition and support of each other's rights and our recognition and support of whatever contracts we make, and that's been the conundrum that we've all dealt with. How do we create that because we're looking at, you know, whether it's the legacy systems or the new economy coming up, and we're saying, as a matter of law, both of these things are certainly lawless with respect to us, so where are we going to create and find law? – And I would say as a Christian, where I find law is, I'm under the governance of a God, and within that's law, but I need to find enough other people to begin to build something if we're going to do something here on earth, and to me it's still a conundrum.

FRANKLIN SANDERS: Well, the conundrum is to get people, to convince people to act, and the only place you can start is your own community. I can't rebuild the whole economy in the whole world. I have to start in my own local community, and here's the place that love of your neighbor comes in is that you open yourself up to risk. You say, "Well look, this person is starting a business. Am I willing to take the risk of investing with him?" Or, "this person is starting a business, am I willing to take the risk of buying from him? Am I willing to give just a little bit more to him than I would give to Amazon, for instance?"

I mean listen, Amazon and Wal-Mart scare me to death. They scare me to death because the tendency is for everything to be centralized in one seller. Well when you've got that, you don't have an economy anymore, I don't think, because diversity – what Charles Hugh Smith calls low-level instability – competition, arguments, etc, etc, at a low level creates systemic stability. But when you go to a monoculture, when you centralize, you create systemic instability and the risk of gigantic systemic collapse.

C. AUSTIN FITTS: Right. Well, I will say this: because I buy a lot, well, I buy books from Amazon because all the bookstores are shut down so I can't get them anyplace else but I buy the used ones. Well, Amazon bought up all the used store networks, the used book store networks, so I almost, you know, if it's available from the used guys, I buy it there, and Amazon and eBay are both centralizers but they feed a lot of little guys. So to me, it's less scary than Wal-Mart although I agree with you, you know, I'd rather have the bookstores back.

So, anyway, let me – one of the things we need to build a local economy is to be able to use gold and silver as currency. to this day, the only community currency I can envision really working is you just start using your coins, and one of the things I wanted to do today, Franklin, was ask you to just take a few minutes and describe some of the issues that you've seen in Tennessee between adopting, you know, just turning to your neighbors and saying, "Okay, let's start to use gold and silver as coins." What are some of the hurdles we've got to get over?

FRANKLIN SANDERS: Well, the law is just schizophrenic and so the ability to use gold and silver is there in the law in that they're legal tender but if you try to go and buy them somewhere, then they want to impose a sales tax on them, which is in effect putting a barrier to the use of gold and silver because, you know, sales tax doesn't make any sense at all. First of all, they're legal tender and there's no sales tax on Federal Reserve notes when they're exchanged. If I go to the bank and say, "Give me two tens for this twenty," they don't hand you a ten and change less the sales tax, so that's the biggest barrier. – And I go back to the Federal Reserve. I think the Federal Reserve has promoted these barriers to the circulation of those currencies that compete with their own currency.

C. AUSTIN FITTS: Really? Do you think?

FRANKLIN SANDERS: Well, if you look at the process of it, they got the silver out first and they got the gold out, and then they got what remained of the silver out of the system, so one of the problems that you have to deal with is ignorance, and that ignorance begins with the fact that people think in terms of paper dollars. So it's always fun to into a restaurant and pull out a silver dollar or an ounce of silver, and you owe maybe $18 and you look at the waitress and you say, "Look, here's a 20 dollar bill and here's an ounce of silver. Which do you want?" And you'll see her hesitate and vacillate, and she wants the silver but finally she'll say, "Well, I just don't know what it's worth," and that ignorance is what we have to overcome.

In an electronic world, it's silly to let that be a barrier, and you and I have done all we could in setting up the gold and silver calculator on the Internet. Anybody who wants to do business in silver and gold, they can go right there. Most of what I do is kind of exceptional. Most of what even I do, doing business in gold and silver, is kind of exceptional. Like, you know, this is a big place that we rent for vacation every year and we pay for it in silver, and we've paid the same amount for four years.

So anyway, you just have to fund people, you have to suggest to people, "Let's do business this way," and then just make the terms as you go because in the end, even if they take a little less in terms of gold or silver, they get more because the value of that currency is increasing whereas the value of the dollar is decreasing.

C. AUSTIN FITTS: Right. Before we close, I wanted to say a couple of things on the equity market because the equity market's going to be, you know, what's happening in the bond market is going to make the equity market interesting. The other thing that's going to make the equity market interesting is crowd-funding which I think has the potential to be a far more dramatic financial wave than I think many people realize right now. I'm going to do *The Solari Report* next week on crowdfunding, and it's just going to be me sort of giving an overview.

But to me, you know, just like first-time homebuyers sort of kick off a housing bubble, I think crowd-funding could easily do the same for the stock market just like the early tech venture led into the tech bubble. So I think this could be a very big move.

But the one thing I will say is, because the last purchases I just made as an investor, tiny thought they were, were equities, and I look at the equity market and it's, in the short and intermediate run, it's quit irrational. Just like I was talking about the big banks and the precious metals, it's the same, you know, it's like a battle ground and you've got all sorts of big players behaving in completely lawless ways in the short and intermediate run; but at the same time, there are great companies that are available and I want to invest in them.

In fact, one of the best investors I've ever known for years has almost completely ignored the markets and just said, "I'm going to find and invest in great companies." He does a lot that's fairly illiquid but he's done some gangbusters and that's because to a certain extent, he's ignored the short- and intermediate-term swings and just said, "I'm going to find great companies," and those great companies, that's what I don't want to give up on because I don't see how we get out of this mess without liquid equity markets, and the reality is if you look at what's coming with crowd-funding, if anything I think we're in for a planetary debt for equity swap, and the question is is it going to be nice or rough, and my guess is it's going to be both depending, you know, and it's going to be very quirky, what's nice and what's rough. So I feel differently about the equity markets because not everybody can invest in their own business. You and I have put all of our money in our own businesses.

FRANKLIN SANDERS: Well, I don't disagree with you about that, and I certainly don't disagree with you about finding great companies, but as far as crowd-funding is concerned, how do you get the blasted U.S. government out of the way? – Because they'll come in and strangle it with regulations. Let me give you an example, a contrary example. We need to take Africa as our model, and when I say that, that may be shocking because you think, "Oh, Africa's chaos and corruption and so forth." Well, Africa is on the cutting edge of economic development because it is very largely unregulated and because the corruption works to the favor of development and prosperity. That is in the United States, you've got these people, and they're either too expensive or too remote to buy off so they enforce these blasted regulations that put everybody out of business. In Africa, you buy them off and they're not a problem, and so you can actually prosper.

"In the United States, you've got these people, and they're either too expensive or too remote to buy off so they enforce these blasted regulations that put everybody out of business."

C. AUSTIN FITTS: You can deal with them at a reasonable cost.

FRANKLIN SANDERS: That's exactly correct. Now, this is loony, I know, but I've been talking to a friend in Kenya, and in Kenya they have these cooperative societies called *chamas* which just means "group" in Swahili, and because the inflation rate runs from 10% to 25% a year, and they can't possibly get a positive return on their money anywhere else, people come together and they form these *chamas* or groups – this is crowd funding, okay, in its rawest form. They form these groups, they pool their money, they buy a taxi, they buy a kiosk, they loan the money at usurious rates to their own members, and all of these things can be done because they don't have to worry about some blasted regulator trying to put them out of business.

C. AUSTIN FITTS: Right, and because they've created a culture, this goes back to the people, you know, rather than running around in the 26-step process begging to get the 50 trillion in the legacy systems, they've said, "Oh, we need to take responsibility and invent our own world," and they've created a culture where the members, I mean, you know, I've been promoting *Solari* circles for years. The key to a circle working is the members can trust each other – they keep their covenants, they keep their word – and they have the culture, in a funny kind of way; Africa has a stronger culture than we do to do that.

FRANKLIN SANDERS: It's got a stronger community, I think.

C. AUSTIN FITTS: Yes, so I have to make a pitch for the latest *Moneychanger* because you've got a great spread on, you've got a great interview in the *Moneychanger* on Africa, and I think it's really very well done so get the *Moneychanger*. And if you send it to me in – well, I'll just pick it up in digital form, cut out that article, and put it up on the subscriber-only section. Can I do that?

FRANKLIN SANDERS: Yes, that's fine.

C. AUSTIN FITTS: Okay. I'll do that and that'll save you getting 400 emails.

FRANKLIN SANDERS: Okay. Thank you.

C. AUSTIN FITTS: Okay. Well, we've gone way too long here but this has been fascinating, Franklin. Any thoughts before we close on, you know, the next 30 days? Should you be a buyer or should you be a watcher? What should we do?

FRANKLIN SANDERS: I think right here, in the next week or so, provided that gold doesn't go below $13.50 and silver doesn't go below $22.00 is the time to buy, and then you'll get a rise into September or as September progresses and even into October, probably get a peak around there off of those $15.50 and $27.00 areas, and then a correction into November, and then if gold and silver follow the seasonal pattern, then higher prices into December. But I think the worst is over, I have no doubt of it, and if you want to average in, you know, lower your average, this is the time to buy some.

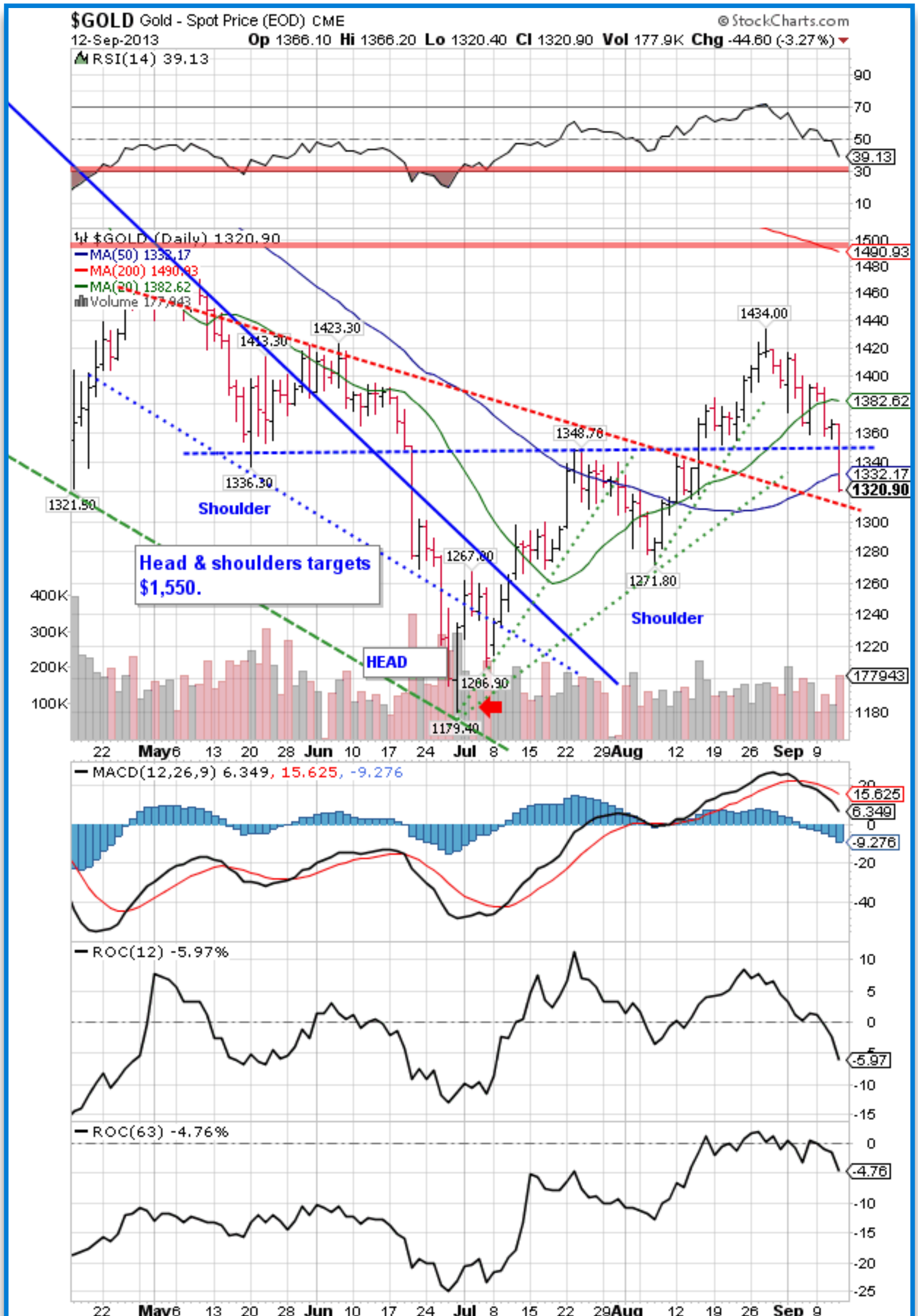
C. AUSTIN FITTS: Okay. Okay, well thank you for interrupting your vacation, and we hope you have a wonderful time and come back rested and renewed, and we look forward to talking to you in November.

FRANKLIN SANDERS: Well, thanks so much. I appreciate the opportunity. Thank you.

C. AUSTIN FITTS: Have a great day. Bye.

FRANKLIN SANDERS: You too. Bye-bye.

APPENDIX



$GOLD Gold - Spot Price (EOD) CME
© StockCharts.com
12-Sep-2013 Op 1366.10 Hi 1366.20 Lo 1320.40 Cl 1320.90 Vol 177.9K Chg -44.60 (-3.27%)
RSI(14) 39.13
$GOLD (Daily) 1320.90
MA(50) 1332.17
MA(200) 1490.93
MA(20) 1382.62
Volume 177,943
1434.00
1423.30
1413.30
1348.70
1336.30
1321.50
1271.80
1267.80
1206.90
1179.40
Shoulder
Head & shoulders targets
$1,550.
HEAD
Shoulder
MACD(12,26,9) 6.349, 15.625, -9.276
ROC(12) -5.97%
ROC(63) -4.76%
22 May 6 13 20 28 Jun 10 17 24 Jul 8 15 22 29 Aug 12 19 26 Sep 9

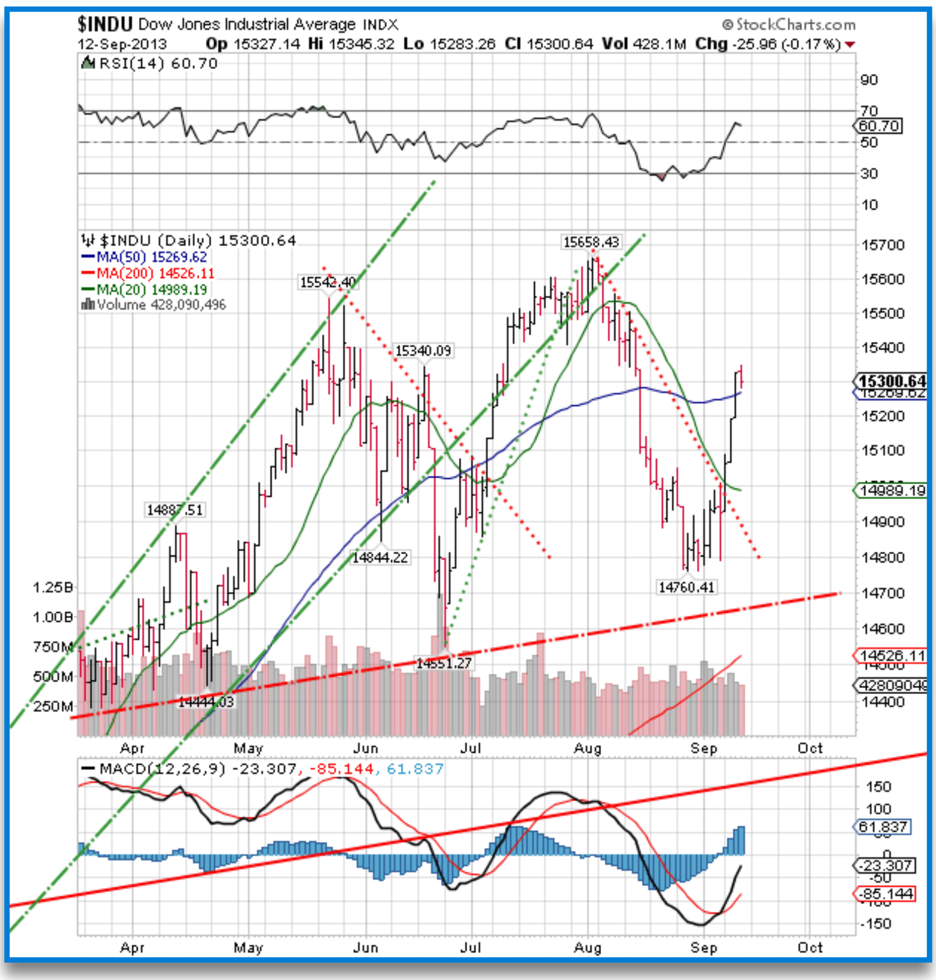

$GOLD Gold - Spot Price (EOD) CME
© StockCharts.com
12-Sep-2013
Open 1391.10 High 1395.00 Low 1320.40 Close 1320.90 Volume 473.0K Chg -70.10 (-5.04%)
RSI(14) 39.63
$GOLD (Weekly) 1320.90
MA(150) 1569.06
MA(200) 1473.83
MA(18) 1336.83
MA(50) 1526.78
Volume 473,006
1923.70
1804.40
1792.70
1798.10
1642.40
1577.40
1535.00
1523.90
1547.60
1424.30
1388.10
1471.10
1329.00
1309.10
1434.00
1321.50
1179.40
MACD(12,26,9) -45.047, -61.765, 16.718
ROC(12) 1.90%
ROC(63) -17.30%
Oct Nov 2011 Feb Mar Apr May Jun Jul Aug Sep Oct Nov 2012 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2013 Mar Apr May Jun Jul Aug Sep


$SILVER Silver - Spot Price (EOD) CME
© StockCharts.com
12-Sep-2013 Open 23.22 High 23.26 Low 21.75 Close 21.77 Volume 50.2K Chg -1.45 (-6.26%)
RSI(14) 42.34
$SILVER (Daily) 21.77
MA(50) 21.35
MA(200) 25.82
MA(20) 23.48
MA(300) 27.63
Volume 50,235
MACD(12,26,9) 0.427, 0.713, -0.285
ROC(12) -10.45%
ROC(63) 0.09%

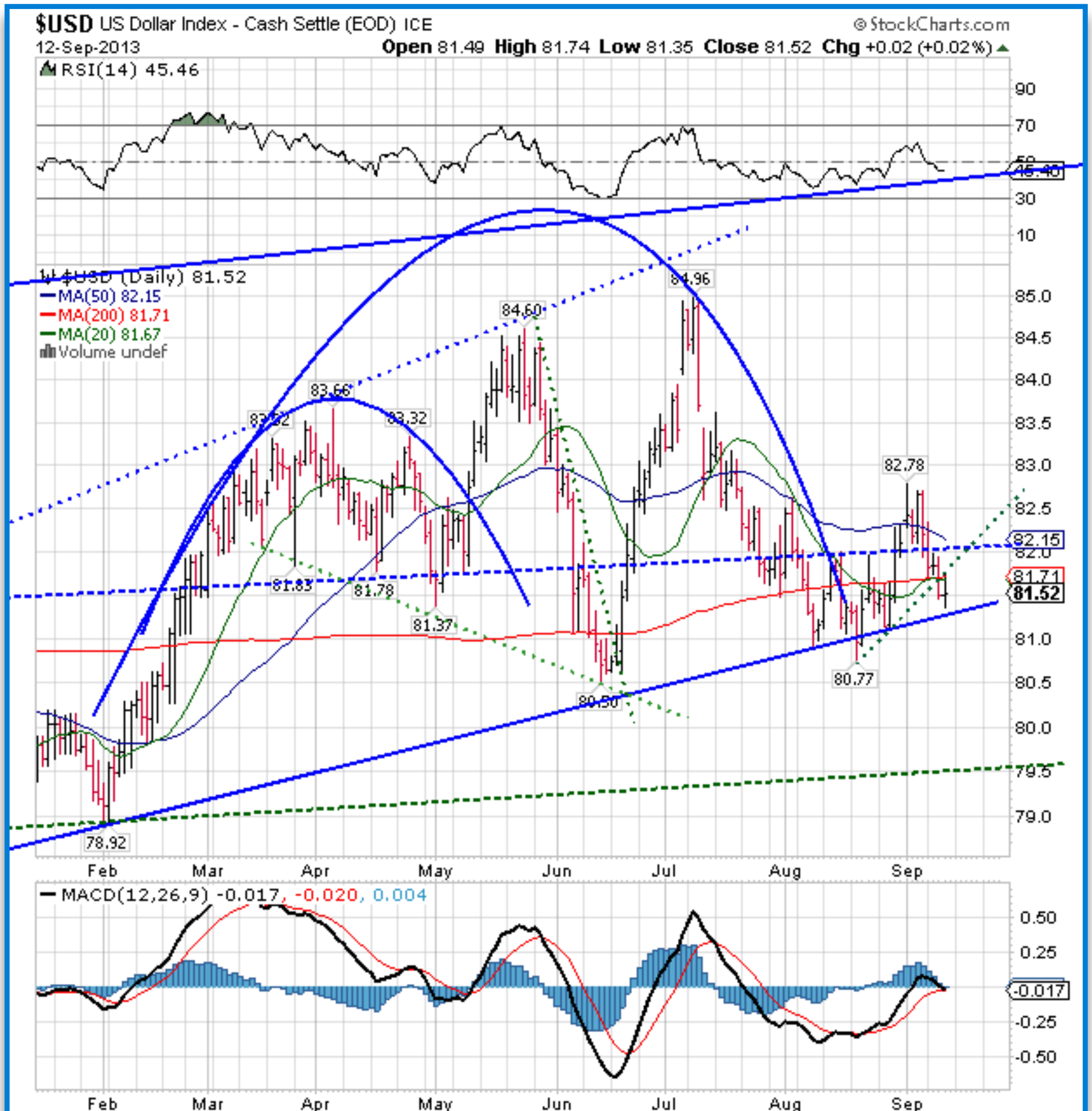

$SILVER Silver - Spot Price (EOD) CME
12-Sep-2013
© StockCharts.com
Open 23.83 High 24.25 Low 21.75 Close 21.77 Volume 147.2K Chg -2.13 (-8.91%)
RSI(14) 42.87
$SILVER (Weekly) 21.77
MA(150) 30.89
MA(200) 27.80
MA(300) 23.42
MA(50) 26.88
Volume 147,186
MACD(12,26,9) -1.085, -1.716, 0.631
ROC(12) 8.55%
ROC(63) -20.61%


$INDU:$GOLD Dow Jones Industrial Average/Gold - Spot Price (EOD) INDX/CME
12-Sep-2013
© StockCharts.com
Open 11.30 High 11.62 Low 11.30 Close 11.58 Volume 3,843 Chg +0.86 (+7.98%)
RSI(14) 60.27
$INDU:$GOLD (Weekly) 11.58
MA(200) 8.49
Volume 3,843
MACD(12,26,9) 0.433, 0.613, -0.180


$INDU:$SILVER Dow Jones Industrial Average/Silver - Spot Price (EOD) INDX/CME
©StockCharts.com
12-Sep-2013 Open 685.68 High 704.88 Low 685.68 Close 702.83 Volume 12.4K Chg +78.46 (+12.57%)
RSI(14) 56.55
$INDU:$SILVER (Weekly) 702.83
MA(200) 472.55
Volume 12,351
MACD(12,26,9) 30.336, 50.855, -20.519


$INDU Dow Jones Industrial Average INDX
©StockCharts.com
12-Sep-2013 Op 15327.14 Hi 15345.32 Lo 15283.26 Cl 15300.64 Vol 428.1M Chg -25.96 (-0.17%)
RSI(14) 60.70
$INDU (Daily) 15300.64
MA(50) 15269.62
MA(200) 14526.11
MA(20) 14989.19
Volume 428,090,496
MACD(12,26,9) -23.307, -85.144, 61.837


$SPX S&P 500 Large Cap Index INDX
©StockCharts.com
12-Sep-2013 Open 1689.21 High 1689.97 Low 1681.96 Close 1683.42 Volume 2.0B Chg -5.71 (-0.34%)
RSI(14) 59.09
$SPX (Daily) 1683.42
MA(50) 1671.10
MA(200) 1573.59
MA(20) 1655.18
Volume 1,987,252,992
1687.18
1709.67
1654.19
1636.42
1627.47
1608.07
1598.23
1560.33
1536.03
MACD(12,26,9) 2.040, -3.249, 5.289


$USD US Dollar Index - Cash Settle (EOD) ICE
@StockCharts.com
12-Sep-2013
Open 81.49 High 81.74 Low 81.35 Close 81.52 Chg +0.02 (+0.02%)
RSI(14) 45.46
$USD (Daily) 81.52
MA(50) 82.15
MA(200) 81.71
MA(20) 81.67
Volume undef
MACD(12,26,9) -0.017, -0.020, 0.004
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep


$XEU Euro - Philadelphia INDX
© StockCharts.com
12-Sep-2013
Open 132.95 High 133.25 Low 132.57 Close 133.01 Chg -0.09 (-0.07%)
RSI(14) 53.18
$XEU (Daily) 133.01
MA(50) 132.21
MA(200) 131.48
MA(20) 132.95
MA(62) 132.06
Volume undef
MACD(12,26,9) 0.015, 0.018, -0.033


$XJY Japanese Yen - Philadelphia INDX
©StockCharts.com
12-Sep-2013
Open 100.63 High 101.01 Low 100.26 Close 100.54 Chg +0.38 (+0.38%)
RSI(14) 45.84
$XJY (Daily) 100.54
MA(50) 101.22
MA(200) 105.63
MA(20) 101.41
Volume undef
MACD(12,26,9) -0.447, -0.268, -0.179


$TNX 10 Year Treasury Note Yield INDX
©StockCharts.com
12-Sep-2013
Open 28.94 High 29.12 Low 28.62 Close 29.07 Chg -0.13 (-0.45%)
RSI(14) 58.48
$TNX (Daily) 29.07
MA(200) 21.12
MA(50) 26.98
MA(20) 28.50
Volume undef
MACD(12,26,9) 0.730, 0.725, 0.005
Mar
Apr
May
Jun
Jul
Aug
Sep

Disclaimer

Nothing on The Solari Report should be taken as individual investment advice. Anyone seeking investment advice for his or her personal financial situation is advised to seek out a qualified advisor or advisors and provide as much information as possible to the advisor in order that such advisor can take into account all relevant circumstances, objectives, and risks before rendering an opinion as to the appropriate investment strategy.