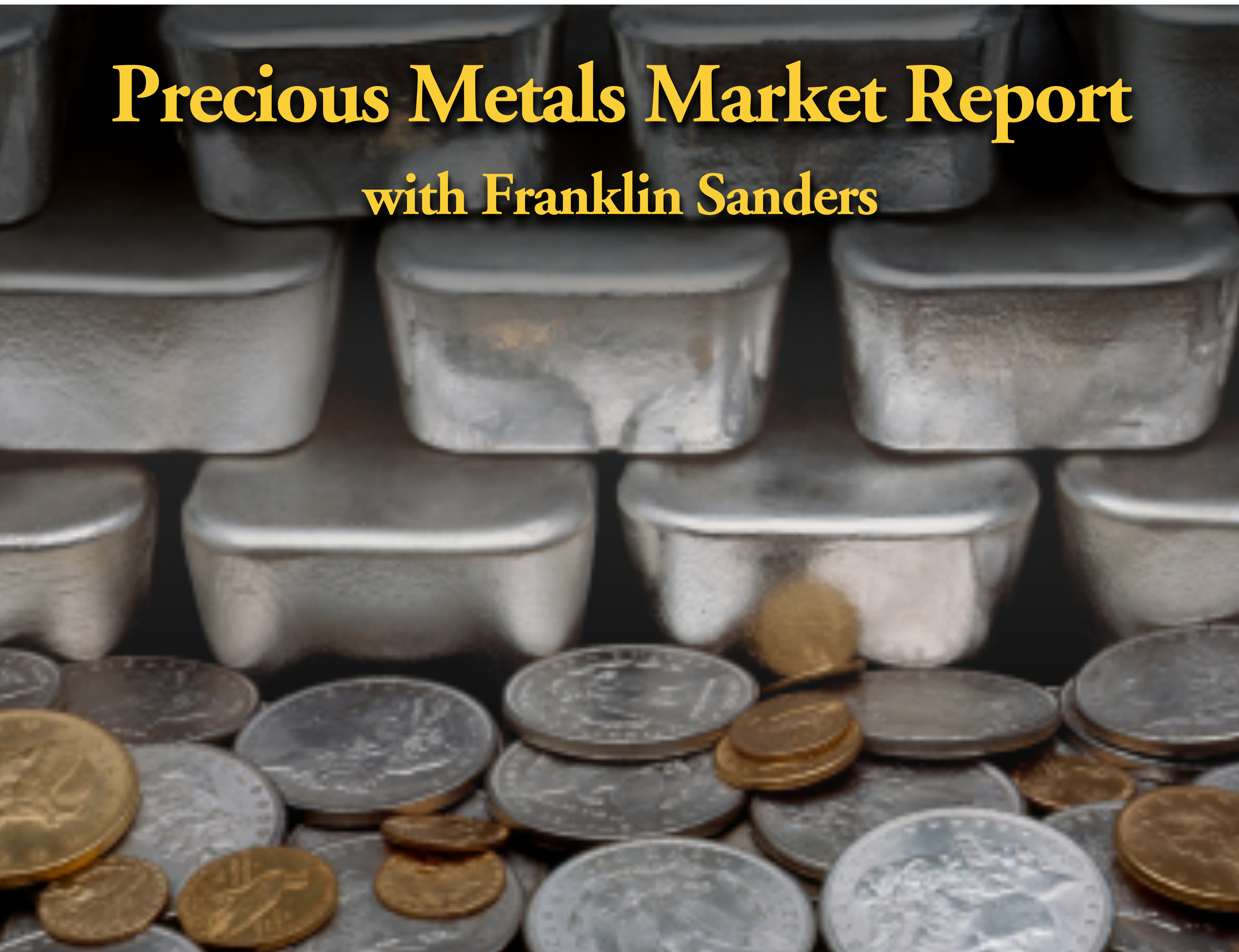
BUILDING WEALTH IN CHANGING TIMES

# The Solari Report

APRIL 10, 2014

# Precious Metals Market Report

## with Franklin Sanders



# Precious Metals Market Report

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**C. AUSTIN FITTS:** Well, it's time for the Precious Metals Market Report on The Solari Report, and I'm pleased to be able to welcome Franklin Sanders back today. It's Thursday, April 10th. It's spring here in Tennessee, so we're enjoying the end of a very long and cold winter. Franklin, welcome to The Solari Report.

**FRANKLIN SANDERS:** Oh, I'm glad to be here. Thank you.

**C. AUSTIN FITTS:** You've prepared a great deal of very good and useful charts. We're going to have them up on the blog post, and they'll be running in the audio. So bring us up-to-date on the precious metals market, where we've come in the last quarter, and walk us through these great charts. We can't thank you enough for doing them.

**FRANKLIN SANDERS:** Well, let's first go back to our preset position of a primary uptrend in gold and silver, because that's the way I invest. I look for the primary uptrend; that is, the trend that will last 15-20 years and go either up or down. My premise is that the primary uptrend in gold began in 2001, as well as silver, and it'll run 15-20 years. A gold uptrend means that there must be a dollar downtrend, because it's the loss of value in the dollar that really drives a gold bull market and silver bull market.

This first chart is a chart of the United States Treasury bond, a 30-year bond, against gold, and you see that the price, the value of the bond divided by gold has decreased since 2001. Because that's a fraction, the bond price is divided by the gold price. So what you're seeing as the price goes down is that the price of gold is actually rising. You can see, since this book correction began in silver and gold back in 2011, that gold has lost value against the bond.

But you notice that it got up to the downtrend line, and now it can't break through that downtrend line; and it looks like it's about to resume the downtrend. As I said, this is really a chart. A bond is a promise to pay dollars in the future, and what you see is that dollars in the future and dollars in the present too are becoming less and less valuable against gold over time.


This next chart is a chart of the bank index which includes the stocks of various large banks against gold divided by gold. Again, it's a fraction. When the numerator (which is the bank index) rises, then the price goes up. When the gold price rises, the price goes down. So you can see that there was a primary downtrend established in 2001 and that's that heavy blue line on the chart.

This is really a measure of confidence: "Does the public trust the


banking system more or do they trust gold more?" You can see that confidence shifting from the banking system to gold all the way into 2009 with an established downtrend, and then there was just a waterfall in 2008 and 2009 which reflects the banking panic. Even though gold went down, the banks went down worse, because the panic of 2008 was precipitated by the insolvency of the big banks, and illiquidity of the big banks. So you see that there was a double bottom in 2009 and late 2011, and the banking sector has recovered confidence against gold in that time.

This is also a function of the rally in the general stock market, because the banking system is at the heart of the stock market. If people are confident about the stock market, they're going to be confident about the bank. But you'll notice, where that red arrow is, that the grass is starting to rollover, and probably has reached its highpoint.

Let's see what gold is doing exactly. This next chart is a monthly chart of gold, and it enables us to stand back and eliminate all the noise of the

daily ups-and-down, which often don't amount to very much. You can see that blue dashed line is the major uptrend line, and in 2006 and 2007 gold started to pull away from that lower line and rise faster and faster until it peaked in 2011.

Then we got that peak in 2011 and it's been going down since; and it just about hit the major monthly uptrend line there. Now it appears to have bounced off, started to rally and change direction. But we're not going to be out of the woods until gold closes above that dashed red line, which is the downtrend line from the top in August of 2011.

**C. Austin Fitts:** So it's about $1,530.00, $1,550.00.

**Franklin Sanders:** Yes, about $1,550.00. In fact, just about the same place that it fell off in April of last year. But it must get over; from a technical standpoint, it has to get above that line before it confirms that it has turned around and is ready to rally again. Let me just reveal one of my presuppositions here.

It's very common in primary trends that is, let's just say, a 20-year bull market. Somewhere in the course of that bull market, about the middle, there'll be a huge correction that makes everybody think, "Uh-oh, the game is over, the trend is over." That happened with stocks in 1987, and it took a little over two years for them to recover after that correction. This is exactly what you've seen in gold and silver.

If you look at that whole uptrend from 2001 until 2011, that was about an eight-fold increase, then increase from the bottom of this recovery to the next top, the ultimate top in the market will be much greater than that. You need to bear that in mind that once gold and silver begin to rally again, they will outperform their performance in the first half or so of this bull market.

Notice that MACD indicator at the bottom of the chart; you see that that black line is starting to roll up. When that black line crosses that red line, that will be a buying signal and that will confirm, again, that gold has turned its monthly trend up.

**C. AUSTIN FITTS:** I've just posted two articles up on the blog; one from Rambus Chartology about the concern that there's another leg down, and then the other one from Chris Martenson making the case on why we've probably hit the bottom and it's time to buy. I wanted everybody to get to see both points of view, but I'm very concerned about the possibility of another leg down this summer.

**FRANKLIN SANDERS:** I appreciate what you're saying; and going back to this gold monthly chart, it's certainly possible that you'll get another fall that could go to $1,100.00. That becomes less and less likely as time goes on, and it looks like that double-bottom that you had in June and December will hold. Of course (I'll talk about this when we get into the shorter term chart), you always have to have confirmation. As you keep rising, there are sequential levels of confirmation; and right now, that's what I'm saying about this gold monthly chart here.

This is not an ironclad deal that we can't say with ironclad certainty that gold has finished its direction until it gets above that line, which is about $1,550.00. Not coincidentally, if you look at any other charts, you're going to come to this same conclusion, that we can't say there is no more possibility of a drop to $1,100.00 or $1,050.00 until it crosses above that line.

**C. AUSTIN FITTS:** I want folks to be prepared. If we haven't bottomed yet, I want them to be prepared to live through a bottom. I have subscribers looking to buy. If they're looking to buy, then they need to realize, we could have found a bottom, or it's not over yet. They just need to be prepared for it to go either way.

**FRANKLIN SANDERS:** Right. One of the problems with that is, if you look back at December when you had an $1,180.00 low, or back in the last couple of weeks when you had roughly a $1,280.00 low, as you keep waiting for confirmation, if you wait too long, you're going to pay $200.00, $300.00, $400.00, $500.00 more for an ounce for gold. You're kind of caught in the jaws of this dilemma. Which is it?

**C. AUSTIN FITTS:** I'm looking to buy some more coins, I'm going to wait;

and I realize I could be wrong. I'm certainly not going to wait for $1,530.00, I'm just going to wait through this summer and see if we get another leg down. But I already have a core position.

**FRANKLIN SANDERS:** Right. One of the bad things about technical analysis is that much of the time it's all in flux.

**C. AUSTIN FITTS:** Right. It looks like this today, and then tomorrow it can look very different.

**FRANKLIN SANDERS:** Right. Another reason, I pay attention to analysts who are more skilled than I am at viewing longer term cycles and setting targets, and there's conflict among those people who are highly skilled professionals that most people would not come across. Some of them say no, it's finished, and other say it isn't. I think it is personally. The arguments are on the side that it's finished, but I certainly recognize the

other side of that.

Here's the monthly chart of silver, if you're ready to go on. You can see that silver has come down and hit its monthly uptrend line. That is the long-term primary uptrend line, you can see where that line is.

You can see, if you look at the RSI (which is that indicator above), that it got lower than it has been at any time in this bull market, all the way back in June of 2001. That would tend to indicate a washout too. If you look down at the bottom at the MACD indicator, you'll see that that black line is trying to roll up and go over that red line.

**C. Austin Fitts:** But it hasn't yet.

**Franklin Sanders:** That'll be the final call. If you look, once silver gets above $23.50 or so, and certainly once it gets above $25.00, there's going to be no arguing that the correction has ended. But silver has behaved a little oddly. Sometimes it's led as we're trying to recover. There was a big rally from the end of December of 2013 until mid-March, and silver kind of lagged in that.

We want to see silver take some lead; we want to see silver do better. By that, the indicator that I watch for that is the gold/silver ratio (that is how many ounces of silver it takes to buy one ounce of gold). The lower that goes, the fewer ounces it takes; and that means that silver is rising faster than gold. We haven't seen that yet. That's gone back-and-forth in a really frustrating pattern.

The next chart we've got is a gold weekly chart, and this one is all fancied up, as you can see. I want you to notice first that strong uptrend line (in blue). Gold came down at the December low, almost to that uptrend line. It almost touched that uptrend line, which gives more credibility to the idea that we've seen the lows, we saw a double-bottom in June and December. That's what those two arrows are, under that blue line on the right side of the chart. You see also that back in 2008 when gold made that huge correction, it came almost to that uptrend line, but didn't quite touch it or go through it.


$GOLD Gold - Spot Price (EOD) CME
© StockCharts.com
9-Apr-2014 Open 1304.00 High 1315.50 Low 1295.80 Close 1312.70 Volume 305.6K Chg +10.40 (+0.80%)
RSI(14) 50.84
$GOLD (Weekly) 1312.70 (9 Apr)
MA(50) 1312.67
MA(200) 1495.92
Volume 305,621
Note lows in both price & Relative Strength Indicator (RSI)
Log Scale chart shows price in percentage gain.
1923.70
1798.10
1526.70
1392.
1227.50
1181.40
1033.90
728.00
681.00
563.50
433.00
384.50
372.00
323.00
320.10
255.80
MACD(12,26,9) 1.471, -6.725, 8.197
Full STO %K(14,3) %D(3) 55.53, 63.72


$SILVER Silver - Spot Price (EOD) CME
©StockCharts.com
9-Apr-2014
Open 20.00 High 20.17 Low 19.60 Close 19.85 Volume 132.3K Chg -0.10 (-0.53%)
RSI(14) 42.99
$SILVER (Weekly) 19.85 (9 Apr)
MA(50) 21.08
MA(200) 28.27
Volume 132,348
MACD(12,26,9) -0.370, -0.413, 0.043

Also, if you look up at the RSI, you see that those lows, where you see the lows in the RSI, are places that have marked previous lows in the gold market. We've got two lower lows, lower than any other time in the bull market, at the two lows that we saw in June, and then later in September or so.

If you look down at the MACD below, you'll see that the black line has crossed over the slower red line. That also is an indicator that the market has turned up. Down below are the stochastics; and those are kind of neutral, they don't really say much. The gold is correcting right now and that's what they say, but they don't give us a lot more information than that.

If you look at the silver weekly chart, which is the next chart that we've got, you'll see the similarities. With gold's chart, you've got this long-term blue uptrend line which silver revisited back in 2008. Then you had that massive rally, and it has not come down yet to touch that line. Sometimes you can manipulate these lines so they change around, and I could raise that line so that the 2008 low cuts through it, and that would mean silver had touched the line here in the last year. But I'm satisfied with the way it is.

I think it's come down far enough. You've got those two bottoms, again at those two red arrows under the blue line, indicated. You've had these massive lows in the RSI (that's the indicator above), you have these lower lows and this enormously over-sold situation in silver back in 2013. So it really looks like silver is not going to make another trip lower. If it did, then you're looking at $15.00.

If you look, there was a peak at $15.20, so there's a lot of support straight across there, and then the uptrend line comes in at about $15.00. So that's possible but, again, I'm on the unlikely side of that.

This next chart is a chart of the Dow Jones Industrial Average for the last 19 years. The reason I show this chart is because this is like the great cloud that hangs over markets and the economy. This chart says more than any other chart I could possibly show you. It shows that for 16


years, the Dow has been in this broadening top. If you look at any other stock index, it has a chart that looks like this S&P and so forth. So I'm not just picking one index and finding something odd in it. This is common to every stock index.

You see this enormous broadening top, or megaphone formation, which you might call "the jaws of death" because it's getting ready to close. The longer something like that takes to form and to trace out, the stronger it is. You'll notice that the Dow has traded up to that top boundary line of the megaphone.

Now, it might go over that just a little, but most likely, you're going to see a top, probably in May, but perhaps as late as November; and when that happens, you're going to get an enormous plunge. That plunge will be the correction of a 300-year up-cycle, because stock started going up with the Mississippi bubble about $17.20. This is a chart that really casts a pall over the stock market, and over the economy in general, because if you get a plunge like that (and I think you will), then that means that the economy's going to be doing terribly as well.

**C. AUSTIN FITTS:** Well I'll tell you, I've looked at this and I think there are a couple different ways it can go. The unnerving thing about the new money and the North American equity markets right now, is their P/E is so high relative to historical. Beneath that P/E, you've got a lot of reengineering going on in the economy that makes the earnings very divergent as to who's going to have earnings going forward and who's not. There's a lot of change going on inside the index.

But if you look at the P/E, it's very high relative to historic, except for one thing, and that is any period where you have enormous amounts of new innovation. You see the P/E skyrocket. I call it a crash-up. Even bigger than that, the thing that's happening, which is unusual right now, is you have people all around the world coming into the markets through Smartphones. We now have more people on Smartphones than we have people who have toilets. We're up to about two billion people on Smartphones. Since the high of gold in 2011, we've gotten almost a billion people accessed to the Internet.

When I look at the gold market, I think one of the things that really brought the price down was all the restrictions placed on the Indian gold market. This week, those restrictions starting to come off.

A lot of what's driven the price is the need for the central banks to restore, replenish, and rebalance their gold stores. There's been a real competition between the central banks and the retail customers, and restrictions has driven a lot. For the first time in history, we have enormous amounts of Chinese and Indian retail customers who buy gold and silver, and with bank deposit, they save with real estate, they save with gold, and they don't save traditionally with equities.

The United States and the pension funds here buy equities, but globally, nobody else buys equities. The big swing here is, now that you've got two-billion people on, and plan to get seven-billion people on

Smartphones, what are they going to invest in? Is it going to be bank deposits, is it going to be real estate, is it going to be gold and silver, is it going to be equities, is it going to be a balance of those things? That's an enormous swing that's brand new, and I have no idea which way it's going to go.

Seven billion people, what they do can always surprise me. I live in a town of 200 people, and what they do always surprises me.

**FRANKLIN SANDERS:** Yes. Of course, if you're going to talk about Smartphones, one of the things that has not happened yet but is beginning to happen is the transfer. It's what was always easy to envision happening with the Internet since 1990. James Turk and I had talked about this when he was working on the patents for gold money, and that is, once you are able to electronically transfer gold balances easily, then it wouldn't take two years for some kind of gold and silver-backed electronic money to undercut all national fiat currencies because the currency is superior. The gold currency is superior.

The problem with it today is that it's not liquid. That is, you can't use it every day in transactions that you make. Well, in Africa, payment systems through Smartphones, or through cell phones, are much more used than they are here. And they are working on plans that will allow them to transfer gold balances. The point I'm trying to make is, once that goes viral, governments will not be able to stop it. I'm not saying they won't try to stop it. They've been trying to stop it.

**"In Africa, payment systems through Smartphones, or through cell phones, are much more used than they are here. And they are working on plans that will allow them to transfer gold balances."**

They have tried to hem in gold money since the very beginning and tried to call them a payment service, and so forth and so on, to keep them from offering that service, and to hamstring that service at every turn. But once that starts and goes viral, once the repudiation of those national fiat currencies begin and people turn to an electronically transferrable gold and silver money, it'll go so fast that the central banks won't be able to do anything.

**C. Austin Fitts:** Well, in one sense I agree, but in another I disagree. The reserve currency is driven by force, not by economic value. You have a much more optimistic view of the world than I have.

**Franklin Sanders:** I just conceded that they've done everything possible to block it. They're certainly as clever as I am, or more clever. They can see forward to these things and how they would unfold. But you can't get in front of a stampede.

**C. Austin Fitts:** Right. Look at the consolidation we've had since 2011. I'm constantly asked why I feel so confident in the long-term primary trend. I appreciate that anything can happen and that I could be wrong about the long-term primary trend, but I don't think I am. There's no doubt we're looking at a global economy that's being rebalanced. Everybody's being brought into the global economy through the Smartphone technology.

What is going to happen? If you asked me, "What do we need to get gold adopted, whether as part of a digital currency or as the core trading system among the central banks," we clearly needed a consolidation. Allow more people to come into the market, allow the Asian retail customers to come in and central banks to rebalance.

If you look at everything that's happened during the consolidation, it's doing a lot to create the base you need for this thing to happen. In other words, gold had run up so far so fast, and the number of people who had gold was still relatively small. I dare say, during this consolidation, that basis has been widened dramatically. Wouldn't you expect that?

**Franklin Sanders:** Well, yes. I don't look at it quite the same way that you do. The term you use is "rebalancing." I'm not so sure that financial system can be fixed. From my standpoint, the system itself is the problem, and tweaking around the edges (even major tweaking), won't help. What I've seen in the last five years is that the system has made itself more consistent with what it was.

In other words, it's become more purely what it always was, but it's become more like itself. If I were using moral terms, I would say it's become more evil than it was before.

**C. Austin Fitts:** Right. Also the evilness has become more obvious. Just as the Internet provides access to the NSA to become much more invasive, it also connects everybody and lets them see the information to understand what in the world is going on.

**Franklin Sanders:** The Internet is an example of how things can get away from government controllers, because the Internet has a lot of bad stuff. Any idiot can get on there and say anything he wants without proof. Without question, government authorities are on there creating false rumors, and issuing false reports. There's all kinds of disinformation, but at the same time, how do you put the cork back in that bottle today? The Chinese are not even successful at doing it.

The possibility always exists that the shepherds are run over. I don't know that that's going to happen, but certainly there's a possibility that it could happen. I see these little straws in the wind like what's happening in Africa with electronic payments. Some fairly big people are coming out with a gold and silver electronic payment system fairly soon.

Can that survive? No doubt, the powers that be will be bending every nerve to suppress that. Can it get out from under the box before they do that? I don't know.

**C. Austin Fitts:** Well, it was certainly interesting when bitcoin was really rising. There was a headline coming out that the Jersey Isle Authority had been approached about combining bitcoin with gold. I said, "Well here it comes," because as you know, I think bitcoin is coming top-down, and not bottom-up. I'll make it very clear.

What the G7 wants is a digital currency. If you took a digital currency that essentially destroys anonymity (which is where bitcoin and virtual currency is going) and you combine it with gold, then from the leadership's point of view, you've got the best of both worlds. You've got sound money.

Once you steal everything, then you want to keep it. Sound money works in your favor. The question is, if you do that, how in the world are you going to keep social security and all these different transfer payments going?

**FRANKLIN SANDERS:** That brings us to a bigger consideration of the unworkability of this system that they've set up. It's probably a better idea that I go to the next chart and try to unravel that, because we'll be here all day if we don't.

This next chart is of the Dow Jones Industrial divided by gold. This is, again, a fraction, with the Dow Jones Industrial as the numerator (the top part of the fraction) and the gold is the denominator. Whenever gold is rising faster than the Dow Jones Industrial, this graph drops.

It turned in August of 1999 when it reached about 45 ounces and you see that heavy blue downtrend line that has ruled ever since, except where I've got these red arrows over on the right-hand side. Last year, it broke up through that downtrend line. It appears to have peaked at the end of 2013, and it's gone down ever since. Until it gets back below that blue line, we can't say for sure, "Yes, it's turned again."

One of the things that I'd like to point out is if you couldn't see the whole right side of the graph and you drew downtrend lines, what would happen is those downtrend lines keep kicking out to the right. That's normal in the process of a market. This is a primary trend of stocks losing value against gold, or gold gaining value against stock. The long-term target for this (I base this on historical performance back to $1,896.00) is one to two ounces of gold to buy the entire Dow. Right

now, it's about twelve-and-a-half. If that long-term target works, it's got quite a ways to go. It has to lose about 5/6 of its present value.

This next chart is the Dow in silver, which looks similar. It also appears to be rolling over. I've got an arrow pointed to the stochastic. This downtrend started in 2001 and just like the gold last year in 2013, it broke up through the downtrend line. We're still waiting to see it go below that downtrend line (which is about 500 ounces right now), before we can say, "Yes, okay, the trend is still intact."

That's one that I watch very anxiously. One of the reasons I watch it is because the Dow in gold and in silver has been such a reliable indicator for me over the years. I'm nervous when it's rising the way it has been in the last year-and-a-half, but that's part of this whole correction.

Coming down a little closer, I want to look at gold's four-month chart. This is a chart I use every day, so I apologize that it's a little busy. What this four-month chart shows is there's a little head. If you can see it, that heavy dashed blue line below the solid blue line is the neckline of an upside-down head-and-shoulders.

That upside-down head-and-shoulders got up to the $1,392.00 level. This formation broke out where that red arrow is, back in February, and it rose up to $1,392.00. Then, pretty predictably, it fell back. When it fell back, it fell back right below that neckline.

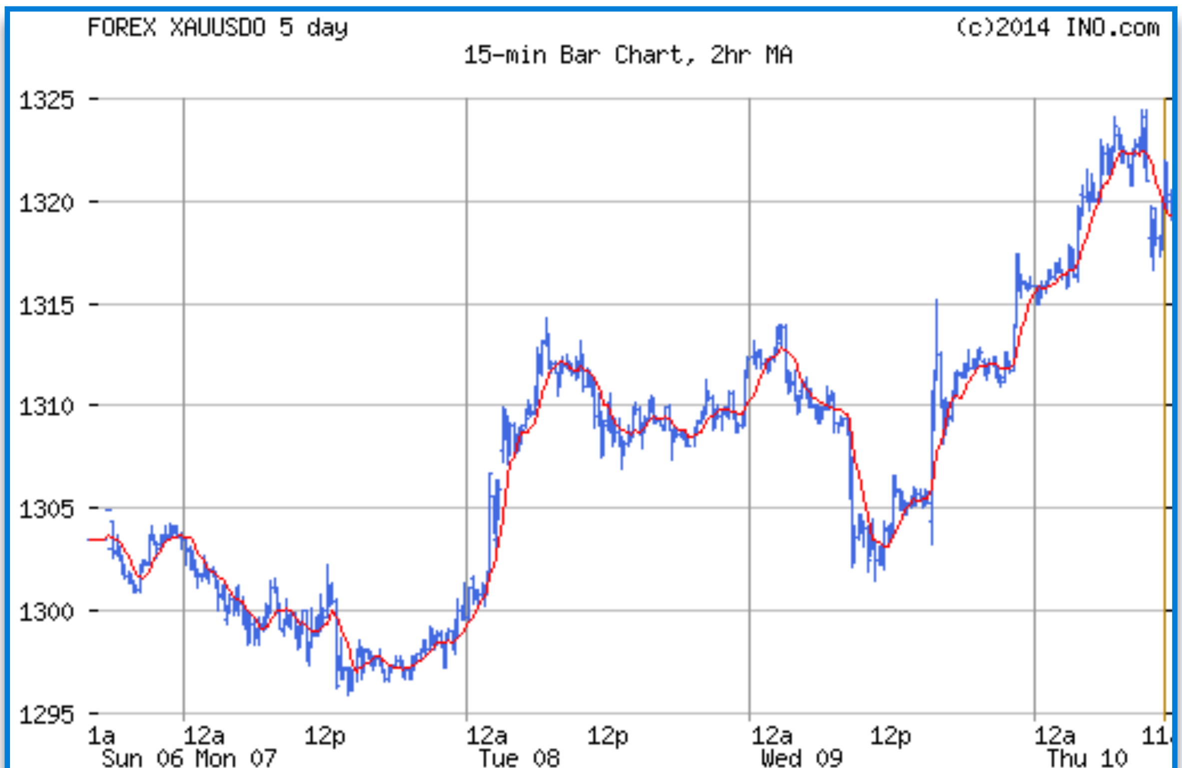
This is typical behavior for a market, that it makes an upside-down head-and-shoulders. It breaks out through the neckline, rallies, and then comes back for one final kiss goodbye before it takes off. That's where that $1,277.00 line is. It appears to have done that. It's also gotten back up over its 200-day moving average.

Where will the answer to the question come? The answer to the question really won't get here until the gold market gets up above about $1,435.00. That'll be our first big confirmation, "Yes, indeed, the market is rallying." After that, it has to get back up over that $1,550.00 area that we pointed to back when we were looking at the monthly


$GOLD Gold - Spot Price (EOD) CME
©StockCharts.com
9-Apr-2014 Op 1308.50 Hi 1315.50 Lo 1301.10 Cl 1312.70 Vol 120.7K Chg +4.70 (+0.36%)
RSI(14) 50.80
$GOLD (Daily) 1312.70 (9 Apr)
MA(50) 1311.76
MA(200) 1297.05
MA(20) 1317.09
Volume 120,696
SHOULDER
HEAD
MACD(12,26,9) -6.260, -5.264, -0.996
ROC(12) 0.28%
Full STO %K(14,3) %D(3) 41.34, 31.20

chart. Gold has to close over that to give us a final confirmation that this is all over.

This four-month chart could be fooling us. It might have come down here, it might rise again almost to $1,390.00, and then come back again and go lower still. That might be the fulfillment of your expectation of another low. That's a possibility. I don't think that's going to happen. If it does come back, it won't come back farther than that neckline.




Let's go to a five-day chart on gold. On the five-day chart, there was a low on Monday, and then there was a higher low on Wednesday. Today, as it's trading, you'll see that you have a pattern of higher lows and higher highs, which is the definition of an uptrend.

**C. Austin Fitts:** Right, and it's always a good sign.

**Franklin Sanders:** Yes, it's always a good sign.

**C. Austin Fitts:** Right, and we have the dollar dropping. The dollar has had a very bad week.

**FRANKLIN SANDERS:** Yes. Frankly, the dollar really looks like it's going to tank. It had the opportunity to rally in the first half of this year, but it was very slow and lazy. It never showed very much enthusiasm except for one day. It got up to, not the big resistance level, but the first resistance level at $80.50. Now it's fallen back from that and below $80.00, and it just looks terrible.

If I owned dollars, I'd be reaching for my wastebasket to vomit in.

**C. AUSTIN FITTS:** Not me. To me, it's either going to get major support between $78.00 or $79.00, or it's not. We've been here many times before.

**FRANKLIN SANDERS:** The problem with currency markets, especially, is that they are so deeply and thoroughly manipulated. A big move in the currency market is because all the heads of the central banks, or their representatives, sitting around once a month in front of a rubber chicken dinner in Basel at the Bank for International Settlements made a deal. "Well, you're going to let the euro go up this month, I'm going to let the dollar go down. The yen, we're going to let go sideways." They do that; they're on record.

**C. AUSTIN FITTS:** Right, it's managed. One of the big issues for all markets is interest rates. Interest rates have been coming down for 30 years until last year, and it started to sneak up. Then when Yellen went in, she implied that they were going to let interest rates rise a bit, and everyone got scared.

If you've been worried about safety since 2008, you haven't gotten any yield. You're not going to get any yield in precious metals, you're certainly not going to get any yields if you're staying within a five year term in the short to intermediate spectrum in bonds. People have been going to the stock market for yield, because at some point, if you're retired, you need to pay your rent.

So, there's a real discomfort about, "How am I going to get yield?" That's part of what's shifted people out of precious metals and into equities.

**FRANKLIN SANDERS:** Well, that's part of controlling public behavior. The Fed keeps interest rates low and the reason they're doing that is the interest of the government being able to sell its bonds and not go deeper and deeper into debt, but primarily in the interest of making the big banks hold, which they've spent five years doing. Taking the junk off of their balance sheet and putting it on the Fed's balance sheet.

**"The Fed keeps interest rates low and the reason they're doing that is the interest of the government being able to sell its bonds and not go deeper and deeper into debt, but primarily in the interest of making the big banks hold, which they've spent five years doing."**

**C. AUSTIN FITTS:** This is where you and I just are going to flat out disagree. If you look at the stocks at home (particularly when emerging markets are down), you can get five to ten percent of dividends from a great enterprise with great management that does something pretty boring, but pretty necessary. That's a great investment.

**FRANKLIN SANDERS:** I'm not saying that's not. What I'm saying is that if you drive interest rates down to zero, then people don't have any choice but to go into stocks. That controls their behavior.

**C. AUSTIN FITTS:** Right; or real estate.

**FRANKLIN SANDERS:** Yes, but real estate is a bigger problem now. Real estate still suffers from the bad smell of the crash.

**C. AUSTIN FITTS:** Right, but you are watching a lot of those institutional and retail monies shift into real estate just so they can lock up a five percent yield.

**FRANKLIN SANDERS:** I don't doubt that. My main point is you are seeing the top in a bond bull market that started 30 years ago. You're right about that.

**C. Austin Fitts:** Right.

**Franklin Sanders:** Just like the stock market, the bond market is huge and it doesn't turn fast. If you're trying the short bonds now, you're going to get killed.

**C. Austin Fitts:** Think of it this way. We've had the whole investment community, whether institutional or retail, saying, "I don't have to worry about fundamentals because I'll just get a government guarantee. I'll just get bonds. I don't need to worry about it."

It's almost as if the whole planet is realizing, "That was great fun, but we're destroying the environment. We're killing each other. How are we going to shift into a model where everything is "risk on?" We're going to have to manage in a way that builds wealth instead of destroys wealth." That's a 500-year change.

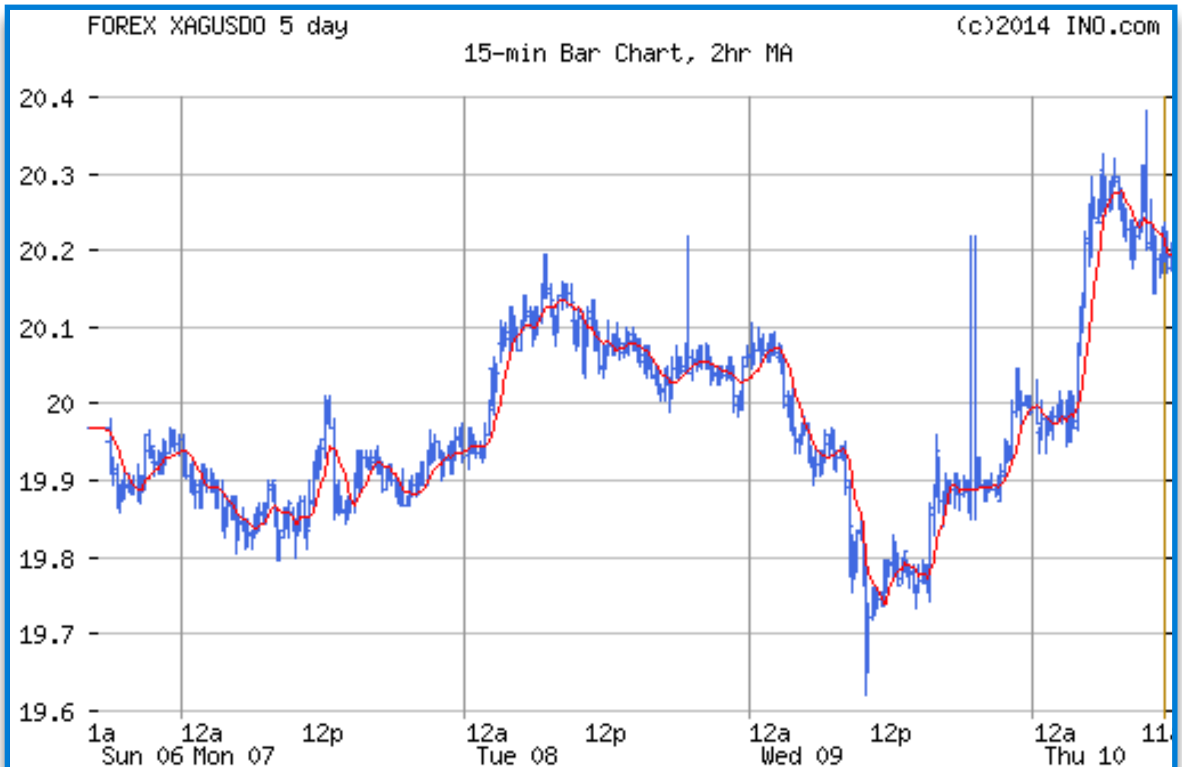
**Franklin Sanders:** There's another trend. The trend that's topping here is the concentration and centralization of power in the state. It's very hard for us to see, because we're living at the peak as it's rolling over. But since about 1600, power states have been created. States before 1650 didn't exist, monarchies existed. When you took an oath of allegiance, you took an oath of allegiance not to a state, but to an individual, a king.

Today, all of that's shifted. The state has become a corporate entity, a juridical person that has no physical existence. Power has flowed from the periphery to the state in the center for 300-350 years, and now it's topped. What do you see? You see one empire worldwide that has hegemony over the whole world. Where can you go from there? You can't go to half an empire.

For a lot of reasons, I'm convinced that trend is turning over.

**C. Austin Fitts:** Well, the problem is there's such a thing as a privatization these days; but that's a topic for another day.

**Franklin Sanders:** Exactly. The interest rates will go up, and when the market takes control away from the Fed and they go up, then the Fed is going to have a lot of trouble. Then there are going to be a lot of big changes, but that hasn't happened yet. All you can do is look at the chart and say, "Well, when is that going to happen?"




If you look at the four-month silver chart, you see pretty much the same thing. Silver has found its feet down here at $19.60. As long as it stays above $19.60 then it ought to rally, but it's got to get over $20.15. After that, it's got to get over that past peak back in February at $22.18.

If you look at a longer term silver chart, what you're going to see is that $26.25 is the big line, and it has to get over that to give us complete and total confirmation. Every indication is that it's pointed that way. If you look at the very short-term silver chart, you see that we got a bottom on Wednesday, the 9th, and it's been zipping up ever since then.


$SILVER Silver - Spot Price (EOD) CME
© StockCharts.com
9-Apr-2014 Open 20.04 High 20.09 Low 19.60 Close 19.85 Volume 58.6K Chg -0.21 (-1.05%)
RSI(14) 41.43
$SILVER (Daily) 19.85 (9 Apr)
MA(50) 20.54
MA(200) 20.83
MA(20) 20.20
Volume 58,558
4/2013 hi
100.0%: 22.48
61.8%: 21.14
50.0%: 20.72
38.2%: 20.31
0.0%: 18.97
MACD(12,26,9) -0.251, -0.250, -0.001
ROC(12) -0.45%

**C. Austin Fitts:** I confess (just because I'm worried we might have to live through another leg-down before we establish the bottom), I feel a lot more comfortable with gold right now than silver.

**Franklin Sanders:** It's always less volatile.

**C. Austin Fitts:** Also, I take a look at the Asian retail customer and they're in love with gold. There's tremendous market fundamentals on the side of gold over the long run, and there's industrial policy monkeying around with silver.

I do have one question that you and I have gone back-and-forth on. We have a wonderful subscriber in an urban environment who has been informed by his bank he can't hold legal tender in his safe deposit box.

Now, I've spent a fair amount of time at the FDIC website trying to figure out if this is coming from the bank of the regulators. It doesn't seem to be an overt policy that I can tell. So, he's having to get his 90 percent silver, and, given that he rents in an urban environment, the last thing he wants to do is keep it at home.

I would argue, one of the things you can do is use two small safes – one hidden and one not. There are ways of doing it, but it requires an investment. What are the potential depository choices that are available and how do we explore them further?

**Franklin Sanders:** Let me give you two depository choices. The first one is Diamond State Depository in New Castle, Delaware. The phone number is (302) 322-6150. Diamond State is new, they're reputable, and they give good service.

The problem with all of these depositories, I want to make clear, is that you can't tell what they charge. It's very difficult to compare their charges, because in the end, I don't think any of them offer any bargains over the others. One of them charges more for this, but less for that. Then the other is the other way around. Whatever you do, you want segregated storage.

Both Diamond State Depository and CNT Depository offer segregated storage. You want to pay for segregated storage. What that means is that you don't have an undifferentiated claim to some pile of gold and silver, your stuff is put aside in a place with your name on it. Think about it as being put aside in a bag with your name on it. That's the only kind of storage that I want.

## RECOMMENDED DEPOSITORIES

**DIAMOND STATE DEPOSITORY**
**NEW CASTLE, DE**
**(302) 322-6150**

**CNT DEPOSITORY**
**BRIDGEWATER, MA**
**(508) 807-4800**

The other folks are CNT Depository in Bridgewater, Massachusetts. Their phone number is (508) 807-4800. This is about a $20 million facility, it's brand new.

I have been up there and toured it. I pitied the person who tries to break in there; that's all I can say.

This is absolutely state-of-the-art, and they offer every kind of service. They may sound on the front-end that they're a little bit more expensive than somebody else, but our experience is that they're not really, and they offer really good service.

Now, let me go back to your customer. Your customer needs to get a new bank.

**C. AUSTIN FITTS:** He definitely needs to get a new bank; there is no doubt about that.

**FRANKLIN SANDERS:** These people are full of hogwash; there's no regulation that says that. They're just paranoid.

**C. AUSTIN FITTS:** Let me tell you what this is about. This is simple. I was over at the radio station at University of Memphis yesterday looking at a studio we're going to use for The Solari Report. I was driving back and there was a teenager out in the street with a huge sign saying, "We buy gold," pointing into the pawn shop.

So, the giant sucking sound of getting people to sell their physical, and bring that physical in for the central banks, continues. It's all part of the giant sucking sound of getting physical.

**Franklin Sanders:** Let me go back. Self-storage is always the best alternative. People want something for nothing. I'm sorry, we're all that way; I'm that way. You're not going to get something for nothing, so you're not going to get security without spending a little money.

**C. Austin Fitts:** Within my world, the way people lose money on precious metals is their coins get stolen, or they forget where they put them. You and I did an audio seminar on how to store precious metals, and we have a special report on that. I would really encourage people to go back into the archives in the precious metals library and listen to that. If you're going to store it yourself, you've got to pay attention. If you're going to do it in an urban environment, you're going to have to spend some real money.

**Franklin Sanders:** Your idea of having one decoy safe out in the open and another safe that's concealed is a very good idea. If somebody does break into your house, they think they got the one safe, and they're going to open it up and you've got nothing but Styrofoam chips in there.

**C. Austin Fitts:** No, I always have one or two coins to give them. If somebody's got a gun on me, I don't want to give them Styrofoam. Around here, they'll shoot you.

**Franklin Sanders:** That reminds me of that famous Jack Benny routine. Benny was supposed to be really, really tough and he's telling this story. It's supposed to be one of the greatest laughs in recorded history.

He's telling this story and he's walking down this street. A fellow sticks a gun in his rib and says, "Your money or your life." There's a long pause, and finally the robber says, "I said, your money or your life." Benny says, "I'm thinking; I'm thinking." I'd be the same way if they put a gun in my ribs.

In any event, you can't buy $50,000.00 worth of gold and silver and be afraid to spend $400.00, $500.00 or $1,000.00 to secure it. That's not reasonable.

**C. Austin Fitts:** Right. But there are good depositories. Well, Franklin, I can't thank you enough for joining us on The Solari Report. You'll be back next quarter, so we'll see what unfolds this summer.

**Franklin Sanders:** Thank you for the opportunity. I'm always glad to join you.