The Solari Report

FEBRUARY 18, 2016

Precious Metals Market Report

with Franklin Sanders

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Table of Contents

C. AUSTIN FITTS: Ladies and gentlemen, it's my pleasure to welcome back to The Solari Report a man who needs no introduction, Franklin Sanders of *The Moneychanger*. We're going to be talking about what happened with precious metals last year, how it's done this year, and the outlook for precious metals. You've sent in a lot of questions about storage options, and we want to just touch base on that. But when you talk about gold and silver, you can't help but talk about financial freedom. There are so many wild things going on. We're going to take some time to talk about some of what is happening in the politics of our situation as it relates to the financial system.

So, Franklin, welcome back to The Solari Report.

FRANKLIN SANDERS: I'm just delighted to be here.

C. AUSTIN FITTS: Tell us about 2015. How did precious metals fare?

FRANKLIN SANDERS: Precious metals didn't fare well. Gold was down 10.4%, silver was down 11.5%, platinum was down over 26%, and palladium was down almost 30%. So it was a whacking bad year, but it wasn't a good year for stocks either. The Dow transports were down nearly 18%, the Dow industrial is down 2.2%, the S&P500 is down 0.7%, which is basically flat, and other world industries are down.

I think this was the year of transition. You saw that transition especially in the bank stocks index where the too big to fail, which is mostly of the too big to fail banks, called the Philadelphia Bank Stock Index, begins to drop, the confidence in the financial system is dropped. We look for that. I look at the gold and at the spread which is the gold divided by the bank stock index, to see which one is gaining on the other one. That's probably the most pivotal indicator other than the Dow and gold that I watch. The reason is very simple: because it will tell you when money is going into the financial system and out of metals, and when that flow is reversed.

I think that what we've seen says that that flow has been reversed. So with 2015, oil lost 31% and has gone on losing. It's lost another 20%

since the year started. US Treasury didn't do much of anything. It changed a little bit, but not very much.

Overall it was a very difficult year for most people to make money. Even though I know there was excitement about the FANG stocks and all that sort of thing, but now they've been busy giving all that back.

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Since the first of the year, stocks have been under heavy attack. Even with the gains of the last few days, last night when they closed, the Dow for the year was down 7.1% and the S&P was down 7.3%.

Gold and silver, on the other hand, have done amazingly well. We'll get to that in a minute. Gold for the year is up 13%, silver for the year is up 11.3%, platinum and palladium – which have been dragging down the whole metals complex – are doing well. They have made what look to be bottoms, too, although palladium is still working at it.

The dollar index is what is interesting.

C. AUSTIN FITTS: Franklin, let me just ask you a question. In January of last year silver was up 16% and gold was up 10%. It almost looks to me like a repeat of early 2015. Does it look the same to you, or is it different?

FRANKLIN SANDERS: Yes, but I don't think you had quite the same weakness in the stocks, and you didn't have the same set-up in other indicators that you've got this year. Those other indicators have been building since summer.

For example, the Dow in gold, which I'm going to talk about in a minute, has changed. Also since December you've had what appears to be a significant break in the dollar, although that's not been finally determined yet. But that's taking it down 2% for the year, and that's counting a pretty big rise yesterday.

So when I look at all that stuff together, I think that what you saw in 2015 was a big shift. It was money shifting out of paper and into hard assets.

Now let me qualify that. There is a price deflation going on in commodities that is the natural result of all of the monetary inflation that central banks engaged in in the 20 years from 1995 to 2015. That will probably be worked out this year. I mean, anything can happen, but what I envision happening is the rapid collapse of stocks will induce central banks to print even more money, and create even more money, including the Feds. If they do that, then it won't take long for commodities to bottom and go up again when it becomes evident that the dollar in all the rest of those currencies are being depreciated.

What I think happened is you've got that shift out of financial into hard assets last year, and now you're seeing the culmination of the drop in commodity prices that began in 2008 with the financial crisis. Now, of course, oil has shown that the most severely.

C. Austin Fitts: Let me bring up a couple of things that relate to this. I'm going to walk away from the charts and just look at the fundamentals.

I would say that you have the general investment community saying, "Okay, we engaged in unprecedented QE. Did it really work, or did it just delay the inevitable?" There's a big question mark.

Franklin Sanders: Right.

C. Austin Fitts: And then you have other things happening in the fourth quarter that so devastated any confidence, I believe, in US leadership. I think the world is looking around, and I think it induced a lot of distrust of the system. That's part of what we're seeing. Everybody says, "Let's get our money out."

Franklin Sanders: Which events in particular are you thinking about? I mean, there are a lot of them.

C. Austin Fitts: I'll just use one example. When Donald Trump basically said, "No Muslims allowed in the country," what he did was he said to 24% of the people around the world, "We don't want your money."

First of all, what he was proposing was way outside of the Constitution as far as I'm concerned. Second of all, it was so over the top in terms of the financial reality because you're basically picking a fight with a tremendous amount of the capital that you're looking to flow into the market. There's a very deep personality disorder there, and it comes on top of the United States engaging in very ugly economic warfare, and warfare all over the world. I think it signaled a message that this country is very financially fragile and weak, and the general population is so far away from the reality.

The official reality and the politics reality becomes so disassociated that you literally can't trust the US leadership to manage the financial system.

Franklin Sanders: I'm not trying to be a smart aleck, but my first response is, "So what else is new?" They've always been that way. They may have hidden behind a facade of liability and respectability before, but the US has always been that way. One of the most dangerous things any country could do was to be a friend of the US, and that's the view of the Shah of Iran.

You're right; they go out of their way to insult people and to pick fights. In my mind it went immediately to the stupidity that they're playing out in both the Ukraine and Syria. World War is not a toy to be played with. It is not an option.

C. Austin Fitts: Right.

Franklin Sanders: The Obama Administration is pushing the Russians, poking them in the eye. That just seems to me to be like giving teenagers a case of whiskey and car keys.

C. Austin Fitts: Right. Well, they're doing it and it's not effective. In other words, if you look at the sanctions, we've managed to induce tremendous amounts of global slowdown and debase a lot of the economics of many different countries. What has it accomplished?

FRANKLIN SANDERS: Nothing! It doesn't accomplish anything. That's just it. They went and picked on Russia in their own sphere of influence, taking Ukraine into the Western Alliance after the Russians have been promised that they wouldn't do that. It's not any surprise that the Russians aren't pleased about that.

C. AUSTIN FITTS: Right. So I just think you're watching a very fundamental breakdown in confidence in the leadership. It's very hard to capture when you look at charts, but you have a general deflation. I see it all around the world. Businesses and people are saying, "I'm just going to pull my horns in. There's no point in taking risk in this environment."

FRANKLIN SANDERS: Right.

C. AUSTIN FITTS: I think part of the collapse of liquidity comes from a fundamental distrust of the system. If you're being harvested in a rigged system, you don't want to play. You take your cards and go home.

FRANKLIN SANDERS: Right, but that revulsion from the system is part of the whole bundle of elements in the psychology or morale of the market. When a market is upbeat – when a market has an optimistic, upbeat, bullish outlook – then you can hit it over the head with a hammer and it won't slow down. But now all of these other things are building up and creating concern and worry and making people pull out of the market, and "pull their horns in," so to speak.

I think it's logical that that outlook and that break in morale comes with a break in the stocks. I hadn't really thought about it the way you expressed it, but I think that's part of it. I think that's part of what's going on.

C. AUSTIN FITTS: So I'll tell you what my big concern on every asset class is. It's not just precious metals, but it's every asset class. If you look at the charts, particularly on the US dollar, which is the one that I watch the closest, I still think we're in danger of a big leg up. What's interesting is last year every time it hit 100, and I think it peaked through 100 this year as well, the corporations just go crazy because it's dependent on exports and on consolidating earnings back. So there's a lot of politics to try to prevent the dollar from going too high – at least there are here.

My concern is if you look at how much dollar denominated debt we've issued globally, it's very, very significant. A lot of those countries or companies are dealing with falling revenues from the commodities' deflation. At the same time there's a potential for the capital to go up and liquidity is shrinking. So they're very much in a trap that's supporting the dollar in the short- and intermediate-term. So certainly with the market share the dollar is falling long-term.

"A lot of those countries or companies are dealing with falling revenues from the commodities' deflation. At the same time there's a potential for the capital to go up and liquidity is shrinking."

Franklin Sanders: Turn that back around, though. If it's true – and it is – that a rising dollar hurts US manufacturers, it's true at the same time that a rising dollar helps banks in a world where liquidity is shrinking and they want to attract global capital.

C. Austin Fitts: Right.

Franklin Sanders: So if you look at a strong dollar policy, which is undoubtedly what the Fed is pursuing because currency exchange rates are not freely determined – they're determined in consultation with other central banks – so you have to assume the Fed is doing it on purpose. Why would the Fed be doing that? One of the answers is because it attracts capital to the United States, and banks need that capital.

C. Austin Fitts: Right, but they need a positive arbitrage. The guys who really need the positive arbitrage are the pension funds and insurance companies. The banks have made a ton of money, and the insurance companies and the pension funds have been dealing with lower and lower yields, which is really biting. I think it's one of the reasons the Fed wanted to raise, and that's why what's happening with negative interest rates is so interesting.

Maybe you could describe that and what it means for precious metals.

Franklin Sanders: Well, it means everything for precious metals. What it does is destroy the one big objection to owning precious metals. The one big objection to owning precious metals is, "Oh, they don't pay any interest."

So if I put my money into precious metals, I don't get that 1.5% I might have gotten by holding something else. Well, it's very hard to get 1.5% now. If they take interest rates negative, then suddenly you have to pay to own government bonds or pay to own bank deposits whereas you can hold gold and pay no interest, not be out any money, plus you have the possibility that the gold may go up after a four and a half year down cycle.

So all it does is make gold look incredibly attractive. Basically it makes holding gold costless. Thank you very much, Federal Reserve.

C. Austin Fitts: Actually, first it was the Europeans who started to do the negative interest rates. The way it works, there are two ways of looking at negative interest rates. The first is the market. If you look at size, the one that's really going into negative interest rates – at least it was last week – was the market. You had the Swiss sovereign bonds negative out to beyond ten years, which is extraordinary. It's not just in the short end.

Now some of that is a currency play on the Swiss franc, so institutional investors are probably figuring they're going to get their money back on the currency, but you had ten sovereign bonds from Switzerland to Japan in negative zone. That's the market; it's not the central banks.

Franklin Sanders: Right.

C. Austin Fitts: That's what was so scary about it because we're talking about trillions and trillions of dollars trading in a negative interest rate, and that's no small potato.

FRANKLIN SANDERS: Right, and one of the things that you always have to remember is that if you've got $100 million, you can't buy gold. You're almost limited to government securities.

If you're trading in blocks of money that great, you're almost limited to government securities because nothing else has the liquidity in the size of market that they have.

C. AUSTIN FITTS: Right.

FRANKLIN SANDERS: So the negative interest rates are going to cause a big problem for economies, but they're also going to help gold and silver.

Back to that raising interest rates, the Fed has – according to a friend of mine who used to work for the Fed for many years – been captured by the big banks. What it does it does for the sake of the big banks.

Now I know this is no great revelation, and I don't want to let on like I'm letting you in on the secret of the universe, but a lot of people don't understand this. So when the Fed strengthens the dollar and raises interest rates, they're working on behalf of the banks. Have you ever heard a bank complain about higher interest rates? Of course not because it makes it easier for them to widen their spread.

C. AUSTIN FITTS: Right. That's why the other negative interest rates was when the banks post reserves with the Fed, which they have been posting enormous amounts. Does the Fed give them an interest rate on those reserves, or do they charge them a negative interest rate?

When people talk about the Fed doing negative interest rates, it's on those accounts.

FRANKLIN SANDERS: Right, but I wouldn't put it past them to figure out some way to keep paying interest on those reserves.

C. Austin Fitts: I'm sure they are.

Franklin Sanders: In any event, you and I have left out the major problem with persistently low interest rates – that is suppressing interest rates to a zero interest rate policy – and negative interest rates, and that is the calculable harm that it does to the economy. It makes it literally impossible for entrepreneurs to rely on the price of money and to know by that price of money what people want for the future.

In other words, it jimmies the single most important prize in a capitalist system.

C. Austin Fitts: And remember something else. They've made it almost impossible to circulate equity at a local or entrepreneurial level. So you've got an enormous regulatory structure.

I always say that I can walk down to the Hickory Valley grocery store and spend my life savings on lottery tickets, and within a very short order spend my life savings on illegal narcotics in my country, but I cannot put money in stock in my neighbor's business without him or me possibly going to jail on the theory that I'm being protected.

Franklin Sanders: There you go! You're too dumb to know what's good for you.

C. Austin Fitts: Well, you've made it almost impossible for small business to get transparency on taxpayers and government money. You've made it impossible to circulate equity locally. You've done everything, and now with Common Core and Obamacare you're literally trying to digitize and centralize healthcare and education, which are two parts of the local economy that are still generating [inaudible] and pain locally. So you're trying to centralize and control everything.

It's like a body. The more you send all the blood to the toes and the fingers and you don't let it come back to the heart or the brains, what do you think is going to happen?

The theory is, "Let's steal more blood." They keep taking more and more, and that's shrinking the pie. The more they shrink the pie, the more money they need.

So when you have a negative return on investment economy, it's always going to keep shrinking. It's a downward gain. That's why the real solutions are to turn it around.

"So when you have a negative return on investment economy, it's always going to keep shrinking. It's a downward gain."

If you flip a negative return to a positive return, the problem with that is you're going to have to have an economy where winners are winners and losers are losers and things aren't rigged for a small, select group of people, and capital isn't controlled and centralized.

We have a Soviet economy, and it's backed up with enormous amounts of legal financial and physical force, not to mention that in my polls in the last two days, a majority of the people I poll think the Supreme Court Justice was just assassinated.

FRANKLIN SANDERS: Who wouldn't think that? I mean, that's the way we operate now. I mean, this has come out in so many different instances over the last 40-50 years. Who wouldn't think that?

C. AUSTIN FITTS: How do you have an economy where you have players who can kill with impunity and do? How do you have an economy?

FRANKLIN SANDERS: You don't! What you have is a Potemkin Village; you've got a charade. That's what we've got is a charade. I understand that. Maybe most people don't, but it's a charade.

There are too many times that I've looked at market and I've said, "Oh my gosh! Look at that."

I look at a chart and there's a sign that is absolutely unequivocal change of direction – down or up, it doesn't matter – either way. Then all of a sudden, it completely reverses itself.

A sign that is normally unchallengeable reverses itself, and the whole market goes against what it did. Look, that doesn't happen in nature. I'm sorry, it just doesn't happen in nature. In nature things change and they follow through.

This is not just a complaint of someone who is incompetent to do the job. I'm not the only one who looks at it and sees that. It's just ridiculous.

I guess it's a farce, but you still have to try to protect yourself as much as you can.

C. AUSTIN FITTS: Absolutely.

FRANKLIN SANDERS: You can't lie down in the road and say, "Oh my gosh! I'm going to have to lie here and die." You have to get up and keep going.

C. AUSTIN FITTS: My favorite line – and I use it a lot in The Solari Report, but I'm going to use it again – is when I quote you saying, "What I try to impress upon people is the day after the collapse somebody is going to wake up wanting breakfast and somebody is going to make money cooking it for them."

FRANKLIN SANDERS: Well, that's exactly right. Their whole logic – and a lot of people don't understand this, but you do, and you certainly helped me to get a grasp on this – is they don't want to collapse. The people who run the world don't want to collapse because that carries with it too great a threat of dislocation for them. If you throw all the balls of power up in the air, who in the world knows where they'll come down?

So they don't want that. They want stability more than anything else.

C. AUSTIN FITTS: Let me bring up one other topic. I have been surprised at the depth of the fall on oil. If you look at a lot of the players in the commodities world – the people who normally operate on very significant amounts of the insider trading and insider information – are also being surprised.

FRANKLIN SANDERS: Yes.

C. AUSTIN FITTS: One of the things is I've never known when the line would move on technology, but we are having an unending number of announcements on nuclear fusion from the Germans, from the Chinese, from Northrop Grumman, from Lockheed Martin, about their success with nuclear fusion. It's a much cleaner, safer form of nuclear technology. We're watching incredible developments in the solar area and projections on solar.

Boeing just ran an ad at the Superbowl, and I don't know if you saw it, basically showing the world in 2116, and all of our power being delivered from the orbital platform and solar platforms.

I don't know if you've seen it, but Dennis Gartman is out running around saying that oil is going to go the way of whale oil. Clearly we know fracking technology has dramatically shifted supply and will probably continue to for some time as that technology goes around the world.

I think part of this that I have trouble getting my mind around is what technology is doing to help contribute to deflation. For many people, much lower oil prices are good. It's good for manufacturing, it's good for the consumer. I think if it wasn't for the strong dollar and a much lower gas price, imagine what the US consumer would be feeling right now.

FRANKLIN SANDERS: That's true. It has certain benefits. That's true.

C. AUSTIN FITTS: Right. Well, we're in a position where technology can be very, very deflationary. My biggest concern about rotten leadership is if you look at what it's going to do to employment over the next 10 years – any projections – it's quite extraordinary.

I live across the street from Hickory Valley Cotton Gin. When I first got here, during season the guy who runs it, who is also our mayor and a great guy, would have 20, 30, 40 or 50 people working there. He's got the whole thing machined, and I'm not talking about anything fancy like robotics. He's just got all new machinery, and he's doing it with two or three guys.

FRANKLIN SANDERS: Right.

C. AUSTIN FITTS: It's quite amazing the changes that have happened and that are also coming. I just read one projection that said that 50% of the jobs will be replaced by various technological developments over the next ten years. Well, we're all going to have to reinvent ourselves, which is not a problem if entrepreneurial capital and activity is free.

If the entrepreneurial markets are liquid and open, I don't think that's a problem. But if you have this kind of control, how is that supposed to work?

FRANKLIN SANDERS: The thing about it is if the markets weren't regulated and controlled, then what normally happens with technology is that it creates so many new jobs over a period of time where the market can more or less digest the change.

You can think of any number of technological advances that have created more jobs than they've taken away over time, but if capital can't flow freely from one area to another, that doesn't happen. If you're not free to develop that new technology – which you're not in the United States – then it creates big problems.

C. AUSTIN FITTS: Right, so the solutions role about freeing things up and letting markets work, and what we're watching is more and more control from the people who brought us the last problem. So it's going in the wrong direction.

We have a lot of questions about storage options. Can we turn to that?

FRANKLIN SANDERS: Sure.

C. Austin Fitts: We put up the charts on the website. I didn't know if there was more in the charts that you wanted to point out.

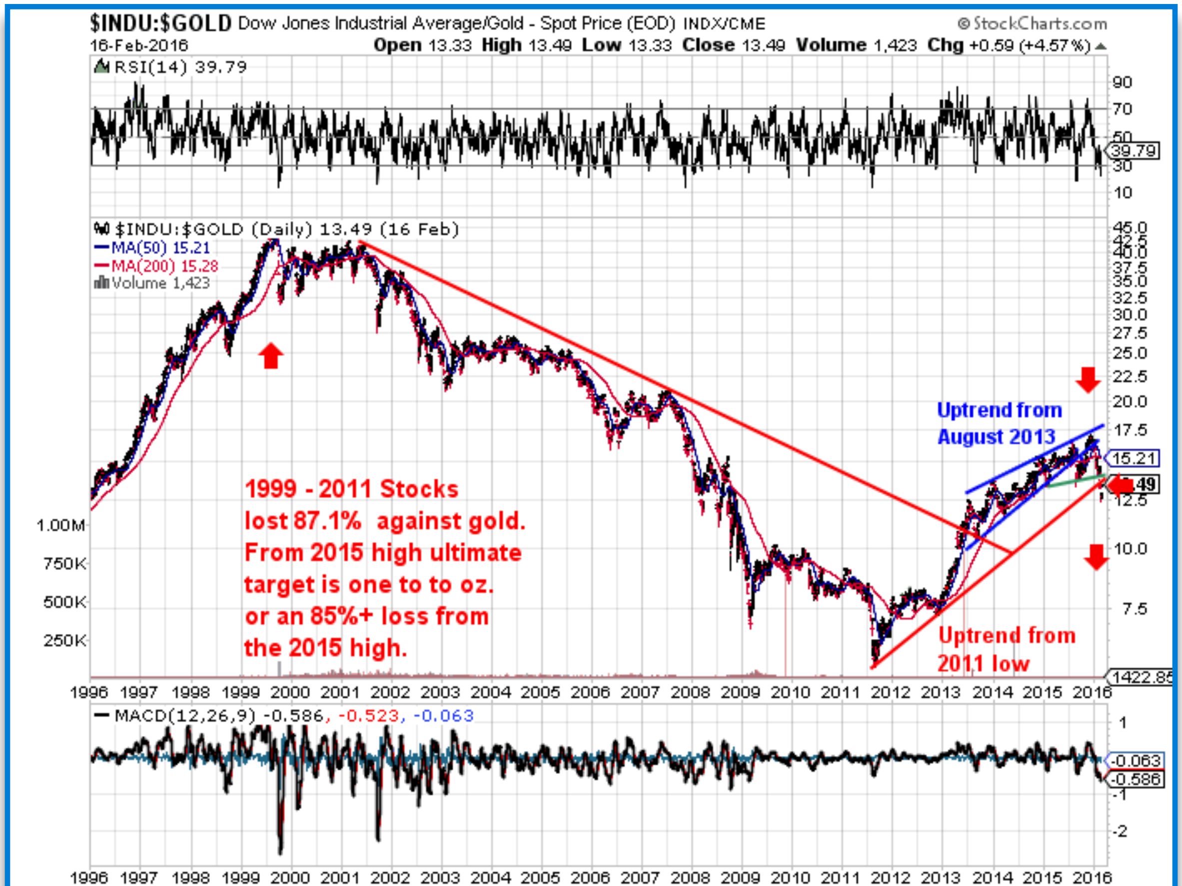
Franklin Sanders: Can I point out just a couple of things?

C. Austin Fitts: Please.

Franklin Sanders: The gold bank stocks index spread is one of the things I'd like to point out. I mentioned it earlier, and I really could hardly overestimate how important that is. It's broken out of a range that has ruled for over two and a half years, and it's broken out big-time to the upside.

C. Austin Fitts: Oh, I think you're underestimating. I would call that a 'moonshot'.

FRANKLIN SANDERS: It is. I mean, it's huge. So your listeners need to keep an eye on that. As long as we've got that going for us, we can buy gold confidently because it represents that money shifting out.



The same thing is true of the Dow in gold, and if you look at that long-term chart of the Dow gold, you'll see that it turned down in 1999 from about a 44-high and went as low as 5.7 ounces of gold to buy the whole Dow in 2011.

Since then it's been in reaction mode, but this year it has broken down from the uptrend line through the 2011 low. I mean, it's broken down big-time. And the Dow in silver has done the same thing. Again, that represents that shift of money out of financial assets and into gold and silver.

That's one of the indicators that I watch more closely than anything else.

C. Austin Fitts: That's a very good thing to watch.

Franklin Sanders: That's against gold, and when it's rising it's going against gold. If that's against gold, we've got a problem. When both the Dow in gold and the Dow in silver are dropping, then we know where the trends are.

The Dow in gold lost about 85% of its value from 1999 to 2011. It will probably go down to two or one ounces before this is all over. So it will lose another 85% of its value between now and when the market peaks.

C. Austin Fitts: So let me ask you, Franklin. I've got my core position in gold. So I've got my stash, and I'm confident of that, but I'm interested as an investment in buying more, but I'm worried about getting head-faked out by another round of printing. So the question, of course, is I can go in now or I can wait and go in later.

Let's say I want to go in now. Is there any way I can protect myself if I do take an investment position if we get another round of quantitative easing and the same thing happens as last year? Gold and silver, I really thought there was a good chance that we had bottomed and it had turned last January and February. Then, of course, that fake-out. So now things are down significantly for the year.

How do you protect yourself if you want to try to go back in on your investment positions?

Franklin Sanders: Well, the easiest way to do that would be to buy the gold and hold the gold. Then if you see a big jump unfolding in stocks, just to buy leveraged stock ETFs is what I would do or call options to try to take advantage of it.

It's going to take some pretty sophisticated action if you're trying to hedge that kind of risk. I mean, you're going to have to figure out which are the triple leveraged stock ETFs that I can buy, and I will make up enough money on that and then some to account to whatever I might lose on my precious metals holding. That's the only way I know of to do it.

Or, you can always put options on your precious metal. In other words, you can buy gold put options. But you have to be nimble to do those things. You have to have a very good idea of which way the market is going. By 'very good' I mean you have to be very correct in your outlook.

C. Austin Fitts: That's why what I do personally is I'm balanced and I ignore it.

Franklin Sanders: I think for most people that's the best answer. That's why for most people the thing to do is to align yourself with the long-term trend. It's going to last 15-20 years, and don't worry too much about the fluctuation.

C. Austin Fitts: Right.

Franklin Sanders: But let me go back to what you said of why this is not a repeat of last year.

If you look at the shortest term gold chart that I sent you, which is probably called the 'Short-term Gold Chart,' something happened there on that chart three days ago that has not happened before, and that is that you have this big bowl bottom in gold and it broke up and went straight up out of there and then broke through 1200 and went to 63.

Well, as a first step, you couldn't ask for one better than that. In addition to that, you have this gigantic burst of volume on that day, which confirms that rise. It's come back since then, but that's normal behavior; you get a touch-back to the breakout point.

So as long as gold doesn't go below 1190, you're okay. I wouldn't start worrying until gold went below 1190, which was the low yesterday. But it's staying up here over 1200. It's just classic breakout activity, and it's

confirmed by all these other indicators that I've mentioned. That's the reason why I think this is the real thing.

C. Austin Fitts: Whatever the bond market is, the bubble is over. We've had a long-term bubble on the bonds, and it's over.

I'm not saying they can't flatline it and keep it up for years, but it's over.

Franklin Sanders: Well, the market is doing that.

C. Austin Fitts: Right. The question is: Where is all that money going to go? The reality is that the bond market is huge. It's much bigger than the equity markets, which have grown a lot over the last 20-30 years. Eastern

Europe and Asia are now moving into equities, so you've got a whole part of the world that is coming in. That's going to keep happening.

Precious metals compared to that is smaller still. So it is not surprising that the number one and number two guy at the largest bond fund in the world, the top guy had a nervous breakdown in public, and the number two guy left and is now writing books.

When you're sitting on the top of the largest bond fund in the world and liquidity is leaving the market, what do you do? That money has to go someplace, and that's the $64,000 question: Where is that money going to go?

What the last three weeks proves to me is it doesn't take but a little of it to shoot gold and silver up.

FRANKLIN SANDERS: Oh, gosh, because they are such tiny markets in comparison to the bonds or stocks, either one. You just came around to a point that I was itching to make. That point is this: People don't realize how small and what a low, low door it is into the precious metal. These are not created by pushing electrons around; somebody had to pick stuff out of the ground. Somebody has to move it around on a pallet. Somebody has to drive the forklift. There's a very small door into gold and silver, and because markets are crooked and manipulated, let me give you just kind of a theoretical idea of what I'm talking about.

If you look at the supply chain for manufacturing silver products like 100 ounce bullion bars and one ounce rounds and ten ounce bars and 1,000 ounce bars, that supply chain all leads back to the COMEX. Well, suppose the COMEX wakes up one day and says, "Oh, well. We don't have enough silver to deliver, so you have the option of cash settlement or physical settlement as long as the physical lasts."

Well what about this refinery out here that's stamping out hundred-ounce bars and one-ounce rounds, and suddenly they find out that they can't get the 1,000 ounce bars they need? What happens to them? Further, what happens to their customers whom they've promised that stuff to? What happens to me down the line – the dealer – who has promised that to my customers?

Don't tell me that this doesn't happen because I've been in this situation two times already since 2008 because in 2008 the market dried up so bad that you could not get silver for eight to ten weeks, and people were glad to wait on it. And that was paying a 50% premium over the paper price.

Gold premiums also went up – not as much – and the delivery times went out. So what I'm saying is when you think about that, it makes the price risk of gold and silver less important – remarkably less important – because they are, after all, the ultimate cash. I mean, we talk about them as investments and all that, and that's true, but they're the ultimate cash. That's the reason why we have them. I mean, it's like having a .45. What good is it for me to have a .45 here in West Point if my ammunition is up in Nashville? It doesn't do me any good.

The whole thing has to be there when you need it. I'm not trying to be an alarmist, but I'm just telling you that this is the reality of what we deal with.

Back in the summer we had a period of about four months when we were on eight to twelve week delay on silver products. Don't even talk about 90% silver coins. The premium on that stuff went up to $5 an ounce.

All these things go together to make my outlook one that doesn't place quite so much importance on the price. You ask about storage. Let me make two remarks first.

A lot of people have IRAs or self-directed IRAs, and the biggest complaint that we hear about that is, "Well, I can't hold the metals myself."

Well, that's absolutely right. If you have an IRA, it's a contract with the government and the government sets the rules. They say that you can't hold it. There is a way around that, and there's a website called www.Survival401k.com.

In 2002 Congress set up a 401k program for self-employed people. So if you have as little as $100 of self-employed income a year, you can set up a 401k. You can only have two participants – you and your wife – and you can put in up to $53,000 each. Here's the secret: You are the trustee, and you hold the stuff.

So for some people that might offer a tax-deferred option about as good as an IRA except that you can hold it as well.

Now, having said all that, if we want to store our gold and silver somewhere, there are several different options I can offer. One of the reasons why we might store it – and generally I'm against storage and I'm in favor of taking personal possessions for the reasons I laid out earlier – and if we're going to trade the gold/silver ratio, which I highly recommend that people do as a way to increase the number of ounces they hold, thousand-ounce silver bars are the best way to do that.

Well, I can't take thousand-ounce bars out of exchange-approved warehouses. If I do that, they have to be re-assayed, and they're a pain to try to ship because a lot of them weigh more than the 70-pound limit and all this sort of thing.

So it might be that some of your listeners really want a storage account. So let me give you a couple of options. The most low-key and private one that I know of is called Southern Storage in Shreveport. When I say 'low-key and private' I mean very low-key and very private.

Do you know Larry LaBorde or not?

C. Austin Fitts: You've talked about him.

Franklin Sanders: He's an old friend of mine. He's in the silver business himself and several other things. Anyway, they call him at 318-470-7291, or they can email him at LLaBord@gmail.com.

Then there are commercial facilities, and two of the ones in the United States that I'm going to mention are also COMEX-approved warehouses. What that means is we can buy thousand-ounce bars, store them in that facility, and they never leave a COMEX-approved warehouse. So we can sell them at full price whenever we want to.

"What that means is we can buy thousand-ounce bars, store them in that facility, and they never leave a COMEX-approved warehouse. So we can sell them at full price whenever we want to."

The first of those is CNT Depository in Bridgewater, Massachusetts. They're at 508-807-4800. I have personally toured that facility with my wife, my daughter-in-law, and my son, and I have to tell you they could just about take a direct hit from a meteor, and I'm certain it would withstand the hit by a 747 jumbo jet. It's an incredibly well-thought out facility. They spent $27 million building it. As far as security is concerned, I have no doubt it's safe.

The other one is IDS in Newcastle, Delaware. Their number is 302-322-6150. They have a website www.IDS-Delaware.com. I have complete confidence in them, too, as depositories go.

There is one in Canada. IDS also has a depository in Canada in Ontario, and that's www.IDSofCanada.com. There's a toll-free number 855-362-2431.

I've talked to all these people at length, and I'm confident that they're all professionals and they know their stuff.

C. Austin Fitts: We did a show last year with one of the Australian dealers who does storage, and of course there is Perth Mint down in Australia, but I've had very good luck with the Swiss Banks who, if you can make the minimum, still do have relationships with the Federal government. Of course, it's not subject to the same privacy rules that it once was.

If you do want to keep money in another jurisdiction, I have a lot of confidence. You just have to be able to make much higher minimums now that the Treasury has worked over the Swiss. Of course, as I mentioned to you, Das Safe in Vienna if you have a chance to look at their website.

Last year you and I both moved our standing recommendation of gold money, and I continue to have to tell people that I don't recommend gold money nor bit coin other than for the amount of money they're willing to lose. To me, it's no different than doing GLD except that you don't have a big bank. I did want to mention that because that keeps coming up.

FRANKLIN SANDERS: The Swiss Banks are problematic to me now because they've been under attack by the US for so long, and a lot of them are not enthusiastic about US customers. And as you say, they're going to have big minimums if they do.

There is an alternative of sorts in New Orleans called Security Center. It's in the old Federal Reserve building, and that's www.SecurityCenter.com. The phone number is 504-522-1254.

What they offer is safe deposit boxes for rental. It's not insured. You have to have your own insurance, and they do offer a service where they will go into your box, take something out of your box, or receive something and put it into your box. It's not at all the same thing as being able to call a bank where you have a gold or silver or hold account and trade in it. But in any event, that's the Security Center in New Orleans, and it's in the old Federal Reserve building, so it must be safe.

C. AUSTIN FITTS: Obviously you want to have your bullets at home, not in Nashville, but the most money that my clients have lost so far in precious metals is having precious metals stolen or forgetting where they put it. So before you bring it home, you need to be very careful about making sure you have a plan for where you keep it and how you keep it, which is safe and won't put you at risk physically or put you at risk for losing it when the plumber goes down into the basement and discovers it while he's doing what he's doing.

FRANKLIN SANDERS: You know, people are amazingly blithe about it. If you're going to keep silver or gold around your house somewhere, you have to make an effort to make it invisible. You have to put it in a place where most people will not look for it. What I look for is a place where they're going to look at it and never see it.

In other words, my classic example is when you're standing at your kitchen sink, and in front of the sink there's an inset there where your toes fit. That thing that your toes are looking at is called a kick plate. If you pry that kick plate off, there's enough room to put a ton of stuff there. Well, nobody thinks about doing that. Most people who break into your house are going to be there for 12 minutes and gone.

C. AUSTIN FITTS: Franklin, this has been very, very helpful. Before we close, is there anything you want to add or summarize about what to look for over the next month?

FRANKLIN SANDERS: Yes. It's normal and ordinary for markets to make big straight-up moves and then pull back, and even to pull back sharply. I think the biggest riddle or challenge that faces us in the next two or three weeks or next month is: Don't get sucked in and think that a counter-trend rally in stocks is going to go on forever, or that a correction in gold and silver is going to go on forever. Don't draw the conclusion, "Well, this is just another run-up like January of last year, and it's going to play out."

I don't think that's the case. I think there's an up-wave going on in stocks that could carry to 1700 on the Dow or 2000 on the S&P. After that we're going to resume the trends. So I think that's the main thing. Just keep your head. Obviously for this year, safety is going to be the rule you have to follow. Security, not risk taking. Safety and security.

C. AUSTIN FITTS: You and I are a little bit different. I think if we're lucky the world moves away from a debt model towards an equity model. What that means is it's hard to talk about it because all stocks are not equal, but I think money is going to have to flow to assets and operations that can be productive.

We've been in a bubble economy, and the bubble is either over or flatlined. Now the question is: How are we going to get real productivity?

Franklin Sanders: You're talking about the most fundamental issue of human freedom that faces the world today, and it has been facing the world since the invention of socialism. That's the reason why the rich people are all socialists. They tap into the stream up high where the stream is still free-flowing and pure. But this is the most fundamental question of human liberty. Does my labor belong to me, and can I use my labor and my property to make a living, or is the government going to steal it from me or make it impossible for me to do?

C. Austin Fitts: Right, but if you go throughout the economy, there are people who are unbelievably productive and people who just pay the huge amount of money doing great destruction. There are companies that are unbelievably productive, and others that you just wish would fail today and save us all the pain. They're running gobs of government subsidies and God knows what else. So whether it's people or companies or assets, there's a reset that I would love to see happen, and it's complicated.

When I look at the stock market, I see terrible mess and I see great companies. They're sitting there trading side by side. The problem is not that the stock market will go up or down. What we need is for some to go up and some to go down. We need a reset at a much more granule level.

Franklin Sanders: And we need some to go away.

C. Austin Fitts: Absolutely, starting with the F in FANG.

Franklin Sanders: There you go! Absolutely.

C. Austin Fitts: The invasion of privacy companies. Anyway, that's the thing that makes it a little bit complicated. So the question is: How do we get that reset in productivity across the board, because that's what could happen? If it doesn't, we're going into totalitarianism.

I know you and I will be the last two people to take government money. I'm going to starve before I take government money, other than what's owed back to me.

Franklin, it's always a delight. I look forward to one of us cooking breakfast the day after the collapse.

I just have to mention this: Did you see Ben Carson? A client forced me to go read the transcript of the Republican debate, and I got one of the greatest laughs I've ever had because Ben Carson at one point got really frustrated and said, "Look, the US economy is on the verge of collapse."

To see a Presidential candidate burst that out in a debate, I said, "This divorce between the official reality and reality is cracking everywhere you turn." That is really positive. You never know!

FRANKLIN SANDERS: That is good! That is something you couldn't have imagined hearing five years ago.

C. AUSTIN FITTS: Yes, and they didn't have time to bleep it.

FRANKLIN SANDERS: It's always fun. Thank you so much for the opportunity.

C. AUSTIN FITTS: You have a wonderful day. Thank you.

ADDITIONAL CHARTS


$SPX S&P 500 Large Cap Index INDX
© StockCharts.com
17-Feb-2016 11:13am
Open 1898.80 High 1924.61 Low 1898.80 Last 1921.98 Chg +26.40 (+1.39%)
RSI(14) 52.52
$SPX (Daily) 1921.98
MA(50) 1960.61
MA(200) 2032.38
Volume undef
HEAD
Shoulder
Shoulder
Uptrend from
March 2009
Neckline
1st target, 1505
MACD(12,26,9) -20.962, -27.299, 6.338
Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2016 Feb

$SILVER Silver - Spot Price (EOD) CME
©StockCharts.com
16-Feb-2016
Open 15.70 High 15.74 Low 15.15 Close 15.26 Volume 84.0K Chg -0.53 (-3.36%)
$SILVER (Daily) 15.26 (16 Feb)
MA(50) 14.29
MA(200) 15.10
MA(20) 14.70
Downtrend from Oct 2013
Downtrend from April 2011
Volume 84,033


$SILVER Silver - Spot Price (EOD) CME
©StockCharts.com
16-Feb-2016
Open 15.70 High 15.74 Low 15.15 Close 15.26 Volume 84.0K Chg -0.53 (-3.36%)
RSI(14) 60.75
$SILVER (Daily) 15.26 (16 Feb)
MA(50) 14.29
MA(200) 15.10
Volume 84,033
Downtrend from April 2011
Downtrend from Oct 2013
MACD(12,26,9) 0.374, 0.270, 0.104
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2016
Feb

$SILVER Silver - Spot Price (EOD) CME
©StockCharts.com
16-Feb-2016
Open 15.70 High 15.74 Low 15.15 Close 15.26 Volume 84.0K Chg -0.53 (-3.36%)
RSI(14) 54.47
$SILVER (Weekly) 15.26 (16 Feb)
MA(50) 15.31
MA(200) 21.33
Volume 84,033
$26.15 bull mkt
half way point
MACD(12,26,9) -0.118, -0.312, 0.194
10 Apr Jul Oct 11 Apr Jul Oct 12 Apr Jul Oct 13 Apr Jul Oct 14 Apr Jul Oct 15 Apr Jul Oct 16


$INDU:$GOLD Dow Jones Industrial Average/Gold - Spot Price (EOD) INDX/CME
© StockCharts.com
16-Feb-2016
Open 13.33 High 13.49 Low 13.33 Close 13.49 Volume 1,423 Chg +0.59 (+4.57%)
RSI(14) 39.79
$INDU:$GOLD (Daily) 13.49 (16 Feb)
MA(50) 15.21
MA(200) 15.28
Volume 1,423
Megaphone
in green
Uptrend from
August 2013
Uptrend from
2011 low
MACD(12,26,9) -0.586, -0.523, -0.063


$INDU:$GOLD Dow Jones Industrial Average/Gold - Spot Price (EOD) INDX/CME
© StockCharts.com
16-Feb-2016
Open 13.33 High 13.49 Low 13.33 Close 13.49 Volume 1,423 Chg +0.59 (+4.57%)
RSI(14) 39.79
$INDU:$GOLD (Daily) 13.49 (16 Feb)
MA(50) 15.21
MA(200) 15.28
Volume 1,423
Uptrend from August 2013
Uptrend from 2011 low
MACD(12,26,9) -0.586, -0.523, -0.063


$USD US Dollar Index - Cash Settle (EOD) ICE
©StockCharts.com
16-Feb-2016
Open 96.64 High 97.00 Low 96.40 Close 96.88 Chg +0.89 (+0.93%)
RSI(14) 43.12
$USD (Daily) 96.88 (16 Feb)
MA(50) 98.25
MA(200) 96.89
Volume undef
MACD(12,26,9) -0.715, -0.496, -0.219

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