

# EVERYTHING YOU NEED TO KNOW ABOUT GOLD AND SILVER

Central banks and governments are devaluing your currency. If you hold cash, you're guaranteed to become poor. Gold and silver are real forms of money. Over the long-term, they have held their value while the US dollar has lost over 90% of its value.

Increasing money supply, low to negative interest rates and high amounts of fiscal stimulus are all bullish for gold. And these policies do not appear to be going away. Buying gold and silver is a great way to *fight back against the elite!*





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# How money is what it is today

## Age of barter

Before humans had a medium of exchange, they simply had exchange. In this barter economy, people acquired wealth by producing goods for themselves and to trade for other goods produced by other people.

I give you *exactly* what you want and you give me *exactly* what I want.



In theory, a society can run efficiently under a system of barter if humans lived with perfect certainty. That is, every person knows precisely what they want, when they want it and how to get it.

This way, any party can find another party that has the good they want *exactly* when they want it and vice versa.



However, this is not the world we live in.

## The emergence of money

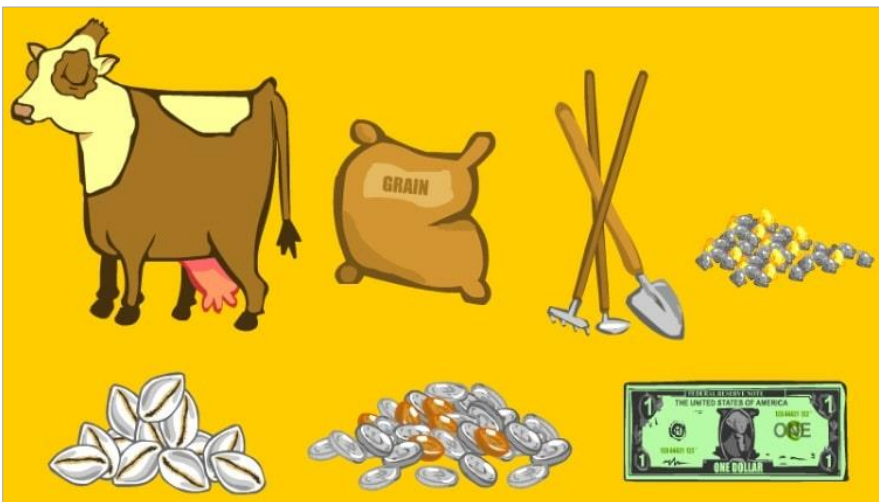
Humans live in a world full of uncertainty – we don't always know what we want, when we want it and how to get it – just ask any girl.

The problem with barter is there is not always a coincidence of wants. That is, if person A has something that person B wants but not the other way around, then exchange cannot happen. Such a society would be inefficient.

To solve this problem, all it takes is one person to realize there are goods that are more saleable than other goods. This means certain goods are wanted by more people and are more easily exchangeable in trade.

Now, person B doesn't need to own the final product person A wants. Person B just needs a good person A can trade off in another exchange to get what he really wants.

This “middle” good is known as a medium of exchange.



Naturally, as time passes and the number of trades increases, the trend is for people to adopt the most widely saleable good as the medium of exchange. Adopting a good that is accepted by the greatest number of people as a medium of exchange



increases the number of successful exchanges that can happen in society and makes trade most efficient.

When a medium of exchange becomes widely used throughout society, we call it money. I will be using this definition of money for this report.

Besides being a widely used medium of exchange, “good” money tends to possess certain qualities:

- It's a unit of account: money is a measuring tool to value other things relative to it.
- It's a store of value: the whole point of money is to save your wealth for future use.
- It's portable: you can move your money easily and use it wherever you are.
- It's durable: money is supposed to store value and this can't be done effectively if money deteriorated over time.
- It's divisible: you can pay in smaller increments and receive change.
- It's fungible: same units of money are indistinguishable from one another.
- It's stable/scarc: we don't want money that rapidly grows or shrinks in value.

Gold satisfies all these qualities:

- It's a unit of account because the value of gold can be compared to other assets. E.g., how much is a bushel of soybeans worth in gold? This can only be determined through trade.
- It's a store of value because gold has uses in jewellery, aerospace and technology.
- It's portable because a small amount of gold holds a lot of value. You can fit generational wealth in a suitcase.
- It's durable because gold does not corrode or break-down into another element. The gold you bury in your backyard today can be used by aliens 1000 years from now.





- It's divisible because you can break gold into smaller pieces.
- It's fungible because gold is gold; its value doesn't change when its form changes. A one ounce bar has the same value as another one ounce bar or two half-ounce bars.
- It's stable/scarce because the market regulates the production of gold so there isn't overproduction or underproduction on average. And please don't argue with me about any asteroid mining nonsense; [I already wrote a piece on that.](#)

Since gold satisfies all the qualities of "good" money, it's not surprising humans have adopted and used gold as money for thousands of years.

While everything from rice to fiat has been used as money, gold is still the best *proven* form of money.

That may change if we discover a new element that improves on the qualities of gold, but that is unlikely. Cryptocurrencies could also be better money, but that has yet to be proven and whether they could even *be* money is a debate for another time.

## Creating the Federal Reserve – honest or evil intentions?

If gold is such great money, why is the world on a government-run paper money today?

The world's current paper money standard traces its origins to the creation of the US Federal Reserve (the Fed). The reasons for its creation are still a hotly debated topic.

The mainstream view goes as such: the US suffered from financial crises, namely the Panic of 1857, 1873, 1884, 1890, 1893, 1896 and 1907. During the Panic of 1907, banks on the brink of bankruptcy turned to J.P. Morgan and other large bankers for a bailout. J.P. Morgan intervened and saved the banking system from collapsing.

By the way, when I say "gold" I'm referring to *silver* too. I'll talk about the differences of silver later.

Well-read historians will tell me the origins of the paper money go back before the Fed. I know. But for time's sake, starting from the creation of the Fed is sufficient.



J.P. Morgans' actions featured how important a central governing financial body or "lender of last resort" was. Even though the 1907 bailout was done by private individuals, Congress immediately took steps to create a central bank.

The Federal Reserve Act was passed on December 23, 1913 and the Fed was born. Contrary to what you may believe, the Fed is not *one* bank, but a *banking system* consisting of 12 private regional banks. The Fed was created to address bank runs by being a lender of last resort – when private banks did not have enough money to pay back their customers, the Fed would "provide liquidity" to keep the banks running to avoid an economic collapse.

At least that's what Congress told the public so they could pass the Act.

On the other hand, the Austrian #EndTheFed view is: boom and bust cycles are natural to the business cycle. However, each bust (bank panic) became worse on average due to increased government spending on war and progressive policies particularly in the Progressive Era. This pressured banks to inflate to fund government programs.

During the Gilded Age, productivity was high, prices of goods were falling and competition between businesses was fierce. On average, the economy was on the up and up.

Big steel, oil and railroad companies dominated the US economy. Yet, because of the free market environment they operated in, smaller competitors were always threatening their market share. Every attempt to consolidate by big businesses was met with smaller competitors trying to undercut them.

For the economy and consumers, this was great. Prices kept falling and products and services kept improving.

But for large businesses owners, it was like having to fend off foot soldiers all year.



In order to move closer to a monopoly and secure their market position, big businesses turned to persuading the government to enact policies in their favor.

For example, big steel would have government enact steel tariffs to impede foreign steel competitors. Sound familiar? “\*Cough\* Donald Trump.”

Naturally, the progression was towards enacting more regulations and policies to disadvantage smaller competitors from competing in the market. And what better way to amass more control than to control money itself? This was the true motivation behind the central bank.

Big businesses were heavily financed by big banks, so it was in the banks’ best interest to support them. They reasoned the US needed a more elastic money supply to be able to increase or decrease the amount of money more easily in response to a growing or shrinking economy.

By getting government to create the Fed as a lender of last resort, they essentially secured immortality. When banks got in trouble, the Fed could just expand credit (create money) to purchase debt or bad assets from the banks to shore them up with cash.

In short, the Fed could take the bad stuff away from the banks and give them good stuff (money).

Central banking was sold to the public as something in their best interest and bank panics were used as a scapegoat.

Whatever your views are on *why* the Fed was created, the powers bestowed to it set the precedent for how the world would evolve for the next 100+ years.

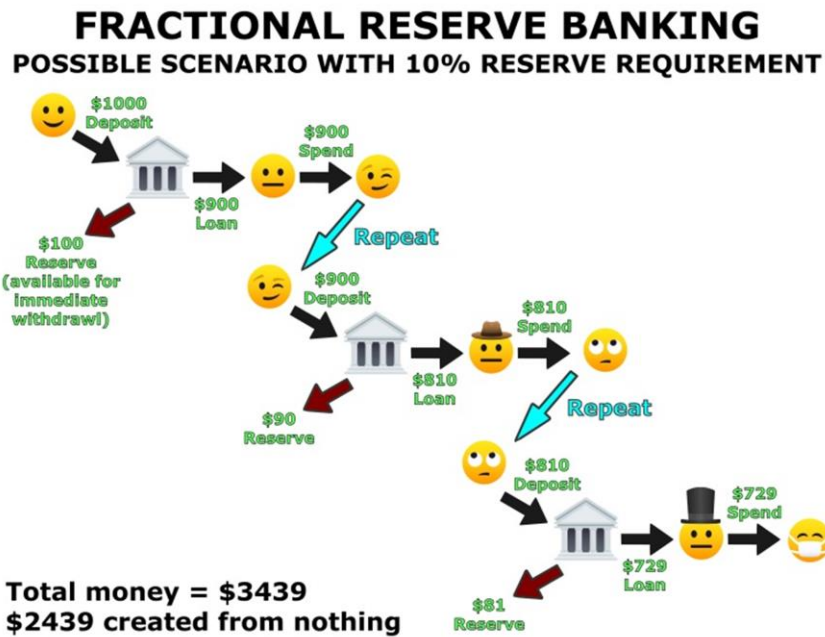


## Fractional reserve banking

It's worth noting a huge reason bank panics are so catastrophic is because of fractional reserve banking. Much of the world, including the US operates under this banking model.

Fractional reserve banking is exactly what the name says – banks are only required to hold a fraction of their customer's deposits on hand. The bank can lend the rest of it out.

The amount banks have to keep on hand is the "reserve requirement." The reserve requirement is determined by the Fed; it's one of their regulatory jobs. The reserve requirement was 10%, but as of this report it's 0% since the Fed wanted to give banks more flexibility in "aiding" the COVID pandemic.



Explanation: when person A deposits \$1000 in his bank, the bank only needs to keep 10% (\$100) on hand. The other \$900 can be lent out. Person B borrows the \$900 and spends it and the receiver (Person C) will put it in his bank. Rinse and repeat.



The problem with fractional reserve banking is borrowers and depositors own the same money! Banks are practically *always bankrupt* because they never have enough money to repay all depositors.

Most money (technically called bank *credit*) in circulation is created by banks practicing fractional reserve banking. As you can see the multiplier effect on credit can get out of hand.

Before the Fed, banks who couldn't repay went bankrupt. Some view this as a good thing because banks were forced to accept their losses. Banks could only abuse the fractional reserve system so far before it bit them. The fact that government couldn't bail out businesses was a blessing.

But as the panics grew, central banking was called for.



## Operating under the Fed

The Fed and only the Fed has the power to create money in the form of Federal Reserve Notes (FRN) out of thin air (inflation).

*When all is said and done, it all boils down to inflation.* It's the defining feature of the Fed and other central banks. If you think about it, it has to be this way. From the government's perspective, if the Fed can't create money, then it can't act as a lender of last resort since it would just be another bank. Additional "responsibilities" the Fed later adopted such as maximizing employment and regulating interest rates are also determined by inflation.

To be frank, most of the Fed's functions are just euphemisms for printing money.

Private and state banks are forced to join the Federal Reserve System, so money is centralized at the Fed and all banks are under its control.

Banks cannot issue their own private currency (backed by gold and silver) like they could in the Free Banking era. Banks can only get "money" from the Fed by depositing "assets" into their Federal Reserve Account.

I'll explain that next. For now, just think of the Fed like a bank's bank that can print money.

## The slippery slope away from hard money

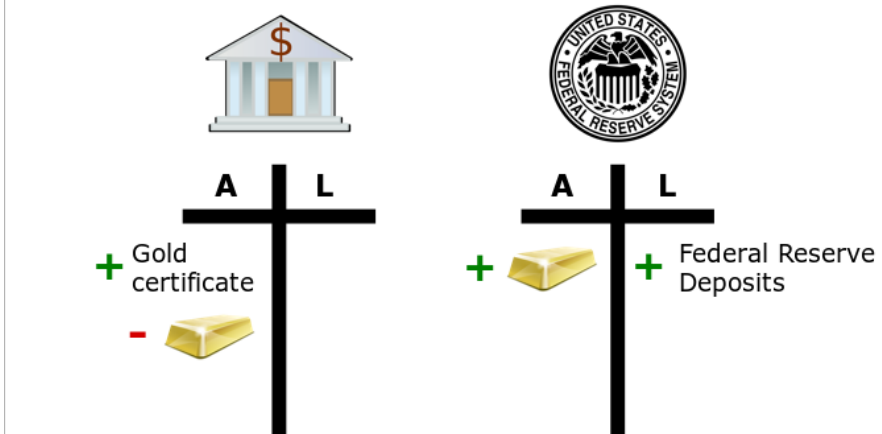
At the time of the Fed's creation, people used gold certificates as paper money. These certificates were 100% backed by real gold and could be cashed in for gold any time.

Notice there are two types of money under fractional reserve banking and a central bank: Fed Notes and bank credit.

1913: creation of the Fed

## BANKING WITH THE FED SIMPLIFIED

Bank deposits gold and Fed issues gold certificates



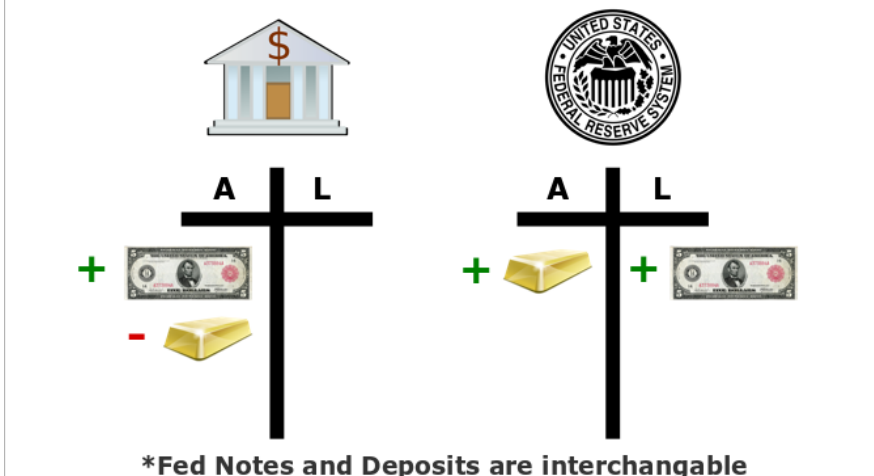
But it didn't take long for the Fed to transition away from gold certificates and issue FRN instead.

1914: Introduce FRN

Like gold certificates, FRN were redeemable for gold, but only had to be backed by 40% gold reserves (i.e., reserve requirement was 40%). The Fed could now create more notes than available gold and thus the slippery slope away from hard money begun.

## BANKING WITH THE FED SIMPLIFIED

Bank deposits gold and Fed issues Federal Reserve Notes \*





Over time, the Fed and private and State banks lowered their reserve requirements, further accelerating the increase in money supply.

While the Fed was supposed to provide liquidity *only* as a last resort, it was never meant to be.

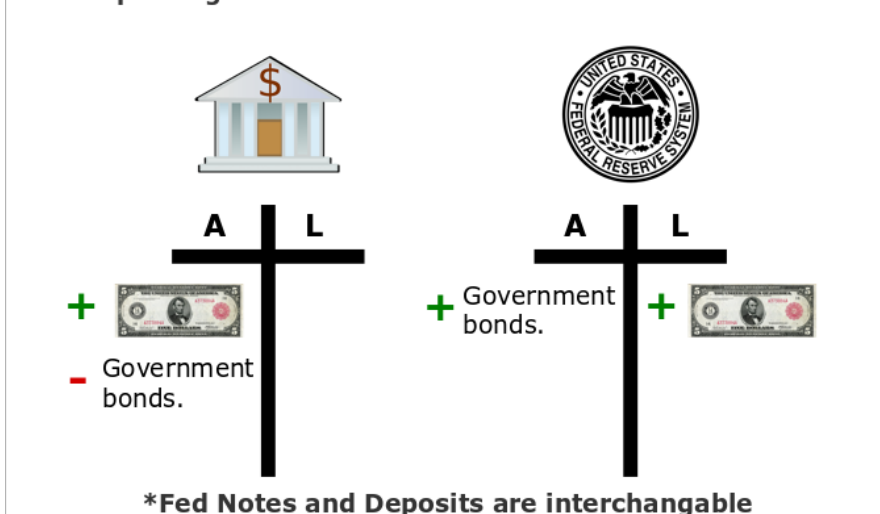
Politicians realized the best way to win support is to promise people free stuff. In order to do so, government spending needs to increase. However, governments can't create any wealth; they can only tax people – which doesn't sound popular – and doesn't raise enough money to fund their mandate.

Then, government realized they could issue treasuries for the Fed to ultimately buy. These treasuries would back newly created FRN.

1920: use OMO as monetary and political tool

## BANKING WITH THE FED SIMPLIFIED

Bank deposits gov. bonds and Fed issues Federal Reserve Notes \*



FRN are created like this today.

The process in which the Fed buys and sells US treasuries is known as open market operations (OMO). OMO work as such:

1. The government issues bonds.
2. Banks buy the bonds.
3. The Fed buys the bonds by issuing FRN to the banks.



If the Fed wants to sell bonds, step 3 would reverse. The Fed would instead sell bonds and receive FRN, decreasing the money supply.

OMO are used to control interest rates.

When the Fed buys treasuries/bonds, banks become flush with cash. This incentivizes banks to lend the money which drives interest rates down. Businesses and consumers can borrow and spend more which makes everyone feel good.

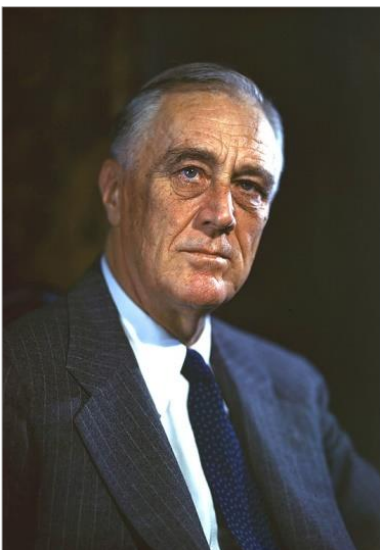
Conversely, if the Fed wanted to increase interest rates and decrease inflation, they would sell bonds to the banks. Banks would get tight on money, making it harder to lend. Business and consumers have to save more which makes everyone feel worse.

Obviously, one road feels a lot better to travel down. It's also politically favorable which is why the trend is towards more free stuff from government and more inflation.

In 1933, Roosevelt (FDR) signed Executive Order 6102 which made it illegal to own gold and gold certificates. The Emergency Banking Act also passed, removing any gold reserve requirement obligations. The government forced everyone to turn in their gold for USD 20.67/ounce (a price set 100 years prior) and cancelled all gold certificates.

1933: get off the gold standard domestically

By 1975, citizens could freely trade gold again.



This essentially ended the gold standard within the US since gold was no longer recognized as money.

FDR reasoned he could spend his way out of the Great Depression. FDR's mandate heavily increased government spending in an effort to create jobs and stimulate consumer spending.

But FDR couldn't raise enough money from tax increases *and*





printing money since gold limited the amount of money the Fed could print (40% reserve requirement for FRN and 100% for gold certificates). This was why gold was outlawed for Americans.

Foreign governments could still redeem their gold though. So they were still on a gold standard when trading with the US.

Once the link between gold and FRN was gone, the government was more free to issue treasuries for paper money. The dollar devalued so gold got a new fixed price of USD 35/ounce.

### Bretton Woods system (1944 – 1973)

In 1944 near the end of World War 2, allied nations wanted to create a postwar *international* monetary system. They wanted something that was:

- Less volatile than floating exchange rates.
- More flexible than fixed exchange rates (i.e., easier to inflate money supply).
- And promoted economic growth and trade around the world.

The result was a new monetary system – the Bretton Woods system.

Under Bretton Woods, foreign currencies were pegged to the USD which was backed by gold. Put simply, foreign currencies got their value from the USD which got its value from gold.

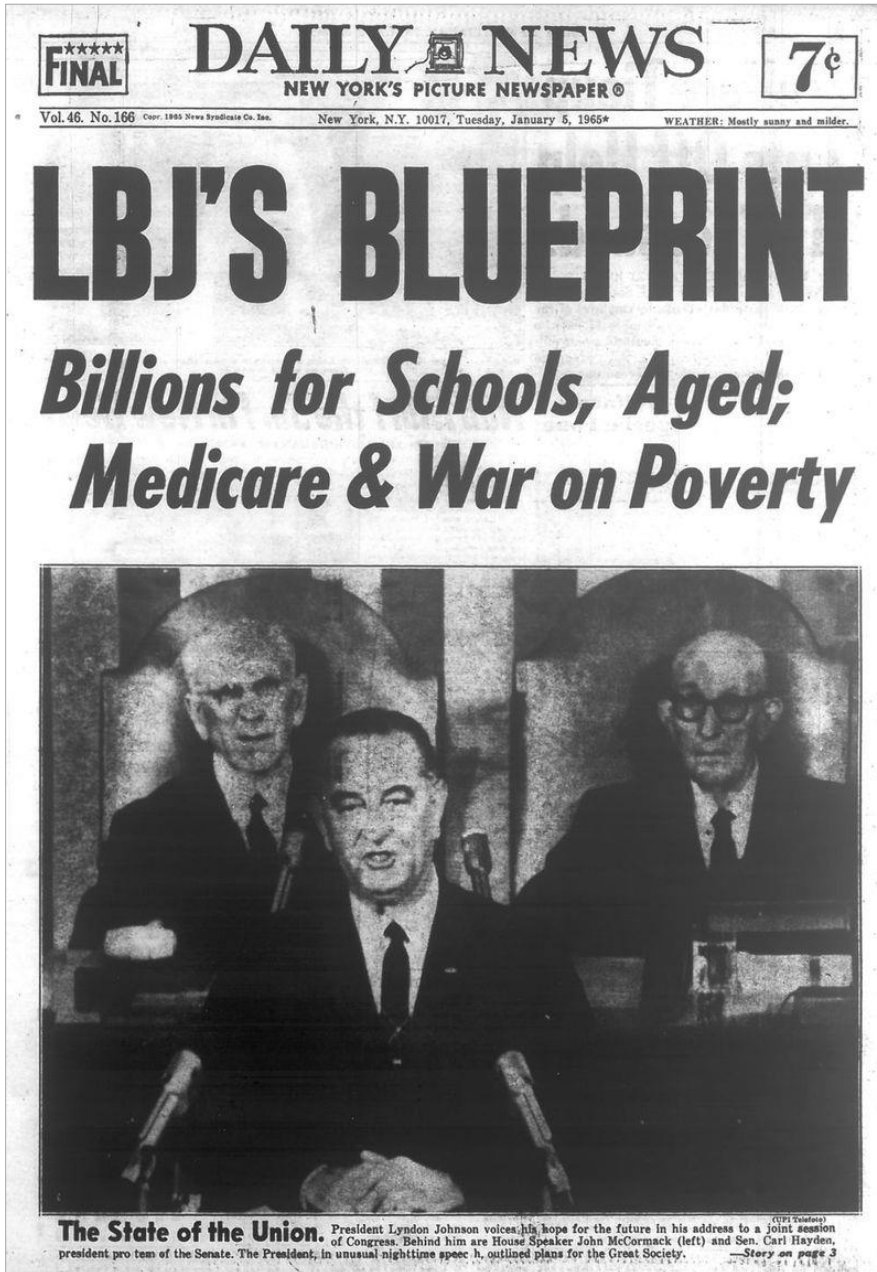
Countries could inflate or deflate their money supply in response to their own economic situation and to coordinate trade.

In order to regulate members of the Bretton Woods system, the International Monetary Fund (IMF) and World Bank were created.

But of course, the US couldn't help but create more inflation. Postwar spending, the Korean War, Vietnam War, Cold War, Civil Rights Act, War on Poverty, Medicare, Medicaid, Welfare

Currencies were pegged to the USD because the US was by far the mightiest nation in the world. It also owned the most gold reserves and exported more than most countries combined.

and various public projects all lead to the collapse of Bretton Woods.



President Lyndon Johnson and the Great Society.

As the US inflated and the dollar continued to lose its value, foreign countries cashed their dollars in for gold. Eventually, the US could not honor its commitment to convert dollars for gold at USD 35/ounce. President Nixon was forced to declare the US quasi-bankrupt and cut the tie between dollars and



gold. Foreign countries could no longer cash in FRN for gold, ending the gold standard all over the world. From this point, the world monetary system was made of pure fiat paper money.

### Post Bretton Woods (1973 – present)

After the collapse of Bretton Woods, most countries floated their currencies. Every country was free to set its monetary policies however they wanted and gold was free to trade at any price.

Without any gold obligations, a large amount of paper money was created. Between 1973 to 1980, gold went from USD 35/ounce to USD 840/ounce; nearly a 25x increase.



Gold price in USD/oz.

The first big rally!

The rally came to an end when Ronald Reagan and Paul Volker raised interest rates to curb inflation for a while.

While Bretton Woods collapsed and currencies were no longer pegged to the USD, it still acted as the world's reserve currency. This unique status means the US *must* run a perpetual trade deficit. Here's why...

Most commodities and energy is priced in USD. So in order to buy commodities from resource producing nations, countries need to use US dollars.

As such, there is always demand for US dollars. This is what people mean by "reserve currency" – countries need to keep

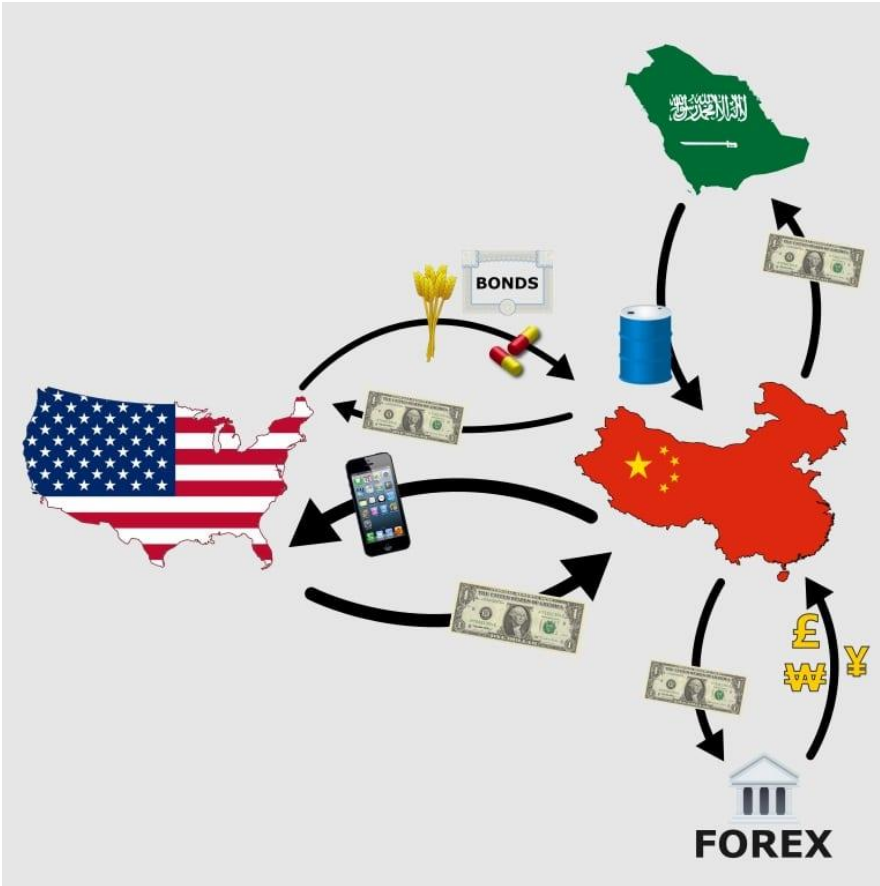


US dollars in “reserve” so they can trade with other countries and buy stuff from the US.

Normally, a country will pay for its imports through their exports so there are no long-term trade imbalances. I give you something and you give me something. This is common sense and how healthy trade should look like. It would be awkward and unfair if one country was consuming more than it produced.

Yet, that is exactly what the US is doing by consuming \$600 billion more than it produces (the trade deficit as of this report).

When America buys foreign exports, they send over US dollars. Normally, foreigners would return the dollars to buy US exports, evening out the trade balance. But this won't happen since other foreign countries price their commodities in US dollars which means foreigners must hold US dollars to trade with each other.



Trade under the USD fiat monetary standard.

The US is able to consume more than it produces by exporting dollars instead of real goods.

A “benefit” to being the reserve currency is the US can “export” its inflation abroad. This spreads out the negative effects of inflation to all USD holders, a lot of whom are *not* US citizens. Consequently, US politicians are more prone to increasing social programs and spending because they believe they could fund everything with printed dollars.

We clearly see this with increasingly socialized healthcare and education and higher spending on military and stimulus bills/bailouts.

This privilege (or issue depending on your POV) leads to over consuming Americans and ever-higher inflation.

Sound familiar? This is where we are today.

Obviously, the world won’t tolerate this forever and our current monetary system is destined to fail.



## Reasons to own gold (bull case)

Physical Gold and Silver	
Gold (COMEX)	USD 1820.50/ounce
Silver (COMEX)	USD 24.81/ounce

Unlike other investment ideas I've written about, the gold thesis is really one of history. If you made it this far, then it should be obvious the Fed really only has two futures ahead of it:

1. It stops buying government bonds and inflation slows/reverses. This drops the artificial demand for government bonds and lets interest rates rise. Banks won't be able to lend money as easily which means consumers and businesses will have to save and become financially prudent. In the short-run, many inefficient businesses will default or reorganize. The stock market will drop like a rock and the economy will hurt while it figures out how to operate in a world without artificially low interest rates and easy money.
2. The Fed continues buying bonds with printed money to artificially lower interest rates. Entrepreneurs continue borrowing cheap money to fund unprofitable businesses that lead to overvalued markets. Consumers continue to feel good buying things they can't afford without a loan. Governments continue to spend more on social programs, racial/gender justice and other public expenditures. All the created money will show up as asset and consumer price inflation.

I firmly believe the Fed will take the path of least resistance and go down the second path. It's the politically correct thing to do, even if it compounds our economic problems.





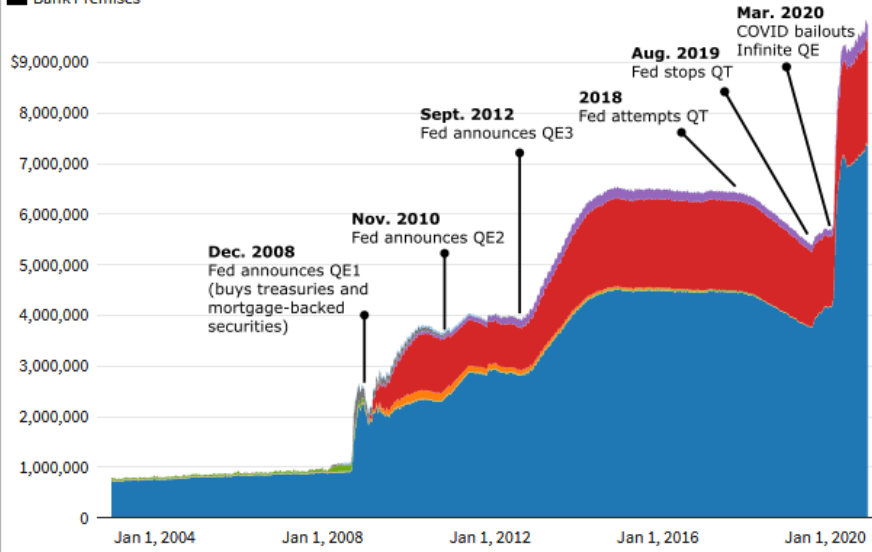
Can you imagine any politician/presidential candidate saying they will eliminate Medicaid, Medicare, the FDA, OSHA, EPA, Freddie Mac, Fannie Mae, social security, and pull out of the Middle East, Eastern Europe, Asia, NATO and UN?

I wouldn't bet my life on it. The inflationary status quo will continue. You don't need to listen to me; you can just look at the government's recent actions.

### The Fed Balance Sheet

Million USD, weekly, Dec. 18, 2002–Jan. 6, 2021

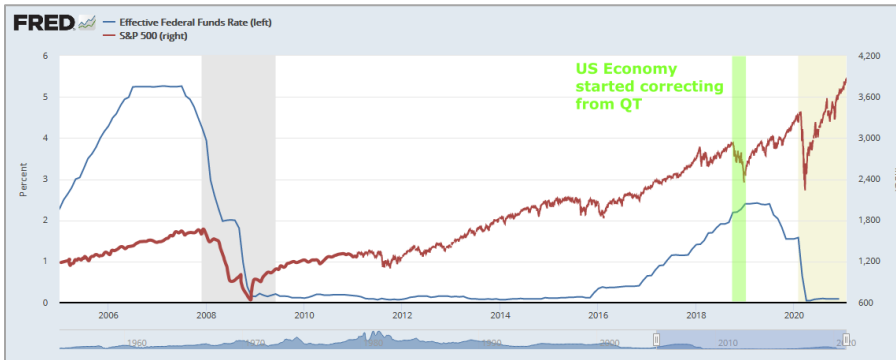
Treasury Securities Gold Stock Treasury Securities: Inflation Compensation  
Federal Agency Debt Securities Mortgage-Backed Securities  
Net Unamortized Premiums on Securities Held Outright Repurchase Agreements Loans  
Net Portfolio Holdings of Maiden Lane LLC Items in Process of Collection, Eliminations From Consolidation  
Bank Premises



Quantitative easing (QE) is just another euphemism for inflation. It's the process where the Fed creates money out of thin air to buy assets. The only new thing since '08 is the Fed added mortgage loans to its balance sheet.

Quantitative tightening (QT) is the opposite of QE. Reread the OMO section for clarification.

Through quantitative easing (QE) and lowering interest rates, the Fed managed to inflate the US economy and stock market. In Obama's last year, the Fed tried normalizing interest rates after holding them at 0 for nearly a decade. If Trump didn't cut taxes, the increasing rates alone probably would've flattened the economy in his first year. The Fed attempted to shrink its balance sheet through QT but they literally ended the program early because the stock market and economy started to crumble.



SP500 and Fed funds rate (interest rates)

What does all this mean?

It proves that path 1 is too painful and would be a disaster for the US economy, even if it's the prudent thing to do.

It proves that path 2 is what governments favor – continue to print money, push interest rates down and kill the USD.

So if the value of cash is going down the toilet and you don't want your wealth to go down with it, where do you put your money?

In theory, any asset that beats the rate of inflation will do. But assets like stocks and real estate are not practical for everyone because they require research and maintenance. Plus, stock market and real estate investors may want to hold a part of their wealth in something more stable and liquid.

This is where gold comes in.

As we learned in the beginning of this report, gold is the best proven form of money Earth has to offer and a great store of wealth.

Owning gold is a way to *store* your wealth and hedge against inflation.

That's the *fundamental* reason to own gold.

### Some trends in gold's favor

The fundamentals of gold should be enough for you to decide whether you want to own it or not.

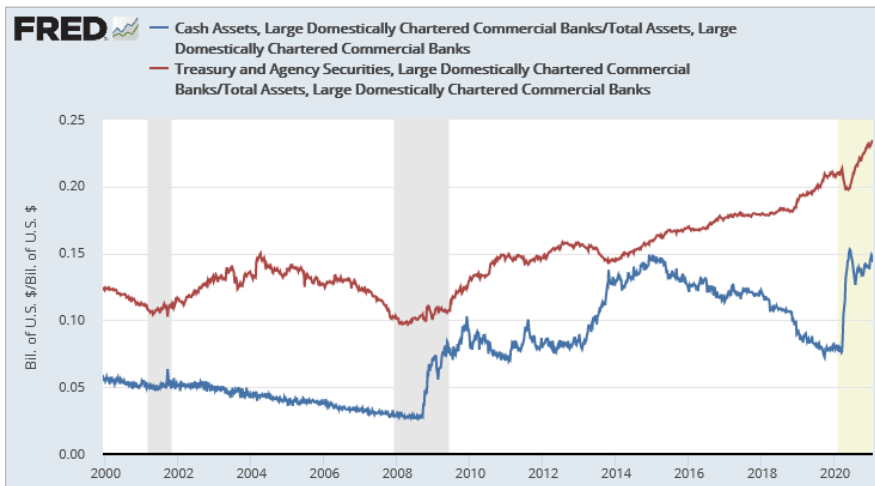


But it doesn't hurt to have some trends working in our favor. These trends are active as of this report. I will cover any important changes in my updates.

### **Inflation will be felt by regular people**

At the bottom of the 2008 recession, US banks were levered to the hilt with low reserves.

Large banks only had 3% of their total assets in cash and 10% in treasuries.



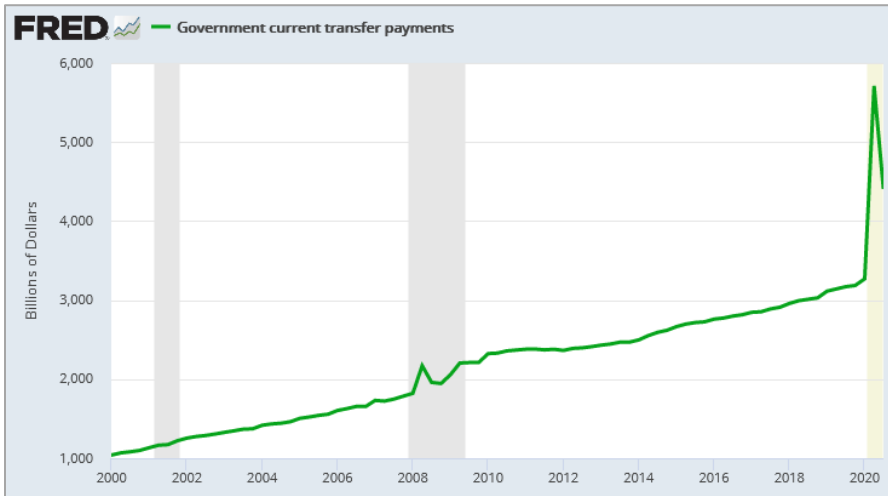
In other words, they weren't liquid and would face disaster if a lot their customers came to withdraw – which is what happened.

We all know the story that followed: the Fed printed a bunch of money and bailed out the banks.

The important thing to take away here is even though the Fed printed a bunch of money, most of it went to recapitalizing banks. The Fed wanted to make sure banks had enough reserves to function smoothly and not go under. This is why you see the blue and red lines increasing after the '08 crisis.

Most of this money never went into the public where it would chase real goods and services. That's why the US had huge inflation without it affecting the daily prices people see.

But this time is different.

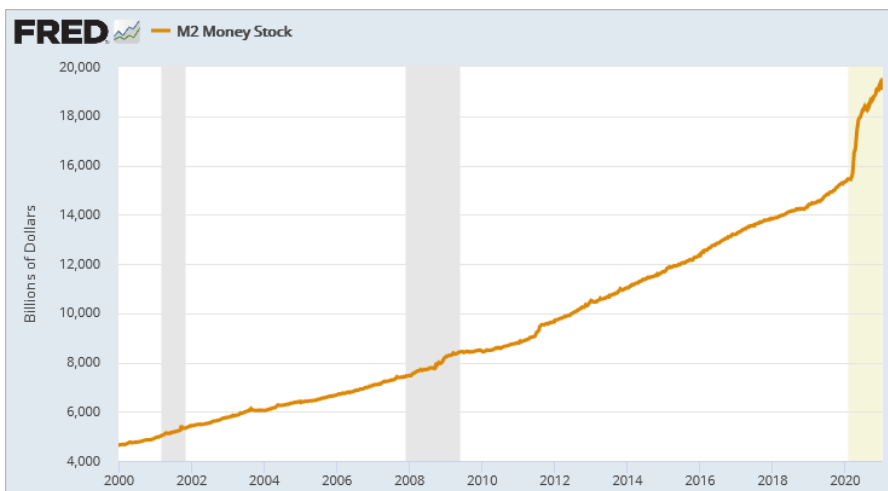


Government current transfer payments are payments they give straight to the people.

This time, banks are better capitalized so the Fed doesn't need to bail them out.

This time, the Fed is cutting all the bullshit and giving money straight to the people (see spike in 2020).

And a lot of money is being created to do so:



M2 money supply (savings, checking deposits, cash, money market securities, mutual funds)

This time, money is going to chase goods and services which means consumer prices are going to rise. People are going to *feel* inflation in their bones.

More people are going to look for a secure way to preserve their wealth, which is bullish for gold.

**Money supply will increase and interest rates will stay at 0**



The Fed is literally saying it will print more money and keep interest rates low.

## **Fed sees interest rates staying near zero through 2022, GDP bouncing to 5% next year**

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I would add to the headline that interest rates will likely go negative. Also, change 2022 to “the day the current banking system collapses.”

The government has an agenda and they will see it through. What more do I have to say?

### **Gold is under owned**

Most pension funds, insurance companies and 401ks don't own gold.

Western central banks also don't own any gold, “\*cough\* Canada,” or very little.

And only since mid-2015 did gold ETFs start accumulating gold.

**CHART 3** GoldETF Holdings



When gold continues to rise, Western funds and central banks will be huge buyers.

Let us be invested before the buying frenzy really kicks off.



## The true price of gold is...

I normally attach a value to the stocks I research if appropriate. But I'm not going to give a specific value for gold.

The truth is the value of gold ranges wildly from USD 1000 to USD 50,000+ per ounce. These are resource market experts and intelligent economists making these predictions. And none of them are necessarily wrong because gold is not only determined by its use cases, but by monetary policy too. It's hard to attach a specific number to how much money the Fed will print. In theory, if the Fed printed infinity dollars then gold would go to infinity. The more the Fed prints, the higher the price of gold should be. It's like an ever-increasing target.

But based on the amount of [M1 money](#) today, there is some consensus around USD 15,000/ounce; about 8x today's price.

Using a similar methodology today, we project a \$12,000-\$15,000 per ounce target. Although it might once again seem outlandish, our research tells us these valuation extremes have occurred multiple times over the past 100 years. For those who are interested, please consult the precious metals section of our 2Q2018 letter, where we discuss a variety of valuation techniques.

Resource market experts  
Goehring & Rozencwajg predict  
USD 12,000-15,000/ounce.



Gold bug Jim Rickards predicts  
USD 15,000/ounce by around  
2025.

Rickards calculates USD 15,000/ounce as such: take the M1 money supply of the Fed, Bank of England, European Central Bank, Bank of Japan and People's Bank of China and divide all that by the total amount of gold. USD 15,000 represents most of the world's M1 money supply in ounces of gold.





Take these price targets with a grain of salt.

Remember, physical gold is for you to store your wealth. It's not intended for you to make home-run profits, though that's not out of the realm of possibility. If you want *massive* gains in gold, you need to own miners, which I will get to shortly.

I think it's better to get into gold not worrying about how high it will go. Based on the fundamentals, it's *highly* likely the price will rise. And as a store of wealth, that's more than you could ask for.

## Silver specifics

Everything I said about gold also applies to silver.

This section will discuss the different qualities silver possesses that gold doesn't.

### Silver tends to be more volatile

Silver is more volatile for several reasons:

- The silver market is much smaller than the gold market. The market value of 2019 silver supply was USD 16 billion. Gold was USD 192 billion. So it takes a lot less money to move silver.
- Silver is more accessible due to its abundance and affordability relative to gold, so more market participants can swing the price of silver.
- Silver has many more industrial uses than gold so it will be swayed by more markets.

### Silver is used in industry way more than gold

Over 50% of silver is used in industry for solar panels, batteries, construction, medicine and electronics. Only 12% of gold is used in industry.

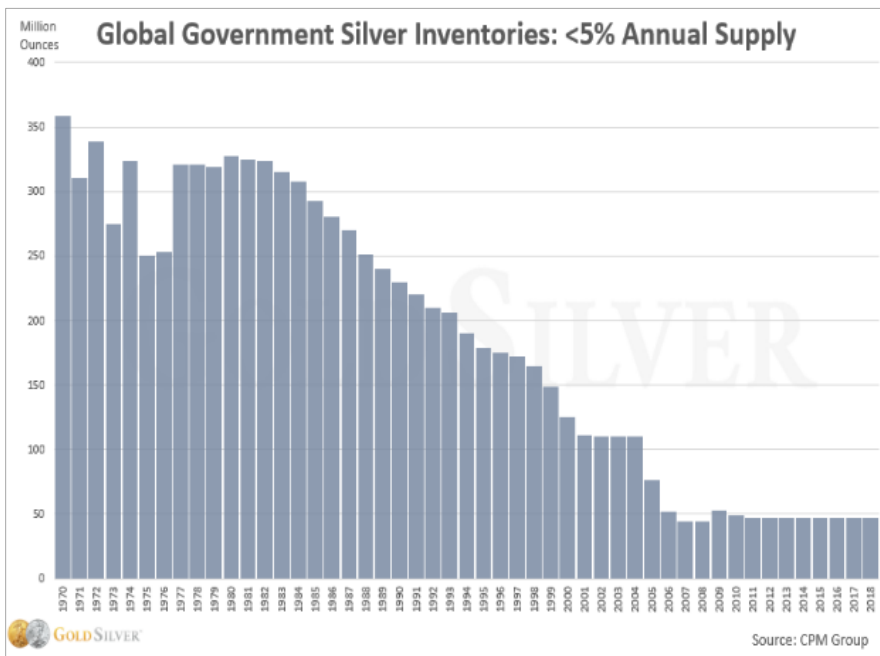
This means silver is not only affected by monetary policy, but by industrial uses too.



As of this report, silver is set up very well. Not only is monetary policy in silver's favor, but industrial supply and demand is also favorable.

On the demand side, emerging markets are industrializing and the West is pushing for green energy solutions. Both of which require massive amounts of silver.

On the supply side, the weak price of silver throughout most of 2010 to 2020 curtailed many miners from producing. And governments haven't been accumulating silver since the end of Bretton Woods because it's no longer currency. As a result, silver inventories are at record lows.



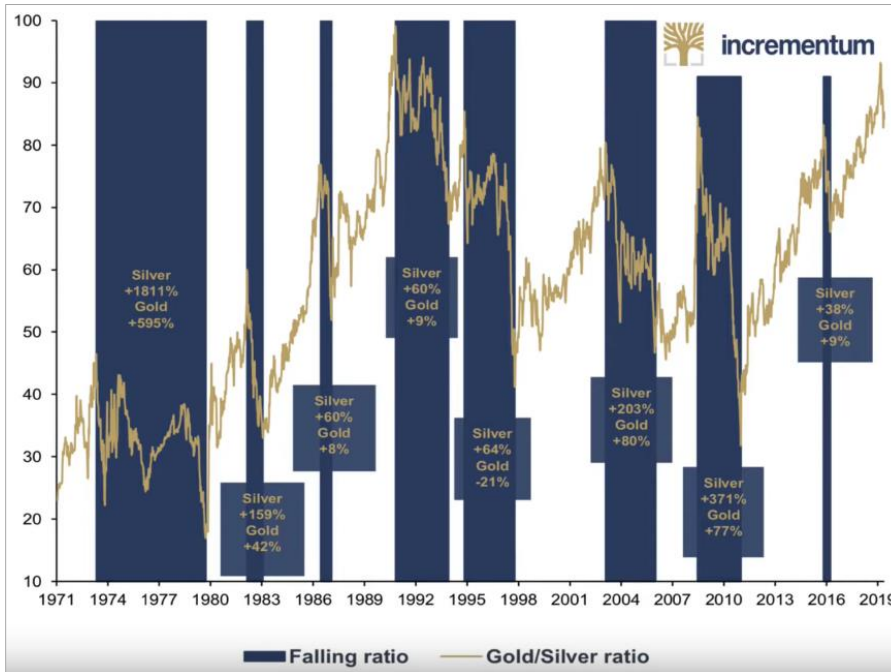
This is why silver could be a better investment for those with a bit more appetite for risk.

### Gold/silver ratio

The gold/silver ratio measures how cheap or expensive silver is relative to gold. A gold/silver ratio of 40 or less means silver is expensive relative to gold. A gold/silver ratio of 60 or more means silver is cheap relative to gold.



If you were to trade this ratio, that would mean buying more silver than gold when the ratio is above 60 and buying less silver than gold when the ratio is below 40.



The blue bands are when the gold/silver ratio fell as silver outperformed gold.

The ratio is currently around 75, so silver is a bargain relative to gold.

Keep in mind this is technical analysis. If the fundamentals change then this ratio could mean nothing. Nevertheless, the ratio is something that can help you time when you buy gold or silver.



## Reasons not to own gold (bear case)

The major bear case against gold is if the US goes down path 1 (see pg. 19). If so, then we'll likely see a reversal of gold's climb.

But as I already stated, that's not likely.

Besides, going down path 1 doesn't solve the underlying problems with our current monetary system. So any bear market in gold will be temporary. As soon as some administration promises more stuff from the government, gold will be bullish again.

Another bear case is if an alternative asset class like cryptocurrencies replaces gold. This case is more imaginative than probable reality right now.

Even if cryptocurrencies take off, it has *a lot* of market value to gain to catch up to gold. The gold market is simply too big so I don't think cryptocurrencies will drag gold down.

If anything, cryptocurrencies' success will be gold's success since they are both intended as inflation hedges.



# How to invest in gold

## Physical gold and silver

The obvious way to invest in physical gold is to just buy bars or coins and keep them in your house.

I recommend finding a physical store in your area to avoid shipping. If that's not possible, than buying online is OK too.

In both cases, make sure you find a reputable and fair dealer.

For physical gold bars and coins, *you shouldn't be paying more than a 6% markup on the spot price*. Gold typically trades between 2% to 5% above spot. In times of extreme buying, the premium could go much higher tough.

For physical silver bars and coins, *you shouldn't be paying more than a 15% markup above the spot price*. Silver is a bit tricky since the markups vary more, but it typically trades between 2% to 10% above spot. Again, in times of extreme buying, the premium could explode.

This is why with any investment, it's better to be early.

Regarding silver (less so for gold), the markups tend to increase in this order: [junk silver](#) < bars < "regular" coins.

So if you don't care about the prettiness of your metal, just buy bars and junk silver.

Oh! And make sure you don't buy numismatics unless that's your intention. These are collectible coins with a unique design and/or history.



Numismatic gold coin

Italian States Venice (1779-89)  
50 Zecchini

## Physical gold and silver ETFs

What if you have no space at home?

What if you want to buy a *lot* of gold or silver?

What if you want something extremely liquid that you can easily trade inside your brokerage account?

Then consider physical gold and silver ETFs:

- SPDR Gold Trust (GLD)
- iShares Gold Trust (IAU)
- iShares Silver Trust (SLV)
- Sprott funds
- Perth Mint funds
- And many more.

The disadvantage with ETFs is you need to pay a yearly fee (expense ratio). It's usually less than a percent, but it could add up, especially if you own many shares. Try to choose reputable ETFs with the lowest fees.

Another disadvantage is you don't have the gold on hand and most ETFs don't allow you to redeem your shares for physical gold. This shouldn't matter too much, but if the world goes to absolute shite and you need to pay in gold, you're screwed.

The Sprott and Perth Mint funds rectify this problem by allowing you to redeem your gold.





## Gold and silver miners and royalty businesses

Physical gold and silver are great ways to preserve your wealth, but buying the right miners are where the *massive returns* are.

50x stocks are not uncommon in a precious metal bull market.

This is because miners are actual businesses that have earnings and cash flow.

Suppose a miner breaks even at USD 1,000/ounce. If the price of gold is USD 1,200/ounce, the miner is making USD 200 in free cash flow. If the price of gold goes to USD 1,800/ounce, then the miner will make USD 800/ounce. Mining costs stay the same unless operations change.

So a 50% increase in gold causes the miner to earn 300% more free cash flow!

That's called leverage and is what causes miners to return multiples more than the spot price of gold.

The risk is leverage works against you on the downside.

Each miner has different risks and rewards and deserves its own report. [My members are already enjoying gains on some miners I've written about and I have more coming!](#)

Royalty companies are safer ways to invest in mining.

Instead of getting down and dirty like actual miners, royalty companies finance mining operations. In return, they get a percentage of the gold mined or they get to buy a certain amount of the gold mined at a discount.



### Last words

Putting it all together, inflation and dollar devaluation will cause gold and silver to rise. Own the physical metal to preserve your wealth and buy miners to leverage *huge profits*.

My wealth is secure and I'm ready for the bull market! *Are you?*



If you're already a member, ignore the following message and *enjoy the ride!*

To new readers, my best stock ideas are for my members. I will be publishing more gold and silver related ideas that aim to produce massive returns.

And it's not just gold and silver. There are opportunities in other parts of the stock market that the masses and Wall Street have not found. Some of these stock ideas have even greater asymmetric *upside* than gold and silver.

We have an opportunity to generate huge wealth and be on the right side of history.

You can sign up and view all my other content on my site:

<https://fundamentalsfirstinvesting.com/>



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