



# MONETARY & ECONOMIC REVIEW

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## Recommended Strategies at a Glance

By FAMC Staff Economists

### 1. Cash, Foreign and Domestic Currency:

As we forecast in the previous editions, currency depreciation will run up the price of gold. In early October, gold again hit record highs, reaching \$1,350 an ounce. Japan led the first round of currency depreciation by lowering its rates to zero percent and was followed by the UK and then by the U.S. Expect 50 – 90 percent depreciation in the value of the U.S. dollar. We are seeing the coordination of currency depreciation in order for the masses and unlearned to not notice. All currencies are like boats on the ocean of the economy and they are all sinking. International money masters want the sinking to be coordinated until they can impose a one-world currency.

### 2. Commodity Futures, Options:

Don't be tempted to speculate in these instruments. The coming volatility and market manipulation will wipe out most of your investment. The legitimate use of these instruments is for price discovery and risk transfer for a producer or user of the commodities.

### 3. CDs and Money Market Accounts:

The goal of the Federal Reserve is to consolidate the number of banks into a larger money center or regional banks. The Money Masters in New York and Washington abhor local and regional capital they don't control. Limit your CDs and bank Money Market Funds to the \$250,000 FDIC limit. Support your local and regional banks by loaning them your funds up to the insured limit. Another strategy is to spread your funds to several local banks.

### 4. Bonds:

Without fiscal sanity in Washington, the U.S. credit rating will be downgraded. Move to sell ALL bonds, especially municipal bonds, as the credit risk will be great over the next 6 to 18 months. Even the venerable titan of Wall Street, Goldman Sachs, is forecasting that the U.S. economy is likely to be "fairly bad" or "very bad" over the next six to nine months. We will either have massive default or massive inflation. By holding bonds, you lose in any of the above scenarios.

### 5. Stocks and Mutual Funds:

Part of being prepared for anything means knowing what you are preparing for. In the case of stocks and mutual funds (stock soup) no one wants to lose money. Prepare for a very bad economy unless and until real change comes to tax and spending policy in Washington. Earnings will not justify current stock price levels and expect a drop of up to 50 percent from current levels. Get out of stocks and mutual funds. This may be your last chance before severe decline.

### 6. Precious Metals:

What can we say, other than this: The precious metals are the safest store of value known to man. God put only so much of the metals into the ground, while currencies can be printed as long as you can plant cotton or grow trees. The Federal Reserve and most central banks across the globe have continued their expansions (printing) of domestic money supplies, fueling what is likely to be a surge in inflation. While some "bubbles" such as real estate have burst, that is NOT a sign of deflation – it is merely an asset bubble that collapsed when radically inflated "values" could no longer be sustained. Precious metals prices, on the other hand, continue to rise – even despite various measures implemented by governments and central banks to avoid inevitable downturns in the economy created by poor fiscal policies over the last few decades.

Therefore, we anticipate that prices of gold and silver will continue to rise. In addition to the spot prices rising, the U.S. Mint has significantly raised the premiums on U.S. Silver Eagles. There is also a possibility that – in addition to inflation – there may be some growth in auto manufacturing which could buoy platinum prices over the next couple of years. However, we emphasize that platinum is the most speculative of the precious metals complex

because it can be manipulated due to the very small amount of that metal that is controlled by South Africa and Russia. Also bear in mind that the auto sector is largely dependent on new financing; and with current doldrums in the US economy, financing is increasingly difficult to obtain.

With all of the above in mind, make sure that you have protected at least 35-55 percent of your total assets via the precious metals. With the dollar on the precipice of an additional 50 percent + devaluation, you don't want to find yourself tied up in dollar-denominated assets. Of course we cannot completely eschew the dollar, as it is the currency of choice this week. We advise diversifying outside the dollar into the ultimate currency: the precious metals.

#### **7. Rare Coins:**

The coin jockeys are at it again. Once they exhaust a supply of one coin they immediately begin marketing something new. The strategy is to "churn" their existing client base to trade back to them the last rare coin they bought (probably at a huge mark-up), then push the "latest, greatest" coin or deal.

We have been appalled to see the gimmicks used to get folks "in the door," so to speak. For instance, coin jockeys don't make as much selling the new bullion American Eagle coin as they do with older coins such as the Morgan and Peace silver dollar pieces. While there is nothing wrong with either of those coins, a coin jockey will rarely inform the client that those older coins contain just over 3/4ths of an ounce of silver, while the Eagle is one full ounce. Further, they tend to charge more for these coins than an Eagle: therefore, the client ends up with less silver for more money.

Some of these coin jockeys have gone to the extent of literally lying to the client, telling them Silver Eagle coins are confiscatable when nothing could be further from the truth. So long as a silver coin is a legal tender coin, it is exempt from all historical confiscation issues.

Another gimmick is to take a newly minted bullion coin, have it graded as a MS-69 or MS-70 grade and then market it as collectible – i.e., exempt from confiscation because of the high price. Sadly, there is no real "collector value" in the price – just pure mark-up.

Finally, a lot of these dealers claim they are making only 1 percent over dealer cost. But ask yourself a simple question: "What is dealer cost?" Common sense would tell us that no business can stay in business making only 1 percent. This is particularly true for companies that are making such a claim through high-priced television ads. Don't be fooled by the marketing gimmicks; you can expect to see more of them as more and more "Johnny-come-lately" dealers enter the marketplace.

FAMC, Inc., has been advising our clients for over a quarter century at this point. We have also aided them in the acquisition of precious metals during that time. Our recommendations have remained largely the same in precious metals simply because the laws and precedents for confiscation have remained the same. At times we have advocated for different coins due to the worldwide availability, but the basic recommendation for your primary metals holdings has stayed the same. Upon occasion we have made recommendations into more speculative metals such as platinum for periods of time, to the great benefit of our clientele. However, we have never churned a client from one product into another.

Make sure you are not fooled by the coin jockeys on television; know who you are doing business with. You may contact your FAMC staff economist or monetary consultant with any questions concerning the precious metals at (800) 325-0919.