Liberty's Outlook

Volume 21 Issue 4 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics April 8, 2015

World Economy At Risk! US Dollar Under Major Attack!

Last month, I warned that the next six months would be the most volatile economic times in world history.

By June that volatility may really take off.

Risk of Massive Government Debt Defaults:

Greece: Tomorrow, the Greek government owes a loan repayment of about 500 million dollars to the International Monetary Fund. More than a week ago, Greece's interior minister said that this payment will be "postponed" so that funds can be used to make payroll for that government's bloated bureaucracy. Already, the Greek government has seized private retirement account assets to pay current expenses.

Earlier this week, the Greek government changed its tune. It stated that it would make this payment tomorrow as well and the other debt and interest payments owed in April. It did not explain where it is obtaining the funds to make these payments.

What are the other looming payments?

Next week, on Tuesday and Friday, the Greek government has more than $2.5 billion of three and six month government debt maturing. There is also another $300 million interest payment due this month.

Even if the Greek government squeaks through this month, May could be a different story.

George Saravelos of Deutsche Bank, which holds significant Greek government debt, explained that even if Greece covered its April debts that, "It is highly unlikely there is sufficient cash flow to finance subsequent needs in May."

In May, the Greek government owes two more payments to the IMF that total more than $1 billion.

I previously told you that the Greek debt problem could not be solved. To avoid default and bankruptcy by the end of May, the European Central Bank will be forced to flush more loans down the toilet to only postpone Greece's bankruptcy for a little while.

Why would the ECB keep subsidizing the Greek government?

Derivatives.

There could easily be more than ten times the amount of credit default swap derivatives written on a total of more than 100 billion dollars of Greek government debt. The total debt of the Greek government, businesses, and private citizens now exceeds $350 billion.

In theory, derivatives contracts protect the banks that loaned money to Greece.

But, how are the European central and private banks going to come up with more than a trillion dollars to cover derivatives losses if the Greek defaults on any of its debt?

Over the past year, almost half of all account balances at Greek banks have been withdrawn. People fear that the European Central Bank, directly or through the Greek government, may seize private and business account balances at Greek banks, similar to what happened in Cyprus last year.

Unfortunately, this isn't the only looming global financial crisis you don't know about.

Austria: Austria was a fiscally stronger member of the European Union. Not now. The Austrian government nationalized the failed Hypo Alpe-Adria Bank International and had already pumped in more than six billion dollars covering bad loans carried on the

2015 Year To Date Results

Through April 7, 2015

Precious Metals		
Silver		+7.0%
Gold		+1.5%
Platinum		-1.5%
Palladium		-5.5%
Numismatics		
US MS-63 $20 St Gaudens		+3.9%
US MS-65 Morgan Dollar, Pre-1921		+0.7%
US MS-63 $20 Liberty		-2.8%
US Dollar vs Foreign Currencies		
Brazil Real		+17.9%
Euro		+11.9%
Canada Dollar		+7.6%
Australia Dollar		+7.0%
Great Britain Pound		+5.2%
New Zealand Dollar		+4.0%
South Africa Rand		+2.9%
Singapore Dollar		+2.7%
Mexico Peso		+1.2%
Chile Peso		+0.6%
Japan Yen		+0.5%
South Korea Won		+0.2%
Hong Kong Dollar		-0.1%
China Yuan		-1.2%
India Rupee		-1.2%
Switzerland Franc		-2.8%
U.S. Dollar Index	97.81	+8.57%
US And World Stock Market Indices		
Frankfurt Xetra DAX		+23.6%
Shanghai Composite		+22.5%
Tokyo Nikkei 225		+12.6%
Australia S&P/ASX 200		+9.5%
Sao Paulo Bovespa		+7.4%
London FT 100		+6.0%
Dow Jones World (ex-US)		+5.8%
Russell 2000		+4.0%
NASDAQ		+3.7%
S&P 500		+0.9%
DJIA		+0.3%
10 Year US Treasury Note interest rate	1.893%	-12.9%
Intrinsic Metal Value Of U.S. Coins		
Lincoln cent, 1959-1982		1.82¢
Lincoln cent, 1982-date		0.56¢
Jefferson nickel, non-silver		3.84¢
Roosevelt dime, 1965-date		1.74¢
Washington quarter, 1965-date		4.35¢
Kennedy half dollar, 1971-date		8.70¢

Value Of US Dollar
As Measured Against Gold

Value of $1.00 at creation of Federal Reserve in 1913	0.0484 tr oz
Value of $1.00 today	0.0008 tr oz
Change in value of US dollar against gold since 1913	**-98.3%**

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bank's books at full face value.

A month ago, Austria's banking regulator announced that it would not cover further losses. There still remain possibly 10 billion dollars in bad loan losses, which will be absorbed by the bank's creditors.

Part of the problem is that Austrian banks and home buyers took out loans and mortgages in Swiss francs because of lower interest rates. When the Swiss National Bank ended the fixed peg exchange rate between the franc and the euro, the franc soared in value. This left banks in trouble, derivatives at risk of default, and home owners owing more than their homes were worth.

Now the Pfandbriefbank Oesterich bank in Austria is in trouble. It owes $650 million in June that it cannot pay. The Austrian state of Carinthia is one of the guarantors of this debt, but officials there have stated that it cannot and will not honor this guarantee. The financial collapse in Austria is developing quickly.

The Ukraine: Then there is the Ukraine, which owes billions to Russia this year in loan repayments but has no assets to do so. With the current military conflict, Russia has no incentive to renegotiate repayment terms.

These are more current global financial crises. But, between Greece, Austria, and the Ukraine, these problems could bring down the world's financial system this year.

The US Dollar Is Under Attack

China is leading the way for the establishment of the Asian Infrastructure Investment Bank. The bank, which will initially be capitalized for at $50-100 billion, should go into operation within a year.

This bank will be a direct competitor of the US-dominated World Bank. It has already hired multiple former World Bank employees.

The existing International Monetary Fund and World Bank, by their actions, are supporting the US dollar. The Chinese insist that the AIIB will be structured so that no nation will dictate its decision-making process. However, the Asian Infrastructure Investment Bank will almost certainly be influenced by the Chinese and have virtually no American presence.

The US government pressured western and other central banks to not join this new bank, but completely struck out.

So far, Australia, Austria, Bangladesh, Brazil, Denmark, Egypt, Finland, France, Georgia, Germany, Hong Kong, Hungary, Iceland, India, Indonesia, Israel, Italy, Jordan, Kuwait, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Oman, Pakistan, the Philippines, Poland, Portugal, Qatar, Saudi Arabia, Singapore, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, and others have announced that they would join the AIIB, with most already approved. Japan and China are in current discussions about Japan applying to be a member.

For all of these nations to reject US government pressure and apply for membership in the AIIB is a sign that politicians around the world expect China to soon be the leading global economic power.

What does this mean for the US dollar and what does this mean for you? A lot of bad news!

The AIIB will not issue US dollar loans. Instead, look for most loans to be denominated in Chinese yuan. To the extent this reduces demand for US dollar loans from the IMF and World Bank, that will lead to a flood of US dollars being repatriated to the US Treasury.

This fall in the international stature of the US dollar is going to mean two things for the average American on the street. First, the value of the US dollar is going to fall against other currencies. Second, American consumer prices will go up. In fact, they will rise by a lot.

How bad could it get? Two days ago, Lawrence Summers, a former US Treasury Secretary under President Clinton and the first Director of the National Economic Council under President Obama, wrote an essay that was published in the *Washington Post*. After acknowledging the number of nations that are considered as "allies" of the United States who have resisted pressure from the American government to stay away from joining the AIIB, he wrote,

"This past month may be remembered as the moment the United States lost its role as the underwriter of the global economic system."

Further in the essay, Summers said,

> **"I can think of no event since Bretton Woods [in 1944] comparable to the combination of China's effort to establish a major new institution and the failure of the United States to persuade dozens of its traditional allies, starting with Britain, to stay out.**
>
> **"This failure of strategy and tactics was a long time coming, and it should lead to a comprehensive review of the U.S. approach to global economics. With China's economic size rivaling that of the United States and emerging markets accounting for at least half of world output, the global economic architecture needs substantial adjustment. Political pressures from all sides in the United States have rendered the architecture increasingly dysfunctional."**

Summers is one of the last people who would ever admit that the US government is a declining world power. That he has done so, and gone on record in one of the major American newspapers, is the closest that any politician or bureaucrat will ever go to admitting that the US dollar is on the way out.

The Asian Infrastructure Investment Bank isn't the only assault on the US dollar. Every five years the IMF updates the definition of Special Drawing Rights, which are supplementary foreign exchange reserve assets usually held in place of gold. The current mix is 41.9% US dollars, 37.4% euros, 11.3% British pounds, and 9.4% Japanese yen. SDRs can only be exchanged for the currencies that make it up.

Last month, the Chinese government formally requested (more like demanded) that the Chinese yuan be part of the SDRs when the mix is updated later this year.

The implicit threat is that if the IMF does not comply with this request, China will then work even harder to develop international financial arrangements to compete with the IMF and the US dollar. No matter which way this situation plays out, it will be bad news for the value of the dollar and the international stature of the US government.

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Patrick A. Heller's Upcoming Speeches and Appearances

April 11, Warren, Michigan, Michigan State Numismatic Society Spring Convention, "The Rise and Fall of Rome's Money and What it Means For America Today," Macomb County Community College Expo Center South Campus, 14500 E. 12 Mile Road, Building P, 3:00 PM in Room 145. No admission charge for program, but non-MSNS members pay admission if they wish to go onto the bourse floor.

April 28, Kalamazoo, Michigan, Kalamazoo Numismatic Club, "Create Fun-Filled Numismatic Presentations For The General Public," time and location to be determined. No admission charge.

May 5, Jackson, Michigan, Jackson Tea Party, "The Rise And Fall Of Rome's Money And What It Means For America Today," at Steve's Ranch Restaurant, 311 W. Louis Glick Hwy, dinner (optional and self-pay) at 6:00, speech at 7:00. No admission charge.

For more information on any event or to arrange for a presentation by Patrick A. Heller, call 800-933-4720 or email path@libertycoinservice.com.

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How fast will the US dollar decline? How low will it go? I don't know.

A month ago, the US dollar peaked in relation to other currencies. It is now down almost 3% from the peak. At best, I expect the dollar to keep falling against gold, silver and the Chinese yuan over the next couple of years. At the worst, the dollar could fail.

If you get out of the US dollar and dollar-denominated stocks and bonds sooner than later, you will be better able to afford the higher consumer prices coming our way.

Was The March Non-Farm Payrolls Report Fake?

Last Friday, the Bureau of Labor Statistics released the monthly Non-Farm Payrolls report for March. Most of you probably heard that the headline was that only 126,000 new jobs were created in March, the lowest monthly total since December 2013. This fell far short of the consensus forecast of "experts" at 245,000 jobs.

Some of you might have also heard that revisions for the two previous months reduced those jobs by 69,000.

Well, you probably didn't know that the reports did not meet BLS standards to be statistically valid and that other information in the 200 pages of underlying data showed even worse news than the headline.

1) In the 126,000 jobs increase were 72,000 new jobs that were double counted because of the birth/death adjustment (see http://www.bls.gov/web/empsit/cesbd.htm). The BLS statisticians have told friends of mine that they are aware that this statistical adjustment is invalid, and that is why they have to annually reverse these numbers in February for the January report.

2) Of the 126,000 net jobs increase, 329,000 were for workers 55 and older. Every other age group showed declines or almost no increase in employment, totaling a decrease of 203,000. (See http://www.bls.gov/opub/ee/2015/cps/tablea8_201503.pdf). This is definitely not a sign of a healthy jobs market. This is so out of whack that it may be an indicator of a fraudulent jobs report, altered to make the news less bad that the BLS actually detected.

3) The Labor Force Participation Rate slipped again to 62.7% to be tied with 9/14 and 12/14 for the lowest rates since 1978 (see http://data.bls.gov/timeseries/LNS11300000). It would be tough to have the number of jobholders going up when the percentage of the workforce holding a job declines.

Beyond this, there is the article by the New York Post's John Crudele at http://nypost.com/2015/04/01/the-mischief-behind-big-unemployment-reveal/ explaining his inside information before the March report was released that the March statistics were faked by the Bureau of Labor Statistics to report better jobs numbers than they were finding. Further, he reports that the BLS did not achieve sufficient sample results to make their figures statistically valid.

Under BLS standards, the survey takers at the Census Bureau must get at least a 90% response rate for the monthly report to be statistically valid. As of the March 24 deadline, Crudele has learned that barely 80% of the surveys were completed. The Census Bureau extended the deadline two day, which allowed just over 85% of the surveys to be finished. Therefore, the entire report does not meet the BLS requirements to be statistically valid.

Further, Crudele's informants claim that at least one Census Bureau region altered its report to show a less negative result than the data indicated.

There were whistleblowers who claimed that the BLS overstated employment and understated the unemployment rate in the final NFP reports before the 2012 and 2014 elections. Therefore, it is entirely possible that last week's jobs report is either invalid, fraudulent, or faked—or all three.

The only reason for the chicanery would be to benefit the politicians and bureaucrats in Washington, DC. If this data is incorrect, the accurate figures are almost certainly even worse than what was reported.

What Does It All Mean?

It has been evident for decades that the US dollar and the US economy were losing their formerly dominant positions in global finances. In order to keep their political power, the politicians have pulled about every trick in the book to hide America's declining influence. Those who benefitted from such actions, such as major banks, were willing collaborators.

When the whole world wakes up and realizes what is going on, the game will be over. As we saw in the Far East Asia Currency Crisis in 1997, the private citizens who will lose the most are those who own paper-denominated assets such as stocks, bonds, and currencies. At the same time, those who will fare the best will be people who own physical gold and silver.

Major cracks are hitting world financial markets right now. Even, or may I should say especially, the US dollar could be at a risk of major decline or collapse much sooner than almost anyone can foresee.

If you do not yet own at least an "insurance" position in bullion-priced physical gold and silver (10-20% of your investment portfolio or your net worth) make arrangements quickly. As we have seen before, supplies can evaporate almost instantly. We can help. Call or stop by our store soon.

Physical Gold Will Not Run Out

A week ago, Eugene King, a Goldman Sachs European metals and mining analyst, wrote in a research note that the world has about 20 years each of minable reserves of gold, diamonds, and zinc. He further stated that there were only about 40 years of reserves left of platinum, copper, and nickel. In a Goldman Sachs slide show released last year, the company stated that 2015 would be the peak year of newly mined gold production.

Such statements are inaccurate in multiple directions. While mine output in South Africa has been on the decline for several years, new mines have opened in other parts of the world. As one mine developer told me years ago, most of the world has not yet been explored for recoverable commodities, in-

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Summary Of Current LCS Recommendations For Precious Metals and Rare Coins

How much of your total net worth should be in precious metals and rare coins?

Conservative	Moderate	Aggressive
10%	20%	25-33%

How much to allocate for each category of precious metals and rare coins?*

	Conservative	Moderate	Aggressive
Gold	40%	35%	25%
Silver	60%	55%	50%
Rare Coins	0%	10%	25%
TOTAL	100%	100%	100%

*Platinum and palladium both have volatile markets with long-term supply/demand fundamentals that are not as attractive as those for gold, silver or rare coins. While either or both might outperform gold, silver, or rare coins in the short- to long-term, to be conservative we have omitted them from our allocation.

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cluding gold. At first, geologists explored the most convenient locations or those close to established mines. As advancing technology and rising prices permit, geologists expand their search to less accessible areas ("Places where no one has yet gotten around to checking out.").

As a commodity gets scarcer, prices tend to rise. Higher prices tend to reduce demand and also make new sources (i.e. new reserves) of the commodity economically practical to recover. Therefore, if gold's price is set in a free market, higher prices will reduce demand and expand supply compared to current levels. Theoretically, just this action and reaction would extend minable gold reserves.

Let me share a real life example of how reserves can change. Almost 10 years ago, I toured the Bunker Hill mine near Wallace, Idaho. The mine had produced silver, lead, and zinc, but shut down when the value of the metals in the ore did not cover the costs of mining it. After it shut down, the prices of lead and zinc rose almost tenfold and silver tripled. A new buyer purchased the mine. As he showed me the operation, he pointed out a seam close inside the mine entrance. He told me that the lead, silver, and zinc in that seam would only yield $12 per ton of ore at the time the mine closed. Since it cost $40 per ton of ore mined, the seam was never worked. Yet, at the time I toured the mine, these same metals would yield $70 per ton of ore. That meant that the metals in that seam could now be counted as part of the mine's reserves. The reserves did not change because of a discovery of new seams to develop. Rather, reserves increased because the value of a known seam had soared.

Another reason that King's analysis is faulty is that it does not take into account technological advances in the future that will make it possible to access sources of supply that are not economically available today. For example, a French and an Israeli company are each preparing to recover gold from wastewater. By their calculations, if accurate across the US and not only in their study samples, there is about $13 worth of gold per person per year that gets dumped into the sewer system. Most comes from industrial rather than consumer sources. Perhaps one day it will be economically feasible to recover this large supply of gold in many parts of the world. There are even trace amounts of gold in the ocean's waters!

Thinking even further into the future, another potential new source of commodities would be asteroids. The probability is more than zero that someday it will be possible to attach a solar-powered sail to an asteroid and move it over a period of years to a safe place nearer to Earth to totally break down into its component parts. A typical asteroid one kilometer on a side, would have trace amounts of platinum, for instance, that would a quantity of platinum greater than the entire amount of platinum mined in history to date! Just think about how much gold could be recovered from a single asteroid!

Another angle that this "expert" may not have considered is the greater efficiency in the use of scarce commodities over time. The use of gold for electrical contacts, as one example, consumes a lot less gold by weight than was used for the same purpose 20 years ago. Work on such improved efficiencies is expedited if the price of the related commodity rises quickly.

The Month

Gold Range	68.00	5.9%
Net Change	+52.50	
Silver Range	1.82	11.9%
Net Change	+1.09	
Gold/Silver Ratio	73.2	
Net change	-1.8	
Platinum Range	88.00	7.9%
Net Change	+51.00	
Platinum/Gold Ratio	0.969	

Date	Gold	Silver	Platinum
Mar 11	1,150.50	15.35	1,115.00
Mar 12	1,152.00	15.50	1,115.00
Mar 13	1,152.50	15.48	1,115.00
Mar 16	1,152.00	15.50	1,115.00
Mar 17	1,148.25	15.57	1,093.00
Mar 18	1,151.25	15.53	1,092.00
Mar 19	1,169.00	16.10	1,119.00
Mar 20	1,184.50	16.87	1,141.00
Mar 23	1,187.75	16.87	1,144.00
Mar 24	1,191.50	16.97	1,139.00
Mar 25	1,197.00	16.99	1,146.00
Mar 26	1,204.75	17.12	1,154.00
Mar 27	1,199.75	17.05	1,143.00
Mar 30	1,184.75	16.65	1,117.00
Mar 31	1,183.00	16.58	1,143.00
Apr 01	1,208.00	17.04	1,166.00
Apr 02	1,201.00	16.68	1,154.00
Apr 03	closed		
Apr 06	1,218.50	17.10	1,180.00
Apr 07	1,210.50	16.83	1,174.00
Apr 08	1,203.00	16.44	1,166.00

London Silver Market Premium To New York Silver Market = 2¢

Gold, silver and platinum quotes are work-in spots at 1:45 EST/EDT each day, quoted in U.S. dollars per troy ounce.

In sum, unlike Eugene King, I just don't see that gold supplies will ever be exhausted.

Decades ago, the late Julian Simon predicted the commodities would become more abundant for all the reasons I have just cited. He has long since been proven correct.

Silver and Silver Coins

Silver closed in US commodity markets today at $16.44, a sizeable jump of $1.09 (7.1%) from last month.

As is typical when the spot price rises, premiums fall slightly. US **90% Silver** Coin (10.9%) dropped about 40 cents per ounce relative to silver value while other premiums were relatively stable. Just about every bullion-priced product is available for immediate or short-term deliver, a condition that may not continue if current global financial crises get worse.

Generally we recommend popular low-premium gold and silver products.

Prices of some numismatic products fell to very low levels in early March as the spot price tanked. As soon as the spot price started to come back, demand took off. Products that fell too fast, are the same ones that have now recovered by the greatest percentage. Part of the reason for the turnaround is the number of dealers and collectors jumping up to snap up these temporary bargains.

A perfect example is **Mint State-60+ Peace Silver Dollar Rolls**, which are up 13.5% in the last four weeks**.** We were fortunate to acquire two modest groups at the bid side of the market and offer them at a lower price while our supplies last. See our enclosed flyer for details.

Gold And Gold Coins

Gold settled pm the COMEX today at $1,203.00, up a whole $52.50 (4.6%) from four weeks ago..

Most premiums are unchanged from last month and supplies are readily available—for now. In any major financial crisis, this could change almost instantly.

My low premium favorites for physical gold continue to be the US **American Arts Medallions** (2.1%), the Austria **100 Corona** (2.0%), and the Mexico **50 Pesos** (2.1%).

At the Baltimore Spring Expo two weeks ago, LCS Chief Numismatist Allan Beegle was able to bring back a moderate quantity of **Choice Mint State-63 1909-D $5.00 Indians.** In mid 1989, these were selling for more than $6,500. In April 2007, they were still selling for $3,200 each, while $5.00 and $10.00 Liberties in the same grade were selling for less than $1,100. In our judgment, MS-63 $5.00 Indians at a price under $1,000 today is a real bargain. See our offer.

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