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GOLD: The Currency Cartel Strikes

ANALYTIC INSIGHTS - May 2013

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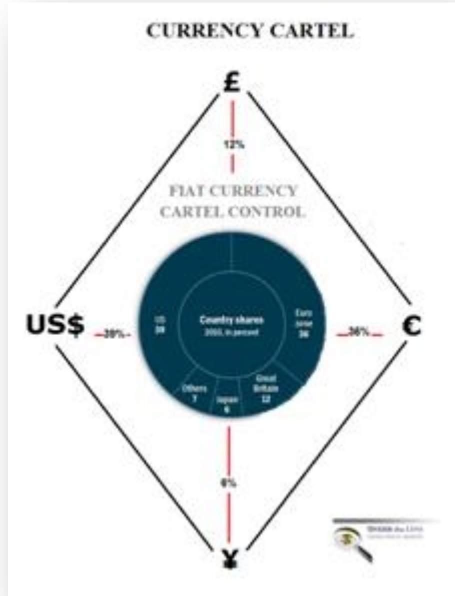
Sells 15% of Annual Global Production in 2 Hours

The recent crush of 'paper' gold was an orchestration.

Let me explain why, how and what's it means. First some background.



CURRENCY CARTEL versus BRICS (ROW)

The attack on Gold has been going on now from the beginning of April. Brokerage houses told their individual clients the word was out that hedge funds and institutional investors were going to be dumping gold and that they should get out in advance. Then [Goldman Sachs](#) announced there would be further departures from gold. Out of desperation the Currency Cartel through their proxies (the bullion banks) are trying to scare the individual investor out of bullion.

The Currency Cartel is concerned with the dollar because the dollar (and its silent partners: the Yen, Euro and Pound) is being printed in huge quantities at the same time that other countries are abandoning the use of these fiat currencies as international payment.

The exchange value of the dollar is (being) threatened, and if that collapses the Fed loses control over interest rates. Then the bond market blows up, the stock market blows up, and the banks that are too big to fail, fail. So it's an act of desperation because they've got to establish in people's minds that the dollar is the only safe place, it is the only safe haven, not gold, not silver, and not other currencies.

And to help protect this policy they have convinced or pressured the Japanese to inflate their own currency. The Japanese are now going to print money like the Fed. They are lobbying the ECB to print more. So a dollar protection initiative is now immediately required.

It must be fully understood where the gold is coming from that is being sold.

It's just paper. It's naked shorts. There is no gold there.

If somebody wanted to take delivery on those contracts nobody would be able to provide it.

The gold smash in price has to do completely with the dollar. **The Currency Cartel are trying to save their Financial Repression policy of negative real interest rates**. You can't do that if their fiat currencies and the main pillar (the US dollar) loses value relative to gold, because it implies it should be losing value relative to other currencies.

If the dollar's exchange value drops, then the price of imports that come into the US will rise. So you get domestic inflation. If you have domestic inflation you can't have zero interest rates, or negative real interest rates. So the Federal Reserve would lose control and that's the basis of this policy.

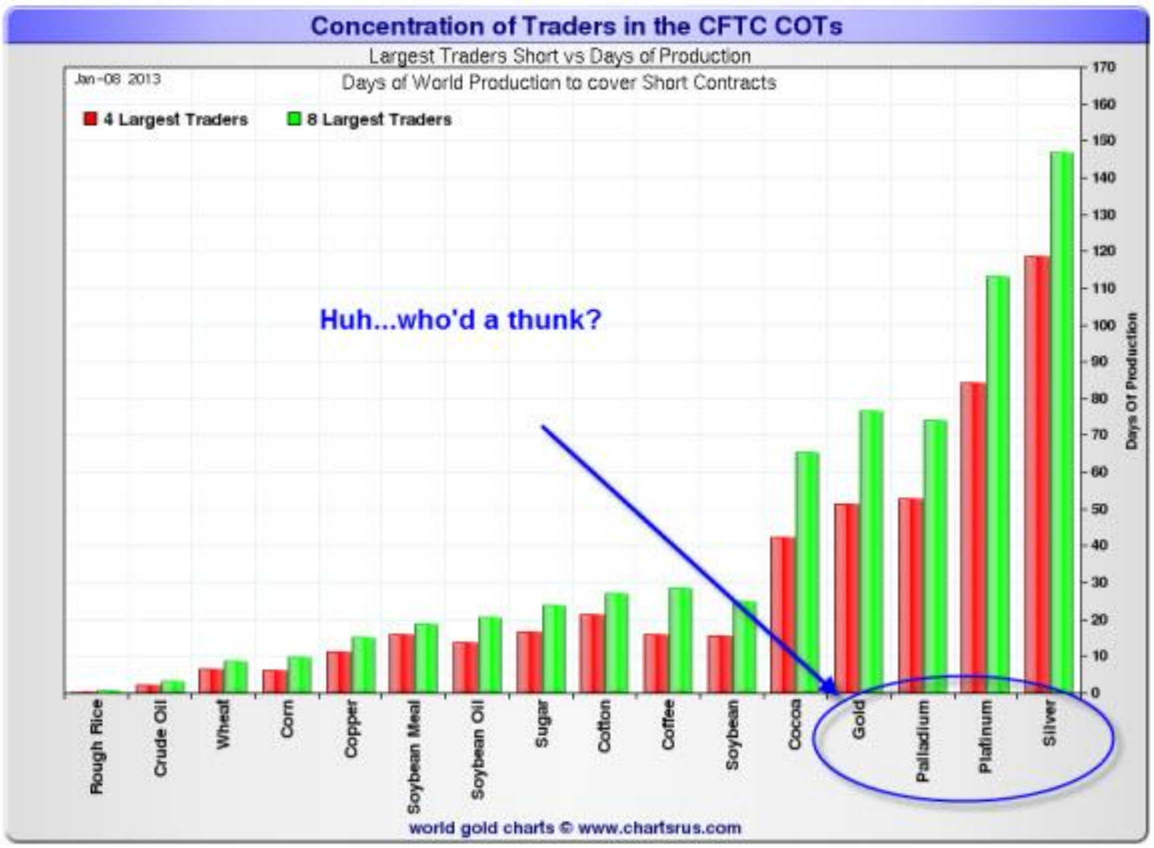
The Currency Cartel are trying to destroy gold as a (safe) haven from the dollar in order to carry on the Fed's policy of negative real interest rates. That is what is driving the illegal policy of selling naked shorts in order to manipulate a market. If you and I were to do something like this without the government's instruction or protection, we would be arrested. So the fact that it's illegal, being done by the authorities, suggests they are seriously worried about the dollar."

WHY - *Bullion Banks Can't Deliver On Their Gold Contracts*

Andrew Maguire says that the crash is solely in the paper gold market … and that there is actually a shortage of physical gold. Many other sources make the same claim.

In *February* Credit Suisse 'predicted' the gold market had peaked, SocGen said the end of the gold era was upon us, and recently Goldman Sachs told everyone to short the metal.

While that's somewhat interesting, you should first know that the largest bullion banks had amassed huge short positions in precious metals by *January*.



The CFTC rather coyly refers to the bullion banks as simply 'large traders' but everyone knows that these are the bullion banks. What we are seeing in that chart above is that out of a range of commodities the precious metals were the most heavily shorted, by far.

So the timeline here is easy to follow - the bullion banks:

1. Amass a huge short position early in the game
2. Begin telling everyone to go short (wink, wink) to get things moving along in the right direction by sowing doubt in the minds of the longs
3. Begin testing the late night markets for depth by initiating mini raids (that also serve to let experienced traders know that there's an elephant or two in the room)
4. Wait for the right moment and then open the floodgates to dump such an overwhelming amount of paper gold and silver into the market that lower prices are the *only* possible result.
5. Close their positions for massive gains and then act as if they had made a really precient market call
6. Await their big bonus checks and wash, rinse, repeat at a later date

While I am almost 100% certain that any decent investigation by the CFTC would reveal that market manipulating 'dumping' was happening, I am equally certain that no such investigation will occur. That's because the point of such a maneuver by the bullion banks is designed to transfer as much wealth from 'out there' and towards the center and the CFTC is there to protect the center's 'right' to do exactly that.

Egon von Greyerz – founder and managing partner at Matterhorn Asset Management – argues:

> They shouldn't be concerned about the temporary pressure on gold. This decline has nothing to do with the physical market because enormous demand for gold continues.
>
> The paper market in gold is not a real market, and at some point in the near future paper gold holders will wake up and realize they are holding are worthless pieces of paper. This is when the world will witness one of the greatest short squeezes in history as investors panic in to physical and the price of gold explodes to the upside."

HOW - *Why Would Any Sane Person Sell 15% of the World's Annual Production in Two Hours!*

London bullion dealer Sharps Pixley thinks that the crash was largely initiated by a single entity:

> **The gold futures markets opened in New York on Friday 12th April to a monumental 3.4 million ounces (100 tones) of gold selling of the June futures contract in what proved to be only an opening shot.** The selling took gold to the technically very important level of $1540

> which was not only the low of 2012, it was also seen by many as the level which confirmed the ongoing bull run which dates back to 2000. In many traders minds it stood as a formidable support level… the line in the sand.
>
> Two hours later the initial selling, **rumored to have been routed through Merrill Lynch's floor team**, by a rather more significant blast when the floor was hit by a further 10 million ounces of selling (300 tones) over the following 30 minutes of trading. This was clearly not a case of disappointed longs leaving the market – it had the hallmarks of a concerted 'short sale', which by driving prices sharply lower in a display of 'shock & awe' – would seek to gain further momentum by prompting others to also sell as their positions as they hit their maximum acceptable losses or so-called **'stopped-out' in market parlance – probably hidden the unimpeachable (?) $1540 level.**
>
> The **selling was timed for optimal impact with New York** at its most liquid, while key overseas gold markets including London were open and able feel the impact. The estimated 400 ton of gold futures selling in total equates to 15% of annual gold mine production – too much for the market to readily absorb, especially with sentiment weak following gold's non performance in the wake of Japanese QE, a nuclear threat from North Korea and weakening US economic data.

By forcing the market lower the Fund sought to prompt a cascade or avalanche of additional selling, proving the lie.

> Gold Core's Mark O'Byrne agrees.
>
> James Rickards thinks the Fed is manipulating the gold market (and every other market).

Bullion dealer Bill Haynes told kingworldnews.com that bullion purchasers among the public outpaced sellers by 50 to 1, and that the premiums over the spot price on gold and silver coins are the highest in decades. Far more buyers than sellers had responded to the price drop.

In addition to short selling that is clearly intended to drive down the gold price, orchestration is also indicated by the advance announcements this month first from brokerage houses and then from Goldman Sachs that hedge funds and institutional investors would be selling their gold positions.

I see the orchestrated effort to suppress the price of gold and silver as a sign that the authorities are frightened that trouble is brewing that they cannot control unless there is strong confidence in the dollar.

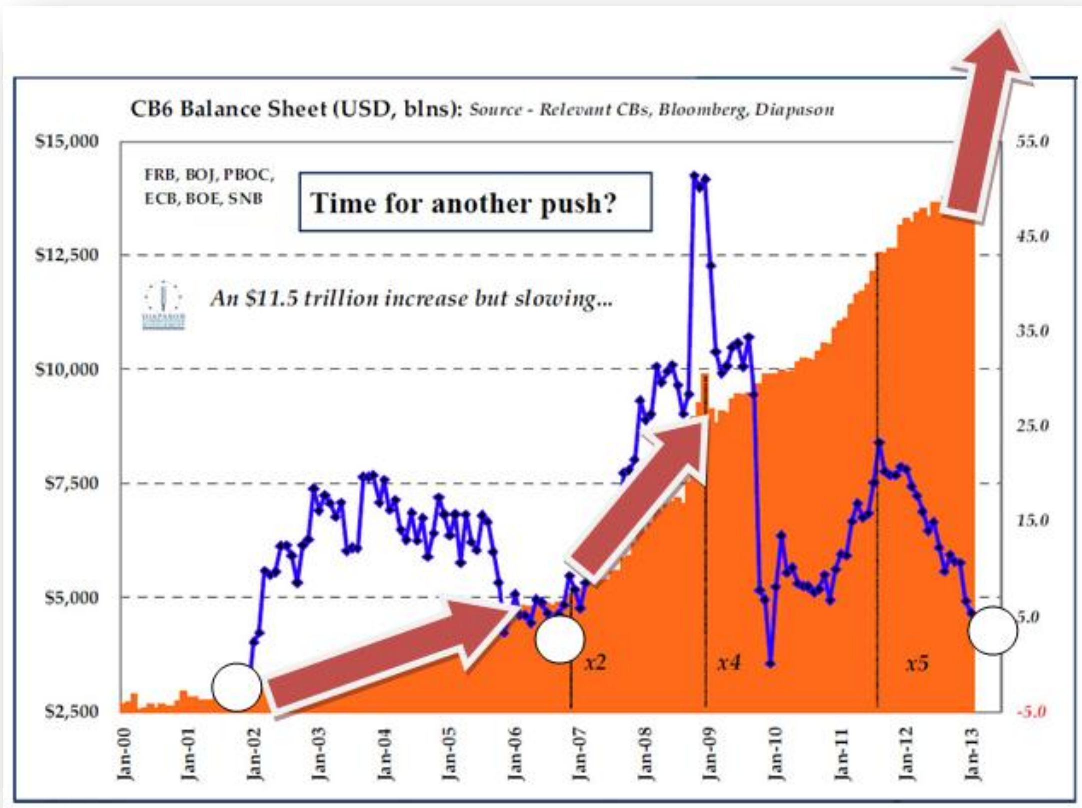
Indeed, this may tie into the Federal Reserve leak of insider information. Specifically, Roberts writes:

> The Federal Reserve began its April Fool's assault on gold by sending the word to brokerage houses, which quickly went out to clients, that hedge funds and other large investors were going to unload their gold positions and that clients should get out of the precious metal market prior to these sales. As this inside information was the government's own strategy, individuals cannot be prosecuted for acting on it. By this operation, the Federal Reserve, a totally corrupt entity, was able to combine individual flight with institutional flight. Bullion prices took a big hit, and bullishness departed from the gold and silver markets. The flow of dollars into bullion, which threatened to become a torrent, was stopped.

WHAT IS REALLY GOING ON - Getting Ready to Launch OMF

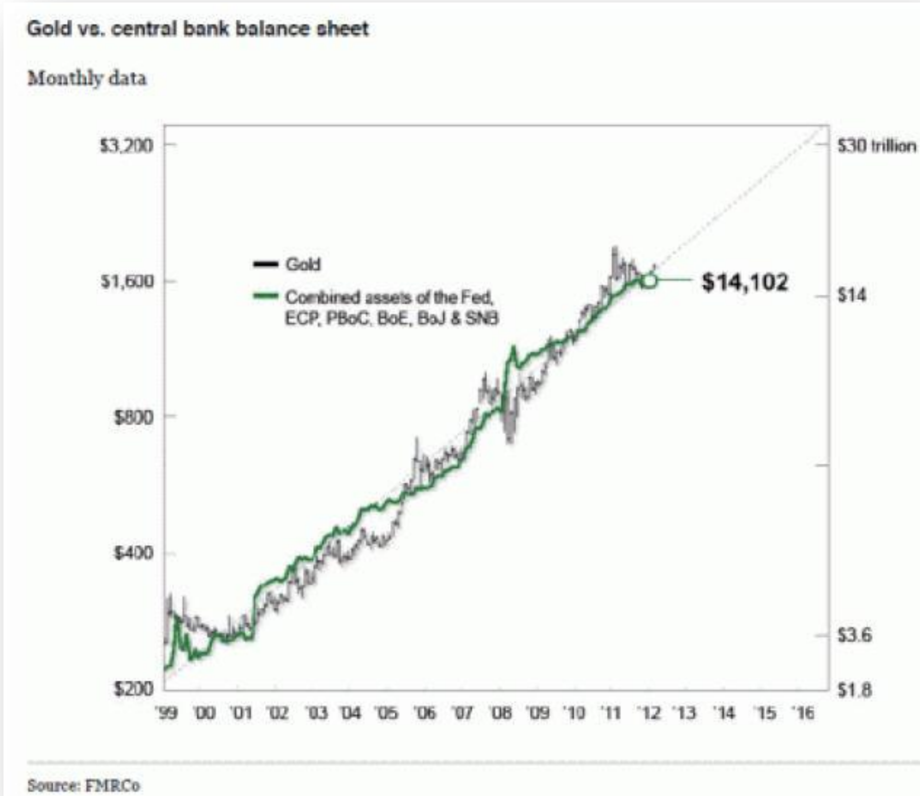
In "What OMF Means for GOLD" I laid out that we could expect the cumulative increase of central bank balance sheets to double within the next 2-3 years. With any financial crisis this would be accelerated.

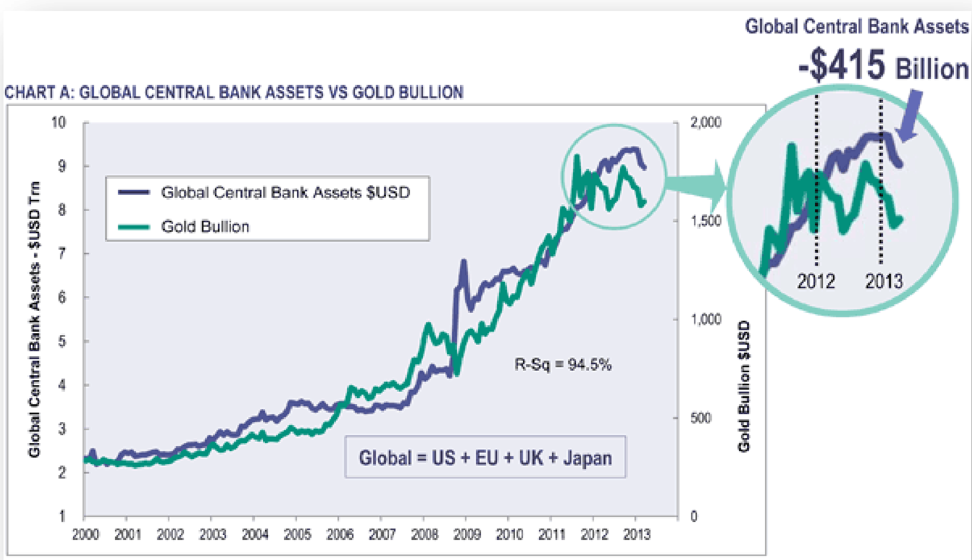
This would approximate an increase of **$15T** for the combined balance sheets of the Federal Reserve, PBoC, ECB, BOJ, BOE and the SNB.



As the chart below shows we have a very close correlation between the combined balance sheet growth and the price of physical gold.

The approximates $210/Oz per $1Trillion Balance Sheet expansion.





This would suggest gold has the potential to head towards ($210 X 15 + 1300) **$4,500** in the not too distant future.

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