

THE GOLD RUSH IS ON!

By Adrian Douglas

The article that appeared in the Financial Times today and circulated by GATA is very significant. What is especially significant is the necessity to supply disinformation

http://www.ft.com/cms/s/0/077b765c-c77c-11dd-b611-000077b07658.html?nclick_check=1

QUOTE

Traders have been hearing talk that the gold market could face a potential squeeze at the end of this year if market participants with futures position on New York's Comex exchange decide not to roll over their positions, because of concerns about counterparty risk and opt for physical delivery instead. But dealers dismissed the threat of a squeeze, pointing out that Comex gold stocks stand at 8.5 million ounces, well above the five-year average of almost 6 million ounces. ...

END

The 8.5 million ozs which is referred to here is the total COMEX inventory. This includes gold that belongs to customers who are storing it on the exchange. The amount that is registered to dealers, and therefore available for delivery, is only 2.846 Million ozs. The delivery notices that have been issued so far in December total 1.26 Million ozs which is 44% of the available deliverable gold. This assumes that the gold registered to dealers is totally unencumbered which is not necessarily a good assumption in the fuzzy accounting world that is now a Wall St. reality.

What is very telling is that the reason for investors taking delivery is given as "counterparty risk". They could have said that it was due to investors "wanting the safe haven of gold in times of financial crisis" etc etc. Stating unequivocally "counterparty risk" as the reason high delivery demands are occurring is the first reference to the possibility of COMEX going into default that has appeared in the mainstream press. It is also of note that it appeared in the FT which is traditionally anti-gold.

The pieces of the puzzle are falling into place.

- The CB's are selling only a fraction of their WAG allowance
- Coin melt bars are showing up on the wholesale market indicative of the bottom of the barrel
- The US mint is rationing coins
- The Perth Mint has suspended taking orders for any bullion products
- Retail dealers are sold out and only small quantities of PM's are available

- The traditional major shorts on TOCOM have covered their massive short positions
- Prices in the retail market are very much higher than COMEX spot
- Significant reduction in Contango has been observed and even some backwardation
- A disconnect has formed between COMEX paper gold trading and physical gold markets

Ever since July when one or possibly two US banks sold short 10% of the annual global gold supply and 20% of annual global silver supply (as confirmed by reporting issued by the CFTC) the COMEX price has been disconnected from the physical market and has become the last bastion of the multi-year gold price suppression scheme. Without a doubt the hammering down of the paper gold price made many leveraged speculators head for the exits, as demonstrated by the fact that the Open Interest has reduced by 50%. However, the investors who remain are not leveraged and unfortunately for the Gold Cartel are taking delivery from the COMEX. Talk of a squeeze due to “counterparty risk” will no doubt encourage more investors to take delivery. We will probably see Contango in the further out months reduce and gold be purchased in the cash market as investors switch from future IOU’s to real metal. This may even provoke a much more pronounced Backwardation than we have already seen in recent days.

Make no mistake about this. We are seeing the early signs of a gold rush like the world has never seen before. Investors do not take physical delivery of gold to sell it back for a 10% profit. The inflation adjusted high of gold in 1980 is today \$2500. However, today we are in the midst of a global financial crisis the likes of which we have never witnessed in the whole of recorded history. Simultaneously every country in the world is hell bent on currency destruction as an anti-dote to too much debt creation. What is gold worth in such a scenario? Who knows but it is multiples of where it is now. The precious metals that are being taken off the market will not see the light of day again for a long time. The Central Banks have almost stopped selling gold and mine supply is dropping year after year.

My unique analysis methods at www.mareketforceanalysis.com indicate that gold and silver are at very good buy points. Gold and silver are selling for almost their cost of production so the downside is severely limited because no commodity can trade below its cost of production for very long because producers go out of business thereby reducing supply which increases the price.

An ex-FED Governor appeared on Canadian TV yesterday saying that the FED could rebalance it’s balance sheet by allowing gold to be re-valued to \$5000 to \$10,000 per oz. This suggests that it is in the hands of the FED. If the shorts on COMEX get squeezed and COMEX defaults on physical delivery, the market not the FED, will decide the true value of gold.

How many times do you get advance warning of what will likely be the trade of the century? There is no such thing as a risk free trade but I think this is as good as it ever gets!

Investors should take physical delivery and not be leveraged. This way you will make sure you are around for payday and you will put more pressure on the shorts who have fraudulently sold gold and silver that they are unable to deliver.

Whether there is a massive squeeze on the COMEX in December or February is irrelevant. The Gold Rush is on!

When gold and silver become unavailable prices will have to go up by multiples. The beaten up mining sector will reach new highs. When the precious metals are not available in bullion form the next best alternative for investors will be companies who dig them out the ground.

Adrian Douglas
December 13, 2008
info@marketforceanalysis.com

www.marketforceanalysis.com