

Gold and Silver: Precious Metals, The Bottom Is In! Have We Hit the Bottom of the Bear?

By [Bill Holter](#)

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This past Friday was a near carbon copy of the previous Friday for the precious metals. Both were “outside reversal” days where the overnight and morning sessions were quite weak, only to bottom and then reverse to the upside strongly on very heavy volume by the day’s end. First, this type of action is almost unheard of for precious metals and has happened only a handful of times over the last 15-20 years. Also, both reversals were quite large from the day’s early lows to their final closes, the range was 3-4% which obliterated the long held “2% rule”. We have now seen this twice in exactly 6 trading days and both were on a Friday.

I want to emphasize “FRIDAY” and put it in capital letters to boot. Friday is the end of the week where there is no trading over the weekend. (It is also the most important day to chartists where the charts cut off and print a close for the weekly period.) Once business closes on Friday, participants are basically frozen in their position until Monday morning ...or until the market reopens. Market participants obviously know this and either position themselves accordingly or square their books going into weekends, it has been this way since the beginning of markets. That said and as you know, I am a believer that we will see a system wide “re set” and this will in most all likelihood occur over a weekend.

I wasn’t sure when sitting down to write this how I’d structure it, meaning give you evidence and lead to a conclusion or the reverse? My conclusion is that we have hit a precious metals BOTTOM and are now reversing, the worst is over in my opinion! I must confess, I called a bottom 2 days after the low in June of 2013, some 16 months ago ...which stood as correct until 2 weeks ago... I was wrong. I did not in any way believe the \$1,180 level in gold would be broken, it was. That level was broken the day after the last FOMC meeting when 7 days worth of global production was sold at 12:30 AM on the COMEX. Clearly this sale was meant to “break the charts” and break the spirits of any remaining PM bulls. It did break the charts and sentiment along with it. I actually saw a bullish/bearish sentiment reading this past week at “0” bulls, I can’t remember where I saw it but I can tell you in 30 years I have never seen this before in any market.

OK, here is what I see and what leads me to believe we now have a hard bottom in. We had the two consecutive reversal Fridays and both on very big volume. These can be considered “impulse waves” if you will. The previous week’s raid occurred just as the GOFO lease rates were again going negative (an impossibility in any normal market scenario). Since then, the GOFO rates have gone further negative and have now seen two (possibly three, we will know on Monday?) record negative consecutive days. GOFO rates should never be negative yet they are more negative than any time since 2001 when the gold bull market began. Negative lease rates mean that the real metal is scarce which is a direct contradiction to dropping prices. I will say this, while the COMEX can create 7 days worth of paper gold and

sell it while everyone is sleeping to “make” price, they cannot create real gold out of thin air to satisfy real leasing needs. What I am saying is this, rates in the “real” market show gold as very scarce, NOT plentiful as price would suggest.

Another anomaly occurred this past Thursday and Friday. Scotia stepped up and served 920 Nov. COMEX gold contracts on Thursday and another 462 Friday. This is VERY strange and can only be explained as “someone either needs or wants gold...NOW”!

I say “now” because the November month is historically a very small delivery month, there are only a few days left and there were only 33 contracts open prior to these 920, and 462 being served. This represents 92,000 ounces of gold, almost three tons and 46,200 ounces or nearly 1 1/2 tons. In a contract that is going off the board in short order, for what possible reason would this ever be done? Who is the ultimate buyer and why now? We can’t know “who?”, we can only speculate on “why now?” but we do know one thing for an absolute. Someone is desperate for gold and has to have it immediately! I have never seen anything like this in the COMEX metals in the last 15 years happen even once ...but back to back days smacks of something really different! Stay tuned as I plan to write more about this anomaly and the GOFO backwardation in my next piece.

Other pieces to the puzzle include very high open interest for Dec. silver, still contracted for more than 7 ounces for each ounce represented in registered inventory. Interestingly, the bullish consensus on the dollar has never ever been higher than it is right now, everyone has moved to one side of the boat. Russia announced a doubling of their purchases over the last three months to 55 gold tons while China is averaging nearly this amount weekly ...and India looks to again be ramping up purchases. We also have seen a rampage in Europe, particularly Germany where silver demand has recently been voracious. So much so that many mints have gone “back order” including the U.S. mint suspending the sales of Silver Eagles. Anecdotally, I would also like to mention the premiums on U.S. Gold Liberty coins has risen dramatically over the last two weeks, so much so that they now actually cost more than when gold itself was \$30-\$40 higher. I understand, “they don’t make these anymore” but dealers are being forced to raise what they will pay owners to entice product. NONE of this is the action of a market where the thought process is “get me out now”!

As a backdrop, we still need to hear from the G-20 and what was decided there along with the Swiss vote at the end of the month and also the “nuisance” factor of ISIS announcing they will create their own currencies ...made of gold and silver. We already know the APEC/G-20 meetings have respectively shown little U.S. respect as president Obama was pictured far from the center and (I mean no disrespect) between two women...followed by Mr. Putin being isolated by his lonesome for the G-20 photo. I bring this up because China/Russia obviously knows the game of proper diplomacy, I can see no way a U.S. president would ever be treated like this unless something was afoot and close to being made public (I wrote about this in my “G-20 Massacre” article last week). As for the treatment of Mr. Putin who now says he will leave the summit early, do the G-7 members really believe there is an upside to poking “the bear”?

As for the Swiss vote, this may be quite interesting as the banking powers that be seem to be putting a public full court press for a “no” vote. If this was “no big deal”, there would not be as much or as many efforts to “scare” the voters away from gold. For that matter, the recent price action may be directly connected to this vote and is being used to scare the “yes” vote? I mentioned the announcement of gold and silver currency by ISIS because this

will also increase demand. Please do not think the “timing” of their announcement was by any coincidence or by chance, they can see everything we do and understand precious metals are the Achilles Heel of the Western fiat systems.

One last area I’d like to address is sentiment from personal experience. In all my years as a broker and since then writing, I have never seen the fear that has been recently prevalent. I have never received so many e-mails and phone calls from fear the stricken as I have of late. These past two weeks have topped the charts. Even the die hard’s are questioning their logic. Never mind that demand far exceeds supply or that gold and silver cannot be produced for long at these prices, the fear has run rampant and blood is running through the streets (minds) of precious metals investors.

Please understand what is happening and why. President Obama met with the leaders of finance last year and then suddenly gold and silver started to drop. This in my mind was a last ditch effort to show the world “dollar is good, gold is bad”. It has worked ... so far, the only problem being “gold cannot be printed” and the West will at some point run out of metal to supply the buyers. I did not take lightly “calling bottom” in June, 2013 and I don’t do so now. That level held for 16 months until the most recent operation but it is what it is.

The action of the last two Friday’s tells me that something has definitely changed and physical buyers are digging in their heels. In my opinion, we will not trade at the current levels for long. I will be surprised if the action from here is not “V” shaped and another impulse wave kicks it off. Whether or not we have a market closure, holiday and “re set” I don’t know but I do believe it is a likely scenario. Any number of events could possibly be pointed to as (“but if such and such didn’t happen we would have been fine”) a reason. There must be a “reason” for public consumption when in fact the “real reason” is simply an unworkable monetary experiment.

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About the author:

Bill Holter writes and is partnered with Jim Sinclair at the newly formed Holter/Sinclair collaboration. Prior, he wrote for Miles Franklin from 2012-15. Bill worked as a retail stockbroker for 23 years, including 12 as a branch manager at A.G. Edwards. He left Wall Street in late 2006 to avoid potential liabilities related to management of paper assets. In retirement he and his family moved to Costa Rica where he lived until 2011 when he moved back to the United States. Bill was a

well-known contributor to the Gold Anti-Trust Action Committee (GATA) commentaries from 2007-present.

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