

# Gold and the Currency Markets

By [Bob Chapman](#)

Theme: [Global Economy](#)

Global Research, September 29, 2010

[International Forecaster](#) 29 September 2010

It is interesting to watch Wall Street defy reality. This is a scene we've observed since the early 1960s, the effect of debt on the economy and the nation and in turn on its currency. The result of the profligacy over all those years is the biggest bull market in history in gold and silver. As we write gold is toying with \$1,300 and silver with \$21.50. Each day a new high is reached in spite of a pending options expiration and the perpetual market rigging and manipulation by the US government.

One of the things that astound us is that few professionals have seen this coming over the past 10-1/2 years, and even those that do believe do not think this is an earth-shaking event. What we are about to experience is an event that only occurs every 300 to 500 years. All we can imagine is that they have a very limited perspective of history and particularly economic and financial history.

Unbeknownst to most gold and silver shares, coins and bullion have been under accumulation since 2000, by the smart money. Gold alone on a compound basis has been up just under 20% annually. It should also be noted that gold demand rose 36% in the second quarter.

Several events of recent vintage have changed the atmosphere in which gold and silver reside. Six or eight months ago the major NYC banks arranged for a major rally in the dollar, which ran from 74 to 89. It is now back to 79. The problems in Greece were the catalyst, as well as other EU-euro zone member problems. This caused the euro to fall from \$1.50 to \$1.19. It is now at \$1.35. This temporarily boosted the dollar. About 11 weeks ago we predicted a new quantitative easing program in the US and it was put into operation about a month ago. This is the way the Federal Reserve again intends to keep the US economy from collapsing. The result of this move is that again foreign central banks are moving to cheapen their currencies, because the dollar is again falling in value. That is reflected in the increasing foreign exchange dollar reserves of many countries. What they do to cheapen their currencies in US dollar terms is to print their own national currency and purchase dollars. With those dollars they buy US Treasuries or spend them. That process cheapens their currency in dollar terms. This is called intervention.

The prevailing attitude is that if a nation doesn't cheapen its currency others will and that would leave a nation at a disadvantage in terms of trade and pricing exports. This has been going on for years and US administrations have overlooked the practice. That is because it cheapens exports into the US, holds down inflation and creates buyers for Treasury and Agency bonds and US stocks and investments. Unfortunately for the US other nations have decided US debt is so onerous that they are diversifying into other currencies, purchasing items such as commodities and in some cases buying gold. The argument against gold has been that there is no interest on the investment. They perpetually do not understand that

gold has been appreciating in value for the last ten years just shy of 20% annually. Thus their argument for not owning gold is incorrect. It has cost nations dearly and will continue to do so. The real reason that they do not purchase gold is because of pressure from the US government.

The most visible intervention in the currency markets was that of Japan in a desperate attempt to cheapen the value of the yen in violation of agreements with other major nations. Their manipulation into the \$4 trillion Forex market was totally unsuccessful. Japan and others are faced with increases in money and credit by the Fed in its efforts to again liquefy the US economy. Any attempt to fight another \$2.5 trillion by foreign nations is going to be futile. The currencies of almost every nation will rise and there is little they can do about it. The US dollar has been abandoned in an effort to save an American economy that is in serious trouble. The currency devaluations will come, but will be unsuccessful. Russia is an exception and has thus far failed to use stimulus to weaken its rouble. Every time the IMF tries to suppress gold prices with its gold sales, Russia is right there buying it up, which must infuriate the elitists in Europe and the US. Almost 2/3s of their economy's growth loss has been due to drought and fires, but with close to \$500 billion in foreign exchange, they have no trouble buying gold, which puts those reserves at close to 24 million ounces. It is an easy way to dump dollars.

Over and over again we hear central banks worldwide announcing how they are going to defend their currencies in order to keep their exports inexpensive. We wonder when someone in Washington is going to catch on to what has been perpetually done to injure the US economy? Free trade, globalization, offshoring and outsourcing doesn't work. It has cost 8 million American jobs over the past 12 years and lowered wages from \$30.00 an hour to \$14.00 an hour, and caused a depression. British mercantilism has never worked except for those demeaning their currencies. The only answer for America is to impose stiff tariffs on foreign goods and services and junk NAFTA, CAFTA and the WTO. Just look at what China has done as an example. The yuan is undervalued by 40% and they could care less. They keep right on devaluing their currency and then complain about the loss in the value of the dollar and US Treasuries they buy as a result of currency manipulation. If the US is ever to survive economically they have to put an end to criminal devaluations.

The euro zone has had a 6-month reprieve due to the fall of the euro from \$1.50 to \$1.19, but that advantage may be history, as the euro has again risen to \$1.35. The euphoria in Europe, particularly in Germany, will be short lived. Their 15% currency advantage is fading away, although we see relapses ahead, as problems in Greece and the other four nations in trouble reveal just how terrible their financial situations are.

As a result of currency machinations more and more investors are seeking out gold, which over the past 17 months has made the transition away from being a quasi-commodity to being a monetary metal that is free of liability, unlike the state of the US dollar – the world's reserve currency.

The Fed isn't contemplating a new round of quantitative easing; they secretly started in June and failed to tell you about it. They are being followed by England and soon Europe will relent as the euro works itself higher prior to its next debacle. Japan is an example of what you can't accomplish by throwing money at the problem. No one is willing to do what is right and that is to purge the system of its excesses. Until that is done nothing will be solved and the problems will worsen. Even the Swiss National Bank doesn't get it. They go right along

with the program of cheapening their currency, but as we have seen that has proved futile as the franc trades at close to \$.9800. Brazil is booming, but that isn't good enough for them and they as well are manipulating the value of their currency lower. The European Central Bank is a joke. They take their marching orders from London and NYC. As you can see no one wants a strong currency and the only way to change that is via US tariffs on all foreign goods and services. This is truly a beggar thy neighbor policy. That is another reason why gold is hitting new highs along with silver. The increase in the prices in these metals is not speculative at all. The buyers are long-term investors. As we predicted long ago that the buying would come in waves. This is only the second wave, or phase. Put speculation right out of your head. This is real long-term investment. What could be more obvious as day after day gold hits new highs in every currency? You are not going to see mania and a bubble for a long time and prices will be four times higher than they are today. What we do have today is a bubble in the treasury market, arranged by those behind government, and a stock market that defies rationality, due to governmental manipulation. Once they both collapse the only investment avenue open to you will be gold, silver and commodities. When that happens their upsides will be cyclonic. The trend is your friend, and that is the case for gold and silver.

As we have postulated over and over again the best and the only alternative the US and most other debtor nations have are multilateral devaluation, revaluation and default. Presently this is being accomplished by stealth, via inflation, which government perpetually lies about, in order not to wake up the US and world consumers. The latter method in the end proves far more costly to the citizen consumer. Inflation in the end not only wipes out the imprudent, but the prudent as well. The only exceptions are those who have the foresight to purchase gold and silver related assets. That is why we still publish and do 25 to 30 hours of radio programming each week. That is to let the public know what is being done to them, by those criminals in Wall Street and in banking wearing those \$4,000 suits. You are about to witness increasing inflation in spite of the lies your government might tell you. We cannot be content to just blame government. They are to blame, but it is the powers behind government that is the cause of what you see. It is their policies that are steeped in greed, control and their ultimate goal of world government. This is how they intend to force America and citizens worldwide to accept control of all of humanity. This is a deliberate attempt to enslave humanity make no mistake about that. Citing government is correct, but that is not the whole story. You have to look behind the curtain for the true and total answer. Almost all writers are unwilling to do that, either because they don't understand history or they are afraid too. Just ten years ago when we talked about the causes out of the CFR, Trilateral Commission and the Bilderburg Group, we were considered insane. Today we are mainstream. The plans of the elitists are being exposed. If you read economic and financial history you find it is impossible to inflate yourself out of trouble perpetually. In the end your system collapses. What is worse is that those who plan these policies know that. They are not dumb, incompetent or foolish. They know exactly what they are doing.

Government goes on its merry way because they have a Federal Reserve. There will be no cutback in deficit spending.

All the government has to do is request that the Fed purchase their debt and they do so by creating money and credit out of thin air. This is monetization and it's inflationary. This is how government pays for mandated services. The taxes for such were already extracted from the public, but unbeknownst to most of the public these funds have already been spent. This is how Social Security, Medicare and all those other bailout services are being

funded. Foreigners are buying only 25% of US government debt. The slack is and has been assumed by the Fed, which the people eventually get to pay for. Today we are in a lull, a sort of magical time, when the very superstructure of the system is being destroyed, but it is not particularly noticeable. The economy, we might add, is going sideways, with the assistance of \$2.5 trillion a year. That can last for several years but in the end inflation goes rampant and sometimes becomes hyperinflation as we have seen in the Weimar Republic and most recently in Zimbabwe. Inflation, as consumers can attest to, is already climbing and the roar of higher inflation is not far off. One of the events that will kick that off will be bank lending of the funds they hold, some \$1.5 trillion, which presently are sterilized, but become monetized once they are lent or spent. We can assure you that day is just over the horizon. This, once raging, will cause political, social and perhaps military conflict. If you look back in history when such problems existed those in power create another war or they subject their own people. Historically this hasn't been difficult, but today is different, because talk radio and the Internet have allowed people to know and understand what has been and will be forced upon them and by whom.

As a result of these forces we saw at work years ago, we predicted 9/11, and the wars in Iraq and Afghanistan, the rise of the real estate bubble and instructions to sell and rent in 2005 and to exit the stock market in April of 2000 and again at 14,000 and that the Dow would fall to 6,600. In the future we see real estate continuing to fall, a further fall in the Dow below 6,550 and an eventual burst in the bond bubble. In the meantime gold and silver will rise relentlessly higher defying all the so-called experts, who if history is any guideline, can be counted upon to be wrong, as they have been so consistently in the past. You cannot keep your job if you tell the truth. Even those who venture into the realm of truth, almost never tell the whole truth. The latest is the economy is headed lower but do not invest in gold and silver related assets. It's a cover and it's dumb. Where else besides commodities can you go to except for gold and silver, nowhere of course, it's just that simple.

Real estate will take 8 to 30 years to recover and the market the same time frame. Many corporations, individuals, cities, states and towns will go bankrupt. We also believe the federal government will as well. As we saw in the 1930s real estate could fall 70% to 90%. Even viable plant, equipment and commercial real estate could fall 75%. People just do not get it yet. You do because you are thinking outside the box and are investing in gold and silver related assets. What we are witnessing is absolutely inevitable. There you have it. It is not a pretty picture, but it is reality and the truth. Those who act will make it through financially to the other side, those who do not will wish they had listened.

The original source of this article is [International Forecaster](#)  
Copyright © [Bob Chapman](#), [International Forecaster](#), 2010

---

**[Comment on Global Research Articles on our Facebook page](#)**

**[Become a Member of Global Research](#)**

Articles by: [Bob Chapman](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)