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# Gold, Financial Markets and the International Monetary System: One Foot on a Banana Peel …The Other in a Grave!

By Bill Holter
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*Never before have I seen so many pieces of information to be put together in the span of just one week. This past week we were bombarded with connectable dot after connectable dot, nearly each and every one of them on their own would have caused a panic 30 years ago. I say "30 years ago" because this was before the 1987 crash, this was before anything and everything, nailed down or not …was levered many times over in what eventually became an inflation orgy. 30 years ago, black was not white, wrong was not right and "debt" was still in its infancy of being money. Fast forward to present day and we now have a monetary system with one foot on a banana peel and the other in a grave!*

Let me list what I saw this past week as some very ugly dots to be connected, by no means is this list complete but I think you'll get the point by the time you are done reading. Early in the week, China announced changes to their collateral rules for the credit quality necessary for corporate bonds to be accepted as collateral (now only AAA and AA bonds can now be used). This caused a 5.6% drop the following day in their stock market which did ripple around the world to other stock markets. This is significant because without a doubt it was an act of tightening credit and will directly decrease the liquidity available for the Chinese exchange. This is not a one day event as CNBC would lead you to believe.

Next, oil has outright crashed in price and finished the week under the recently unthinkable number of $60… and the repercussions have just started to be felt. The 130 year old firm Phibro announced they will be closing up shop while oil exporting currencies (including the ruble) were destroyed. There had been discussion over the last several weeks regarding the future of the shale industry, this discussion is now ended in that no one can say "this will blow over" any longer. $100's of billions of extended credit is now impaired and this credit market has crashed to yields now over 10%. The crash in oil all by itself is enough to ruin the financial system but by no means was alone this past week.

The next dot to connect was the spending package passed by Congress. As Zerohedge reported Presenting The $303 Trillion In Derivatives That US Taxpayers Are Now On The Hook For , the U.S. public was sold down the river. Just a month after the Republicans won both houses of Congress, they have now allowed the banks to stuff their derivatives portfolios under the FDIC umbrella. Over $300 trillion worth! Prior to this, the FDIC insured over $6 trillion worth of bank deposits with a whopping $54 billion reserve… How could any "true American" have voted for this? Even a calculator with no batteries can understand this will unequivocally bankrupt the country, yet this law is passed little over one month after an election by the American public put trust in the Republicans as their "last hope"? Was this passed by mistake or do you think they knew what they were doing? Was

Obamacare passed by mistake? Comically, the architect of Obamacare testified to Congress after calling the American public stupid …a traitor testifying to traitors, they should all be strung up for TREASON! Whether you know it or not, Congress just called the American public stupid also by passing this traitorous law.

I asked in the above paragraph if you thought they "knew what they were doing"? The Treasury Dept. this past week put out to a bid request to supply "survival packs" for their 3,800 bank examiners. For what possible reason could bank examiners need a survival "fanny pack"? Does the Treasury know something they are not telling us? I would also like to ask why the Chicago Fed is "bricking up" their ground floor windows? Are they expecting something? Rioting maybe?

If all of the above wasn't enough for you, don't worry, there is more …and even bigger news! Early in the week, Russia announced they are moving up the testing for their newly proposed currency clearing system. It had been planned for a May, 2015 testing phase followed by going live, this is now moved up to Dec. 15th, yes, this Monday! Why? Why are they moving up the start date? Presumably they also know something or see the immediate need to be able to clear funds for trade outside of SWIFT. If you think this one through, Russia will have the ability to facilitate ANY trade between ANY two or more parties while excluding the use of dollars …and the prying eyes of America! This will mean whatever sanctions on Russia will be lessened, it also means SWIFT is no longer the only game in town. Maybe the BRICS et al will no longer care, or need to use SWIFT? No, not "maybe", definitely.

So far I haven't even mentioned gold but don't worry, we got two huge pieces of news. In case you had not noticed, gold/silver were the best performing asset class for a truly dismal financial week. First, Austria is now considering repatriating all of her gold. I mentioned last Monday in "The Mother of all Bank Runs" that Austria could be next in line, and if so, the stage would then be set for a "northern euro" leaving the southern basket cases to fend for themselves. I plan to write about this tomorrow so I will leave this for a separate piece. While the ramifications are very wide, the "intent" seems to be very narrow, I will explain this tomorrow.

The other big gold news and one that can be categorized in the "do you think they know something" category came from CME/COMEX. They will begin with "collars" for nine different metals, including silver and gold. The collars will begin to kick in and trading will cease if gold moves $100 or silver $3 with ultimate daily collars of $400 and $12. I won't bore you with the specifics, more importantly you must wonder "why?" and "why now?". How often have we seen $100 moves in gold, much less $400? I believe it has been only one time that gold moved over $100 in a day. We have seen $3 moves (almost all down) in silver but these were almost exclusively during evening trade sessions and almost always on Sunday nights. Does CME really see $12 moves in silver coming? Again, "are they expecting something?" we don't know about …or maybe they are afraid silver could go to zero in less than two days trading and don't want to see that happen (I believe if it was possible, this would have already been facilitated)? Or, more likely, are they expecting huge volatility and upside moves they would like to retard and slow down? Add this one to the category "they know something and are readying for it"!

So there you have it, we had a disastrous week for financial assets and huge news, most of which points to sides being chosen and "official readying" for upcoming events. I might add that a 6th Hindenburg omen was spotted on Thursday which most probably bodes very poorly for the stock market(s). With all of these events lining up, one might think the U.S. public is in a somber mood. But no, consumer sentiment numbers reported Friday saw a huge upswing …either the public is not very bright or the reported numbers are bogus …or both?

Let me finish by saying this, the market action is clearly showing we have entered a credit contraction. Any credit contraction is a death sentence to a system which is overleveraged and already standing on a banana peel. The markets are trying to say this at the same time "official" moves are portraying something very big is afoot. Central banks are now collectively "running the bank". If one had no prior knowledge of anything financial prior to this week, what was learned this week alone is enough to know something is very wrong, something very bad is going to happen and it is going to happen very soon. I would suggest if your plans are not already finalized, do not wait until the new year to do so!

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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.