

Is Oil set for a Big Price Jump?

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Oil is again a leading asset for possible rapid price growth

The reasons are however rather strange and sinister: Wall Street is demanding higher prices, very especially by Goldman Sachs Group Inc which says the price should (it says "could") reach \$ 130 a barrel quite soon. When Goldman Sachs talks this way only two things can happen: first the asset it fingered as certain or likely to rise will collapse in price, wrong-footing bets on what would happen. Or the asset really does behave like Goldman Sachs said it should (or "could").

Add in that Goldman Sachs has an impeccable track record in "possibly fixing oil prices", adding at least \$ 30 to the oil price peak in 2008 in [its strategy to bankrupt a customer](#).

The same could be at work in GS minds right now. The blame will be laid on the Middle East situation, starting with the collapse of the Saudi-backed Yemen regime of Saleh. GS has a little problem because the US economy is so weak it isn't rational for oil prices to rise, but don't imagine rationality and Goldman Sachs mean the same thing.

Oil prices could rise quite soon (within 1 - 2 weeks) and quite a lot (\$15 + on a barrel).

The second target asset for a major jump in price is Gold. Here again GS is working hard - to push down prices at this moment, squeeze out overlevered holders of long-dated call options and futures, buy them when their price falls to nothing, and then cash in when gold prices rack up. Also here again, the Middle East and North African Arab situation will help a lot. Both Tunisia and Egypt have either nothing (Tunisia) or little (Egypt) gold left in their central bank vaults and their money is under attack as their FX reserves run out, fast.

In the Tunisian case it's known that Mrs Trabelsi, wife of Ben Ali and in late Dec 2010, well before the flight and exile to good old Saudi Arabia took 1.5 tonnes of gold from the central bank, about 22% of its official reserves. The IMF and ECB of Europe will have to back the currencies of Tunisia and Egypt, and bolster their gold reserves one way or another.

The timelines for a gold price jump are not so clear, it might even be weeks, but the upward price limit is extreme high at around \$ 2000 per ounce.

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