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Manipulation and Short-Term Instability of the Gold Market

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August was sure a barnburner and we believe that was a prelude for an even wilder September. How often do you see gold fall $200.00 in 3 days and recover $187 in 6 days? In our 53 years of involvement in this sector we have never seen anything like this. This shows you what government manipulation is all about. Get used to it, this is what living in a corporatist fascist society is all about.

July saw the stock market lose about $7 trillion and that could just be a forerunner to lower prices and larger losses. CNBC parades the same old characters from Wall Street across the stage to tell us everything is fine, and that all and sundry should remain bullish on America. Realism and truth are subjects they might attempt to explore.

Any professional knows gold does not naturally fall from $1,914 to $1,704 in 3 days. It was your government at work. We knew there would be a sharp recovery, because when you have sharp declines you wipe out all the overhead resistance, plus the fact that the downside attack was executed by the use of options, futures and mostly derivatives. Little if any gold bullion was employed. Government may be able to knock gold down, but they cannot keep it down – it is a perfect example of why we no longer have free markets.

In the meantime, in July and August the stock market took a turn for the worse recently ending up close to 11,200 and it looks to be headed lower to test 10,600 on the Dow. The week of September 4th should be full of news, especially pertaining to the European funding of six near insolvent nations. Success in the funding mechanisms has already been discounted in the euro and in the stock and bond markets. Downside opportunities abound. Professionals on both sides of the Atlantic now see that they are over committed and they will probably reduce exposure. That is why they parade themselves on CNBC and Bloomberg. Their phony bullish news supplies them with suckers to sell too. What a scam. In addition credit is drying up again, loans are being reduced or called in, issuance of commercial paper is falling again and it is hard to catch a bid on junk bonds. We are headed towards a replay of 2008's credit crisis as the world economy slows down. We wish the news was different, but all we do is report it. The downside in the stock and bond markets will occur quickly, because professionals learned from the experience of 2008.

We saw the end of stimulus 2 in the second quarter and except for the Fed rolling $300 billion in treasuries since June there has been economic assistance. If the Fed and Congress are going to juice the economy they had best do it quickly. Since March, worldwide almost all economies have been under downward pressure. In the 4th quarter US GDP growth will be zero to minus 1.5%. For next year's projections we have to wait and see what Congress and the Fed are going to do. We also believe Europe will factor into events perhaps from a

US point of view regarding financial stability. Another strong underlying factor is the slowdown since March in China, Germany, Japan and the US. We have always contended you do not want to run with the heard. That is more important today than ever. Look what being outside the box has given to our readers over the past 11 years. One success after another. You have to think for yourself and if you cannot do that stay out of the game. Never feel comfortable and always be on your toes.

The idea is to avoid wrong decisions. If you do not know what to do – do not do anything. Stay in safety and park your assets in gold and silver related assets. It is not about how much money we help people make, it is about all the losses we avoid. Look at foreign markets, several of which are already off 20%. Understand what they are telling you and that is there is big trouble ahead. How can GDP estimates, which have fallen precipitancy, translate into higher profits? It is not passable and you will see that next year. You must prepare yourselves for a very bad 2012 and you do that by investing in gold and silver coins, bullion and shares. Gold and silver are going to go higher for fundamental reasons, and that is where you should be. A flight to quality, now joined by strong inflation has made precious metal assets the only place to be for 11 years. They, having gained more than 20% annually. We have been in an inflationary depression for 31 months and few seem to realize it. If you are not out of the market then get out. Social and political situations worldwide are terrible. In Britain and Germany commercial establishments are being fire bombed and in Germany luxury cars parked on the street are being torched. What does that tell you? That maybe the world has serious problems in addition to falling stock markets. Are these the kind of events that keep market analysts bullish? We don't know, but we do know the world has lots of serious problems. That is why you are seeing demonstrations, riots and severe property damage in Europe and England and they are not going to go away soon, and they may soon erupt in America. When the stock markets fall as they must many banks will go under. The world is stalling out and the great purge is coming closer every day.

This week has many breaking events. An escalating Europe crisis involving a multitude of players, the Obama jobs plan and whether the Fed will have QE 3 or an equivalent. Then there is a falling market and climbing of gold and silver prices. The latter in part being projected by M-2's dramatic increases, up some $200 billion in two weeks, which provides an annual growth rate of 32%. This is a reflection of eroding confidence in the banking system, not real money creation. GDP is 1% for the second quarter and if no assistance for the economy is forthcoming it will even for quarter 3 and officially minus 1-1/2% to 2% for quarter 4. Next year, without help, could average minus 5%. Consumer sentiment isn't bad – it is dreadful having fallen from 63.7 to 55.7 in just one month. That is the lowest reading since 1980. The economists', analysts and statisticians on Wall Street and in banking have been wrong 2/3's of the time and we have been right 98% of the time. The basic difference is they have an agenda; we do not. It is impossible to have a recovery with 22.6% unemployment with 44% out of work 27 weeks or longer. GDP is lower than it was in 2007.

We are going through an inflationary depression and it is got some three years to go if we get QE3 for $2.3 trillion. If we don't get it the economy will slide for about a year and then collapse. If we do get it we will have 2-1/2 years of a sideways to down economy and 25% to 50% inflation. That should send the stock market down 25% to 8500 on the Dow, which will send emerging markets down another 20% or more. No place will be safe other than gold and silver shares, coins and bullion. Emerging markets and the Dow are death traps, especially emerging markets, which are in the process of being disemboweled. This disintermediation of funds from the market, money market funds, the commercial paper market and soon bonds, will flow into commodities and gold and silver related assets. They are a lock to make money and preserve your wealth in safety. What you are going to see is a slow transfer into liquid investments, although in time that liquidity will dry up, as it has already in the junk bond markets.

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