Paper Gold Market Collapses. Scarcity of Physical Gold for Sale in Asia…

By Prof Michel Chossudovsky
Global Research, April 16, 2013

Region: Asia
Theme: Global Economy

The official story presented by "authoritative" financial analysts is that the price of gold plummeted "as fears diminished" that central banks would now be able to "stoke" inflationary pressures, thereby boosting from one day to the next confidence in the US dollar.

According to the Wall Street Journal (April 15): *"The reversal comes as investors are grappling with signs the global economic expansion that began in 2009 is slowing."*

This stylized WSJ financial "analysis" is flawed and misleading. It does not address the real causes, namely the outright manipulation of the gold market by powerful financial actors.

Reports confirm that the dramatic dip in the paper gold market was due to a deliberate speculative onslaught by major financial institutions with the complicity of the US Federal Reserve:

> According to Andrew Maguire, on Friday, April 12, the Fed's agents hit the market with 500 tons of naked shorts. … In the paper gold market, the participants are betting on gold prices and are content with the monetary payment. Therefore, generally, as participants are not interested in taking delivery of the gold, naked shorts do not need to be covered with the physical metal. ….In other words, with naked shorts, no physical metal is actually sold.
>
> Consider the 500 tons of paper gold sold on Friday. Begin with the question, how many ounces is 500 tons? … What happens when 500 tons of gold sales are dumped on the market at one time or on one day? Correct, it drives the price down. … The sale took gold down by about $73 per ounce [Friday]. That means the seller or sellers lost up to $73 dollars 16 million times, or $1,168,000,000. (The Fed's Assault On Gold: "Short Selling" and the Rigging of the Gold Market By Dr. Paul Craig Roberts, April 15, 2013

The collapse of the gold market is due to naked short selling. It's a trillion dollar operation.

Once the price drops, the institutional speculators can repurchase paper gold in the spot market and cash in on a multibillion dollar bonanza. This type of operation can only be undertaken with the support and complicity of the Federal Reserve. It is a mechanism which results in the confiscation of people's savings. It is an act of outright "financial theft".

Shortages in the Availability of Physical Gold?

The collapse in the price of (paper) gold has nothing to do with the market for physical gold.

It was not accompanied by large sales of physical gold. Quite the opposite. Reports received by Global Research from South East Asia suggest shortages in the availability of physical gold. In Malaysia:

> "There was a long queue in one bank, but after a brisk sale, it was announced that there were no more physical gold for sale for today, 16th April 2013."

This is also happening in other Asian countries. "There is a a huge demand for physical gold but no sellers."

Moreover, there are reports that Asian central banks are purchasing large amounts of physical gold.

Physical Gold could "Disconnect" from Paper Gold

If financial institutions –which fabricate paper gold out of thin air– refuse or are unable to exchange paper gold for physical gold, the market for physical gold will "disconnect" and become separate from the gold paper market.

Under these circumstances, a de facto dual price system could emerge, which would backlash on the paper gold market.

Our suggestion: *if you hold paper gold, contact your broker and convert it into physical gold.*

Articles by: Prof Michel Chossudovsky

About the author:

Michel Chossudovsky is an award-winning author, Professor of Economics (emeritus) at the University of Ottawa, Founder and Director of the Centre for Research on Globalization (CRG), Montreal, Editor of Global Research. He has taught as visiting professor in Western Europe, Southeast Asia, the Pacific and Latin America. He has served as economic adviser to governments of developing countries and has acted as a consultant for several international organizations. He is the author of eleven books including The

Globalization of Poverty and The New World Order (2003), America's "War on Terrorism" (2005), The Global Economic Crisis, The Great Depression of the Twenty-first Century (2009) (Editor), Towards a World War III Scenario: The Dangers of Nuclear War (2011), The Globalization of War, America's Long War against Humanity (2015). He is a contributor to the Encyclopaedia Britannica. His writings have been published in more than twenty languages. In 2014, he was awarded the Gold Medal for Merit of the Republic of Serbia for his writings on NATO's war of aggression against Yugoslavia. He can be reached at crgeditor@yahoo.com