

# Soaring Gold and Silver Prices Amidst Inflationary Pressures

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Neither government nor anyone is smarter than the markets. As they say the trend is your friend. All you have to do is get on for the ride. It's really as simple as that. The trick is picking the trend. We were fortunate enough to pick gold and silver in June of 2000. We went long and stayed long all those years only occasionally making a trade. Every time there was a correction we recommended further purchases.

It has been unfortunate that the US government, other central banks, including the Federal Reserve, chose to attempt to manipulate those markets. They did retard the progress of these two metals and they are still doing so, but in the end they will fail, because the markets are far bigger than they are and the collective wisdom of investors will always triumph over the narrow desires of petty elitists.

There certainly are two sides to every market. On one side you have the vested interests, who generally do not really understand the functions of gold and silver historically, they'll never understand and don't really care to understand. This might be called the establishment viewpoint. In fact the entrenchment is so deep that people who believe in gold and silver are scorned and some brokerage houses won't even allow trades in gold and silver shares, coins and bullion. We ran into this problem as long ago as the early 1960s. In fact it forced us to become a principal of a firm as long ago as 1968. The rise of gold and silver threatens the status quo. If you see the values of gold and silver you threaten the fiat system and how it fleeces the investors.

Then we have those who should know better who attempt to out guess the precious metals market and in that process prove to be consistently wrong costing their subscribers and others losses and as important lost opportunities. All too often it is the pursuit of fame and challenging a market that cannot be challenged. Usually unfortunate decisions are due to a lack of knowledge or a penchant to sensationalize in order to capitalize. This often leads to some pretty dumb decisions. Over the last \$500 move in gold, and \$30.00 move in silver we have seen 96% of letter writers, economists and analysts render wrong decisions. We do not find that surprising, because most of them have never been in the belly of the beast nor do they know history, particularly economic and financial history.

For many years we have faced the deliberate and gradual destruction of our economic and financial system by those who want to be mega-rich and to implement world government. The global monetary system is being deliberately imploded, particularly in the US, UK and Europe, the regions of great success over the past 1,000 years. Creating and forcing an edge does not work. Such opportunities come naturally if you are doing the right thing and understand the history and reasons why things are happening the way they are. There is a

big picture, but you have to understand all the facets that make the picture complete. Those who wallow in mediocrity can and do cost investors lots of money and lost opportunities.

Gold and silver are intimately intertwined in our lives as a standard and store of value, but there are those who have told us over the centuries that fiat money is better. History has proven over and over that is not true. Such thinking has destroyed many civilizations.

As we write we are at the end of another week of record prices for gold and silver. Every day we think of what could have been already and will eventually be. Yes, we predicted these prices long ago, but we never envisioned the actions by central banks and particularly the US government to destroy gold and silver markets. We knew they'd be unsuccessful, but 20 years of figuring was such a terrible waste of human energy. In August of 1988 we wrote about market manipulation in "Bull & Bear" and everyone thought we were insane. We proved to be right and at that time we didn't even know there was an Executive Order called, "The President's Working Group on Financial Markets." This instrument in the misuse of power has been used by Wall Street, banking and government to destroy our free markets and will continue to do so, as long as we allow it to enrich the financial interests that for so long have controlled our nation.

We are seeing and have been seeing for years a flight from currencies and particularly a flight from the US dollar into gold and silver. That will continue as long as currencies remain fiat. Secret meetings are being held at this very moment by elitists to give the world another bogus fiat currency, as a world reserve currency.

In reference to real money the silver trap JPMorgan Chase and HSBC have been trapped in is in all probably coming to a close. We see default somewhere between \$48.00 and \$60.00. The losses could be as high as \$150 billion. No one knows how settlement will be carried out. There could be total default, partial default or the government could step in and supply the capital for a bailout. We do not know whether Congress or the people, will sit still for another bailout. Coming on the heels of other monetizing bailouts there could be real trouble over this monetization. JPM and HSBC could say they were just taking orders from the Fed and the Treasury and things went bad. They did this in the lawsuit a number of years ago brought by Blanchard where a secret deal was made to shut Blanchard up. It included not only JPM, but the Illuminist controlled Barrick Gold as well. If any of the three avenues of escape are used the result will be a devastating blow to the dollar.

There is no question that there is an acute silver shortage, so much so that rather than taking delivery of silver, that sellers such as JPM and HSBC don't have, that bonuses from 25% to 80% are being offered. There is no question in our minds that the Fed has been behind all this and that is why there could be some kind of government bailout. You can see why Rep. Ron Paul and Senator Rand Paul want to audit and investigate the Fed. Is it any wonder the US dollar is falling and all currencies are rising versus the dollar, even the Mexican peso. Adding insult to injury the US created civil war in Libya and it is not going well. NATO forces are so inept that they are bombing the wrong troops. Then again we wouldn't expect anything less than FUBAR. As a result the other Arab allies of the US, the petro dollar strongholds, are having second thoughts about the US and the dollar. They are buying gold, silver, commodities and of all things euros, in spite of Europe and the euro zones horrible financial condition. If the oil producing nations in the Middle East start using other currencies such as the euro for selling oil the dollar and the US will be in a world of hurt.

As silver breaks out to new highs gold does as well. Gold's breakout is no surprise. The war over the last two years between gold and the dollar, as world reserve currency, has been won hands down by gold. Gold is now getting strength from the perception, that inflation is higher than official sources care to admit and that inflation is gaining upward momentum. The situation in the silver market and its unbelievable strength also has to be helping gold on the upside. Additional assistance is coming from the newsletter writers where the overwhelming majority has been telling readers to sell gold and silver or wait for a correction that never comes. From a contrarian viewpoint this is very bullish, because these nitwits are trying to sell subscriptions, have been wrong every year for five years. It is no wonder we are getting nasty reports of newsletters renewing subscriptions with a credit card on file when the subscriber does not want to renew. The subscribers do not have a phone number to call and when they email the box is always full. If any of you subscribers have experienced this let us know the details. If it persists we will start publishing the names of the fraudsters. Desperate people do desperate things.

Incidentally, if cover or default does not occur in silver there will be a quick explosion to \$100.00. We will see just how insane these elitists really are. Such an event would quickly take gold to \$2,400 to \$3,000 an ounce. The physical market will lead the way and eventually the real market. Futures, options, derivatives and ETFs will become a non-factor due to corruption and probably stop trading unable to satisfy contracts. If that is allowed to happen gold and silver would fully assert themselves as the only real money, particularly gold. All currencies would visibly be compared to gold, as would inflation and finely people would have a real guideline of value. The faith and reliability of the Fed would be shunted to the background as Congress finally takes a hard look at what the Fed has been up to for so long. Major changes should be on the way, because finally it will be recognized that the Fed had created a systemic collapse of the monetary system that has affected the entire world. It will be recognized the Fed destroyed the financial system, but in that process supplied resources to keep insolvent institutions afloat, some of which just happened to own the Fed. Until those institutions are allowed to go bankrupt there can be no recovery. The system has to be purged. On the other hand for now the Fed has plans to continue quantitative easing and it still remains to be seen if Congress is serious about budgetary reductions. As long as the status quo remains in tack gold and silver will rise.

Gold and silver have again broken out to new higher ground. We believe these successes are being caused by a continued flight to quality that has been going on for 11 years. As we have said previously gold has proven over the past two years that it is the only international currency. Silver in shorter supply certainly in part is reflecting the JPM and HSBC positions. The new expediting factor for both metals is the specter of much higher inflation caused by QE1 and stimulus 1 for 2011, more added inflation from QE2 and stimulus 2 in 2012 and the recognition that QE3 is on the way. In 2013, that could take us to hyperinflation. We predicted these events almost a year ago. Those things considered we know from history that gold and silver are the best reflective items of inflation. We also know that since 1980 real inflation would put gold near to \$8,000 an ounce. Both metals are now reflecting the eminent arrival of QE3. If Congress will not pass stimulus 3 then we believe the Fed will have to create at least another \$2.5 billion in money and credit to keep ship America afloat. Don't expect the label to be QE3; it will be called something else, but it still will purchase Treasuries, agencies, toxic waste, etc. to keep the system and major banks and Wall Street in business. It will make no attempt to assist the economy. The mantra will be save the government, Wall Street and banking – more of the same. They will stand in to fund rising budget deficits as interest rates slowly rise in the real market. That will be allowed to attract

more foreign buyers. Something has to be done as government spends 8 times tax receipts. If you do not expect QE 3 then you don't understand what is really going on. Yes, we know this is a scam and a Ponzi scheme, but many as yet do not understand it. Debt again is going to expand exponentially and in that process so will inflation. PIMCO and other foreign interests have already stopped buying Treasuries, which leaves the Fed as buyer of close to 85%. That is a terminal situation. In fact our prediction of a 10-year US note trading at a yield of 4-1/4% by the end of the year is very possible. We also predicted at the same time, two months ago, that by the end of 2012 it could be yielding 5-1/4% to 5-1/2%. Again that is very conservative. Japan has to be a seller of Treasuries. We do not know how much they sold over the past few weeks, but it was substantial and it will grow probably to \$300 billion, against a bill of \$500 billion to \$1 trillion to fund earthquake damage. At the same time these circumstances will exert downward pressure on the dollar and upward pressure on inflation, gold and silver. These events will cause the Treasury and the Fed to loosen its tight control over bond, gold and silver markets, as free market action takes more control from them. We will find out later that the Fed has spent between \$900 billion and \$1.7 trillion on QE2, so get ready for it. As well, few believe that inflation is 2.10% when most believe it is 8% to 9-1/2%. As a result we do not expect an official elevation of interest rates anytime soon. We see a very rocky road ahead for the economy and higher gold and silver prices.

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