122 Tons of Gold Secretly Repatriated to the Netherlands

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The Dutch central bank said Friday it is repatriating some of its gold reserves from the U.S., making it the latest central bank in Europe to address public concerns about the safety of its gold in the wake of the eurozone debt crisis. tons

As the debate regarding whether or not Switzerland should keep the bulk of its gold reserves at home on Swiss soil reaches it's climax – the referendum takes place on Sunday – it is telling that the Dutch announced on Friday that they have just secretly repatriated 122 tonnes of their sovereign gold reserves from New York back to Amsterdam.

The gold, worth $5 billion at today's prices, represents 20% of the Netherlands total reserves. It now keeps 31% of its reserves in Amsterdam. Another 31% is believed to be in New York, with the remainder spread between Ottawa and London – the same locations where the bulk of Swiss gold is purported to be stored.

The trend towards gold repatriation began with Hugo Chavez bringing Venezuelan gold back to Caracas in 2011. It has been followed by similar moves by other large gold owning nations and central banks, most notably, Germany.

The repatriation movement has been driven by suspicion that the Federal Reserve and other central banks may have leased or sold gold it was holding on behalf of other countries to bullion banks and that this gold may have been used in order to suppress the price of gold in recent years.

Bizarrely, the Federal Reserve's gold holdings have not been audited in over 50 years.

The last audit, and the last public visit, was in 1953, just after U.S. President Dwight Eisenhower took office. No outside experts were allowed during that audit, and the audit team tested only about 5% of gold there. So, there hasn't been a comprehensive audit of Fort Knox in over 60 years.

Demands for gold repatriation also accelerated after the Lehman collapse and during the global financial crisis due to concerns that if the U.S. and world suffered a systemic collapse or a dollar crisis , nations may find it hard to secure their gold reserves.

The concern was that a desperate Fed could nationalise international gold reserves in order to prevent a dollar collapse or to rebuild confidence in the dollar after a currency crisis.

It is interesting to note that while some western economists, such as Paul Krugman, continue to denigrate gold, western central banks, do not appear to view gold as a "barbarous relic." Nor do their eastern counterparts and their Chinese counterparts many of whom have been quietly reducing their dollar, euro and pound foreign exchange reserves and adding to their gold reserves in recent years.

The Dutch Central Bank went so far as to state that the action was designed to install public confidence in the ability of the central bank to manage crises. The prospect of further shipments from the U.S. remains open as they are keeping the logistical details secret.

Questions are already being asked about how the Dutch were able to repatriate such a sizeable volume of gold when Germany's request was brushed aside. It may be that by taking a discreet approach the Dutch allowed the Federal Reserve room to manoeuvre – allowing them to harvest the metal from the open market. Skeptical analysts have suggested that the fall in the ETF gold holdings may have come in handy for the New York Federal Reserve.

Questions are also being asked about the faith of the Ukrainian gold reserves after the gold disappeared from the Ukraine's central bank soon after the U.S. sponsored coup brought the new government to power.

The Dutch clearly view gold favourably as an important monetary asset and they also have demonstrated their belief that owning gold in a secure manner is of utmost importance.

Although the German Central Bank has stated that it trusts the Americans as custodians of it's gold reserves – despite being denied access to vaults in New York to view their own gold – the campaign for repatriation of Germany's gold remains strong.

Whether the Swiss gold initiative passes or fails this weekend it is still worth noting that a very large minority of Swiss are very conscious of the role that gold plays particularly in times of crisis.

During the reformation in Europe it was in these three countries – Germany, Switzerland and the Netherlands – that independent thought flourished. Populations globally have been "dumbed down" in recent years but these nations still have a high level of public discourse and debate and the importance of prudence, saving, thrift and gold remains understood by many.

We believe that other central banks may have already quietly sought or indeed will seek repatriation of their gold from New York, Ottawa and London. This has the potential to create a short squeeze as central banks may be forced to enter the market to acquire the physical bullion that they thought they already owned.

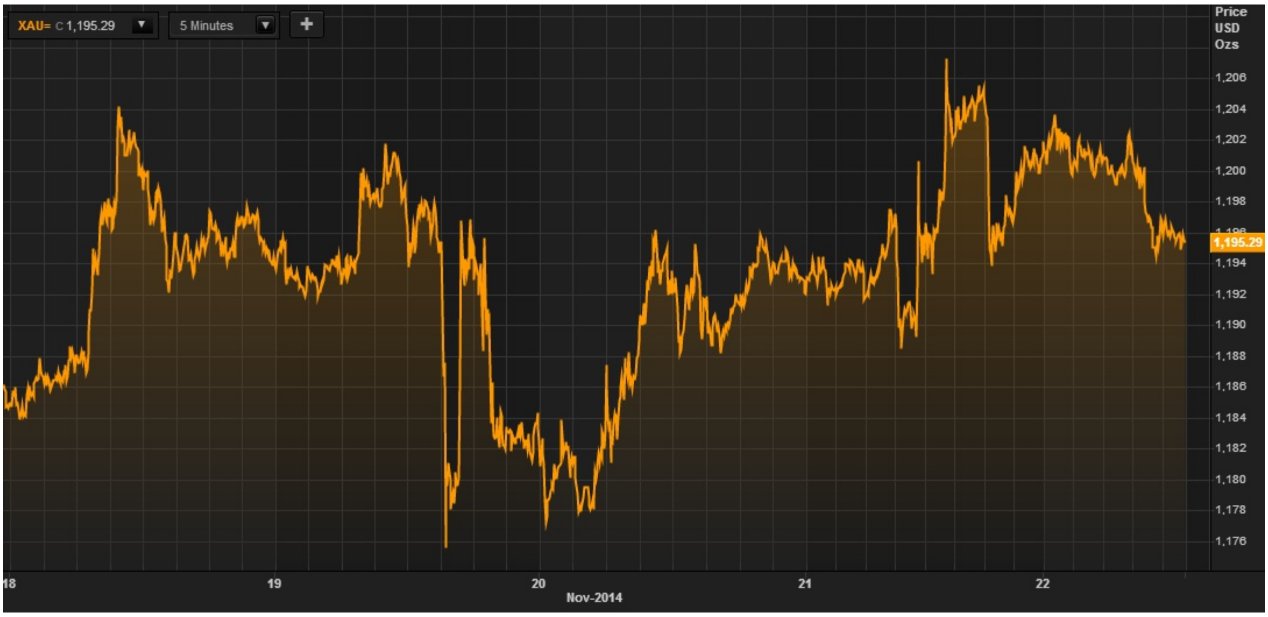
If these custodians are not in possession of the gold they claim to hold they, too, will be forced to buy gold on the open market where supply is now extremely tight as seen in gold remaining in backwardation.

We believe, like the Dutch, that only gold bullion in your possession or allocated gold stored in secure locations such as Singapore, Hong Kong and Zurich can be viewed as a safe-haven asset.

MARKET UPDATE

Today's AM fix was USD 1,196.00, EUR 964.67 and GBP 764.51 per ounce.
Friday's AM fix was USD 1,193.25, EUR 958.59 and GBP 761.54 per ounce.

Gold prices were 1% higher last week. Gold and silver rose to three week highs Friday after China cut benchmark interest rates to support economic growth, leading to demand for precious metals as a store of value.



Gold in USD – 5 Days (Thomson Reuters)

China's rate cut on Friday aligns them with the European Central Bank and Bank of Japan in deploying fresh stimulus and QE as ultra loose monetary policies continue globally.
Russia added to gold reserves in October, bringing holdings to the highest in at least two

decades, IMF data showed last week and as announced by the Russian central bank governor (see here).

Gold has climbed 6% after touching a four-year low on November 7 amid increased demand for coins and jewelry, combined with signs that nations are boosting reserves. Central banks may raise purchases by as much as 22 percent in 2014, the World Gold Council estimates.

Gold in USD – 2 Years (Thomson Reuters)

The net-long position in gold rose by 21,634 contracts to 60,307 futures and options in the week ended November 18, according to U.S. Commodity Futures Trading Commission (CFTC) data published three days later. Short wagers fell to 65,405 contracts, the least since September 9.

Gold rose 70% from December 2008 to June 2011 as central banks increased quantitative easing on a massive scale and currencies internationally were debased. The precious metal fell 28% in 2013, the most in three decades, after sharp and severe selling in the futures market, often during less liquid markets overnight in Asia, led to price falls.

Switzerland holds its referendum on the Swiss Gold Initiative this Sunday (Nov. 30). If passed it would to require the Swiss National Bank to hold at least 20% of its assets in gold, up from about 8%.

Opinion polls suggest the no side will win but many opinion polls have been badly wrong in recent years. Voter discontent with the political establishment is likely to make the referendum tighter than is expected. A yes vote would surprise the market and lead to fireworks in the gold market Sunday night, Monday and next week.

Mark O'Byrne is executive and research director of www.GoldCore.com which he founded in 2003. GoldCore have become one of the leading gold brokers in the world and have over 4,000 clients in over 40 countries and with over $200 million in assets under management and storage.We offer mass affluent, HNW, UHNW and institutional investors including family offices, gold, silver, platinum and palladium bullion in London, Zurich, Singapore, Hong Kong, Dubai and Perth.

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