The Bloom Is Off Gold: Bull Market Resumes in the Wake of Naked Short Selling

By Stephen Lendman
Global Research, April 20, 2013
Region: USA
Theme: Global Economy

It is for now. Don't bet against it longer term. Value eventually wins out. Gold's secular bull market continues. Experts believe it has a long way to go.

Market manipulation bears full responsibility for recent market action. A previous article explained. It called gold a global thermometer. It reflects monetary, geopolitical and economic conditions. It's driven by supply and demand considerations.

It's the longstanding hedge against uncertainty. It's bought to do so against inflation, the declining value of fiat money, and disturbing global geopolitical conditions.

It has real value. It's the ultimate safe haven. It's been so for thousands of years. It's track record is unmatched. ed

What goes up, goes down. On the one hand, doing so reflects normal market action. On the other, much more is involved. All markets are manipulated.

Governments, central bankers, and Wall Street collude. Manipulation is longstanding. Major players profit up or down.

Gold's had a great run. Market analyst Richard Russell dates it from August 1999. Gold then cost $252 an ounce. It rose nearly eightfold before declining.

Russell calls it the most emotional of all investments. Some love it. Others hate it. Western central bankers and governments deplore it.

It's real money. It's an antidote to fiat currencies. They're created out of thin air. Money printing madness erodes their value.

Gold stood the test of time. Russell sees it eventually selling for thousands of dollars. Currently it's troubled. Prices could go a lot lower before rising.

Longtime investor Jim Rodgers owns gold. He's not selling. He's not buying more. He hasn't hedged his position. He calls 30 – 35% corrections normal.

He expects gold prices to fall further for the "foreseeable future." Eventually he expects them to go higher "over the decade." His best guess low is perhaps $1,200 an ounce. Lower still wouldn't surprise him.

From 2001 – 2007, gold rallied hugely. At the same time, the dollar plunged 41%. It's now at a three year high. At issue is how long it holds.

QE debases dollar value. Bail-ins add more risk. Safe havens are more valued than ever. Fear drives investors to seek them. Savvy ones were stunned by the Friday and Monday selloff. Some called it unprecedented.

Momentum moves prices up and down. Manipulation drives them most. Price action is volatile. It closed the week at $1,395.60 an ounce. It could plunge again any time. Manipulators have final say. They take full advantage. They profit either way.

Economist David Rosenberg called the Friday/Monday selloff "quite a sight." Gold mining stocks did worse. Global economic conditions look "shaky," he said. Structural impediments "swamp vast monetary largesse."

"Ordinarily, this should be (positive) for gold." Its crash showed something very wrong. TV talking heads and other mainstream pundits didn't explain.

Historical peak-to-trough declines are 32%. Rosenberg recommends not chasing the first oversold bounce. A large speculative long position needs to be unwound, he said.

At the same time, he believes the secular bull market continues. Negative sentiment adds to gold's longer-term allure. He advises patience awaiting a buying opportunity.

Analyst Graham Summers suggests Bernanke's worst nightmare looms. He and other central banks tried inflating their way out of debt. It's "beginning to look like they failed."

Copper took out its "recovery" trendline. Oil is breaking down. So is gold. The "Fed is literally running out of bullets." Economic conditions are contracting.

"China's recent GDP miss is just the latest in a series of economic surprises to the downside." Stocks are "always" last to react.

The latest Global Europe Anticipation Bulletin (GEAB)headlined "Global Systemic Economic Crisis: The economic-political world versus financial banking interests," saying:

"….our team has closely watched the unusual coincidence of all the market indicators collapsing….even and especially gold."

"There is a clearance sale of paper gold which is leading the dance….We are probably at the beginning of a panic in which all speculative positions are sold off."

Naked Capitalism's Yves Smith said "Gold Crash Signals End but End of What?"

What to do near-term isn't simple. Past is often prologue. The early 1980s "saw a blowout and plunge over a mere three day period." Recovery didn't follow. Perhaps stiff headwinds remain. Who knows for sure?

Money and Markets analyst Larry Edelson called gold's "whopping 14.7 percent" two-day plunge "historic." It's "NOT over."

Expect a bounce. "(D)on't buy into it." Gold's heading lower. So are silver, copper, platinum, palladium, crude oil and other commodities.

Edelson believes gold won't bottom "until it hits major long-term support at $1,028."

He thinks QE lost impact. Too much bad debt remains. Money printing madness can't offset it. Austerity's hitting hard. Confiscatory bail-in policy is most important, he believes.

It "turned the world upside down." Money no longer is safe in Europe, America, and Canada. Perhaps it's not anywhere.

"Panicked capital is going into hiding, but in cash and equities in the US and Japan, not in gold."

When investors realize that America is as troubled as Europe, gold fundamentals should "flip back" to bullish. That time isn't now. Patience brings rewards.

The late Bob Chapman strongly recommended gold and silver. He did so for safety and capital appreciation. He explained fiat currency debasement. He was a Progressive Radio News Hour regular.

He predicted an eventual dollar decline. He explained how Western central bankers and financial giants manipulate precious metals. They do so to suppress their value.

Money printing madness means eventual higher prices. Hold on, buy more and be rewarded, he recommended. He said it on air many times. It remains good advice.

Central banks are hoarding gold. According to the World Gold Council, 2012 global demand reached an all-time high. "In value terms," it was $236.4 billion. Q IV year-over-year was 6% higher.

Central bank buying year-over-year rose 17%. Global ETF investment rose 51%.

"China and India remain the world's gold power houses." Central bank buying worldwide is the highest "for almost half a century."

Zero Hedge called the gold selloff "a massive wealth transfer from our pockets to the banks." Federal Reserve naked short selling drove prices down.

Zero Hedge explained how Wall Street does it, saying:

> "(1) Amass a huge short position early in the game.
>
> (2) Begin telling everyone to go short…to get things moving along in the right direction by sowing doubt in the minds of the longs.
>
> (3) Begin testing the late night markets for depth by initiating mini raids (that also serve to let experienced traders know that there's an elephant or two in the room).
>
> (4) Wait for the right moment and then open the floodgates to dump such an overwhelming amount of paper gold and silver into the market that lower prices are the only possible result.
>
> (5) Close their positions for massive gains and then act as if they had made a really prescient market call.
>
> (6) Await their big bonus checks and wash, rinse, repeat at a later date."

On April 12, turbulence began. Shock & awe naked short selling hammered prices. Gold buyers and holders were told "you are long and wrong."

Spot prices plunged. Physical purchases rose. Large dealers ran out of coins. Fed naked shorting aims to protect dollar value. Short-term it's working. Longer-term watch out.

Money printing madness debases dollar value. What can't go on forever, won't. Gold represents real value.

Why else would central banks hoard it? Savvy investors hold it. They await a major buying opportunity. It may arrive when least expected.

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