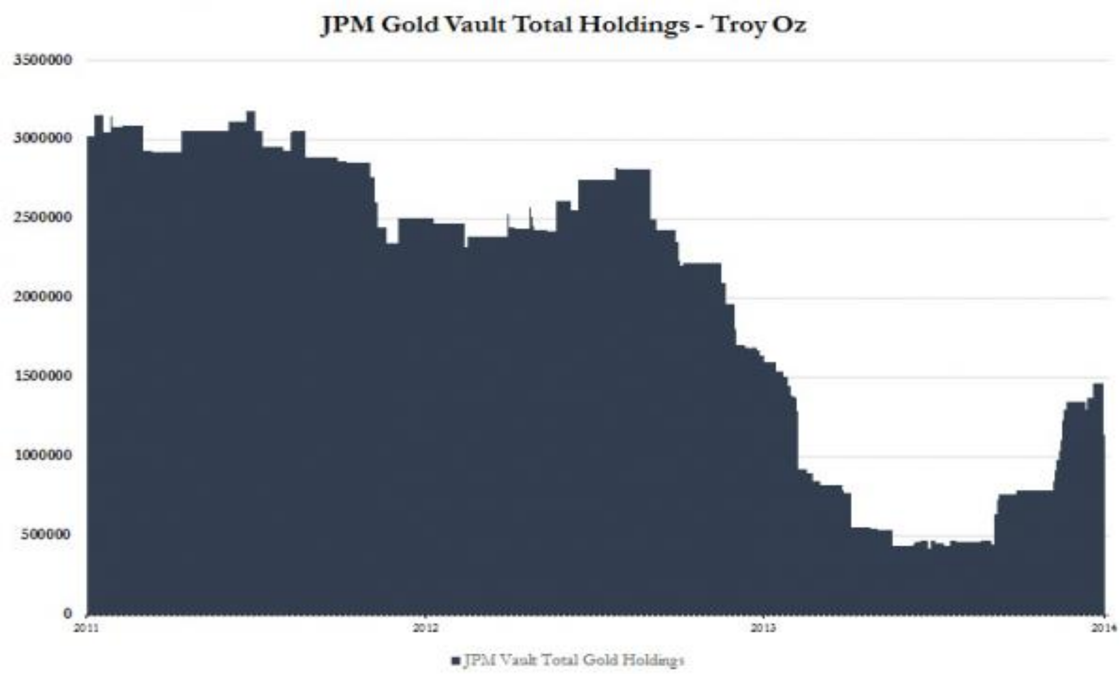
Part 1 - Finally the Bafin is unraveling the gold manipulation/intervention by the central banks and the Fed

The sell-off in the markets again clearly illustrated the manipulation of gold and silver

Especially with tug of war going on in the markets, “Markets tumble as fear spreads” runs the heading of the WSJ, January 25, 2013, the forced sell offs in the gold and silver market couldn’t be a more blatant expression of that the authorities are @#$%&* scarred! Being safe havens, gold and silver, like 10-y treasuries, should go through the roof with these falling markets and especially taking into account the fall in the emerging market currencies and they don’t! Whilst the US dollar gained from the weakness in the EM currencies the ultimate beneficiary should be gold and silver (hence why the demand at the mints is so strong). It defies all logic and the reason is that they are manipulated to give the misperception that there is nothing structurally wrong with the markets which is of course BS otherwise you won’t have these kind of falls in the markets. Anyway the manipulation is in my point view very clearly illustrated by the movements and the difference in movements in gold and silver. Silver, which is a much smaller market, can thus be much easier manipulated that is why the steep fall in the silver. See the screen shots here below.

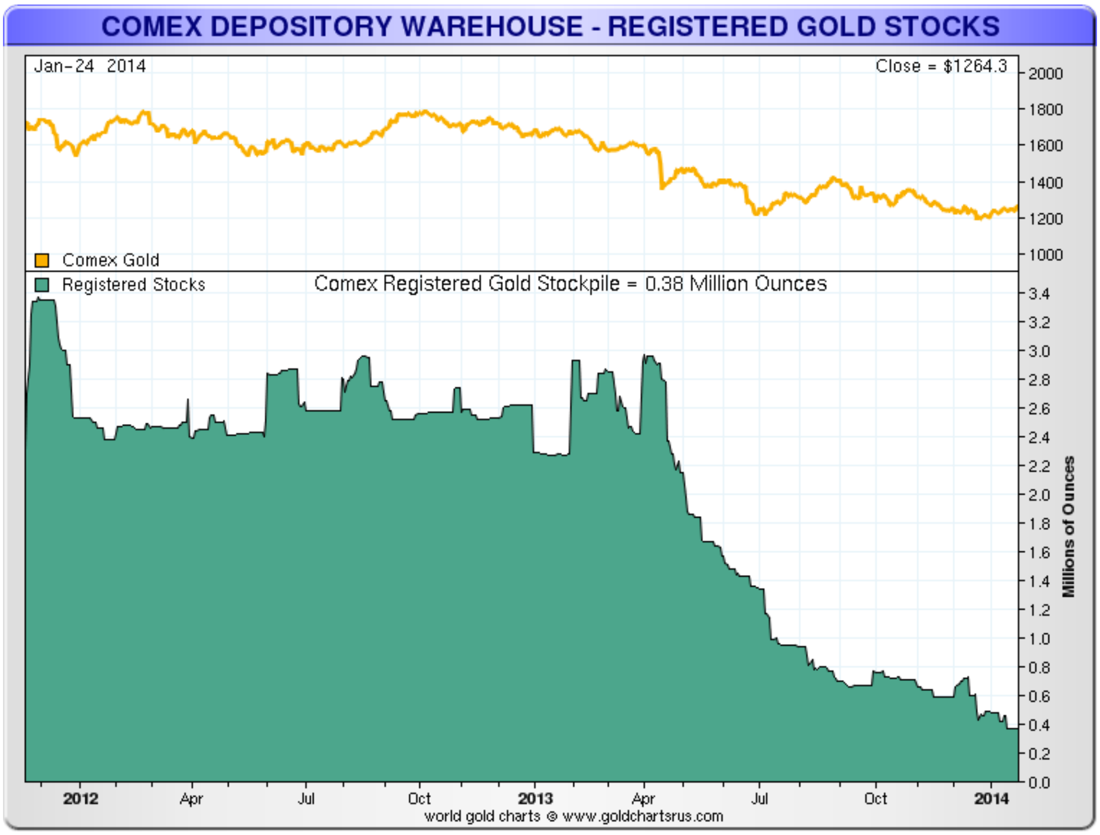
Just before noon EST the sale order pounded the gold price from $1,267 to $1,263 in order to climb back to $1,269 whilst silver was pushed down from $20.10 to $19.80 in order to recover to $19.91. An important technical resistance level is $1,270 which if breached could propel gold to around $1,360 to $1,390. And when those levels are broken we will go to former highs (see chart at the end of the article).

JP Morgan had the largest one-day withdrawal of gold ever having 321,500 ounces (exactly 10 metric tons) withdrawn from its eligible category on Friday January 24. In just one day, JP Morgan lost 22% over its total gold stocks at the Comex. Total gold inventories at JP Morgan declined from 1,459,027 oz. to 1,137,527 oz.



There was another 32,150 oz. or 1 tonne of gold withdrawn from Scotia Mocatta's Eligible inventories.

Furthermore, there are only 357,139 oz. or 11 tonnes of gold (the same amount as was just withdrawn/delivered), worth $450m, in the registered inventories at the Comex, which is a record low! Registered metals are similar to eligible metals except that these metals are also available for delivery to settle a futures contract. Eligible metals are those that conform to the exchange's requirements of size (1000 ounce bars for silver and 100 ounce bars for gold), purity, and refined by an exchange-approved refiner. **Eligible metals are stored at COMEX warehouses on behalf of banks or private parties, but are not available for delivery for a futures contract. The registered stocks are therefore the stocks to focus on.**



With all the deliveries, and investors are increasingly asking for physical delivery of their gold because they are progressively distrusting paper gold, which has counter party risk, scheduled for February and potential shortfalls it might be time for the big Kaboom when the monetary authorities lose their edge and can't control the prices any longer.

In the end the physical will show the way, if there is no more physical gold available the paper price will have no value, no sense! The consortium that is trying to push down prices doesn't understand that the more they depress the gold price using paper the more the physical will be picked up! Ultimately there is no way out but up because the physical buyers are not going to stop buying because they what ultimately the value of the US dollar will be.

And if people don't believe this is manipulation I would love to hear their explanation for stable or lower precious metal prices under these market conditions

And if people don't believe the gold and silver prices are heavily manipulated by the central banks I would be very interested to hear their explanation for lower precious metal prices when the talk of continued tapering has lead to Turkey and Argentina falling apart with contagion effects to the Spanish banks with possible fall out to other European banks etc etc. The risk of other EM countries which are suffering from higher interest following the tapering in the US are South Africa, Brazil, India, Indonesia, etc. where pressures are building and many of their central banks have been forced to raise rates meaningfully to combat capital outflow, and currency drops that have aggressively spiked domestic inflation rates that will cause domestic growth damage: combined with the drop in their currencies, markets are beginning to lower expectations for demand coming out of these countries….less demand, then less growth and downward price pressures.

Thailand defaulting on its debt being the highest since August as anti-government protests prompt money managers to sell the nation’s assets. We have geo-political unrest Kiev, Egypt, Syria and potential attacks in Sochi. Next to that we have the contraction in China, which ignited this drop in the markets, the standoff between China and Japan and other Far-Eastern countries. Though the biggest issue of all, but unfortunately the most uncertain as well, could be the Chinese Trust products of which some $660bn comes due this year. Investors who had purchased them in the past now know that they are indeed NOT a guaranteed product. Rates in China will have to rise to compensate for the risk of these products.

The February 7 debt ceiling issue with the potential downgrade of US debt by Fitch etc. etc. And last but not least HSBC customers in the UK that were recently prevented from withdrawing large amounts of cash amounts, ranging from £5,000 to £10,000, because they could not provide evidence of why they wanted it, the BBC has learnt. As one customer responded: "you shouldn't have to explain to your bank why you want that money. It's not theirs, it's yours." **By the way that is not true because when you deposit your money at the bank your status changes from being the owner of the funds to a creditor of the bank, big big difference!** On Sunday January 26 HSBC hastily issued a statement defending their actions – “**it's for your own good”** - but rescinding the decision - "**following feedback, we are immediately updating guidance to our customer facing staff to reiterate that it is not mandatory for customers to provide documentary evidence for large cash withdrawals**." “It is for your own good”!!!! These guys have lost their mind. I suppose the bail out and the bonuses were also for their own, the depositor’s good! From HSBC's limiting large cash withdrawals to Lloyds ATMs going down, Bloomberg reported on January 28 that 'My Bank' - one of Russia's top 200 lenders by assets - has introduced a complete ban on cash withdrawals until next week.

Anyway reading this story who wants to or should trust any bank with their money going forward any longer. Especially also in the context that the Bundesbank, following in the footsteps of the IMF, is suggesting a one-off capital levy for citizens in order to pay for the Government debts. If this doesn’t give you any doubt to mistrust the system! **Next to that what is action saying about HSBC? Are they having problems or do they, being one of the bullion banks, know that the gold suppression scheme is running out of steam with all its consequences.** Do I need to say more why gold and silver should fly? Anyway in the rest of this article I will try to convince you with facts all pointing to manipulation of the gold and silver prices.

According to Bafin the currency and metals rigging is worse than Liborgate.

Metals, currency rigging is worse than Liborgate. Bafin (Bundesanstalt für Finanzdienstleistungsaufsicht or translated Federal Financial Supervisory Authority), Germany’s top financial regulator said possible manipulation of currency rates and prices for precious metals is worse than the Libor-rigging scandal, which has already led to fines of about $6 billion. The allegations about the currency and precious metals markets are “particularly serious because such reference values are based -- unlike Libor and Euribor -- typically on transactions in liquid markets and not on estimates of the banks,” Elke Koenig, the president of Bonn-based Bafin, said in a speech in Frankfurt January 16, 2014.

“Coinciding” with the story on the overhauling of the London Gold fix amid all the manipulation talk was a story on Zerohedge on Tuesday January 20, 2014 describing how gold and silver tumbled most in a month. Despite no specific market news, the USD (which is inversely correlated to gold and one if not the most important factor influencing gold) is not really moving, “the precious metals market participants” decided to sell in huge volume selling gold down 1.3% - its biggest drop in a month; and silver down 2.8% - its biggest drop in 5 weeks. Gold dropped back down to test its 50DMA and silver crossed back down through it. Clearly some parties, such as “the most interesting man in the world (see photo)”, were trying to hit the technical levels hoping for following on stop loss orders.

Again this is not normal market behavior for a seller. Someone who would try to sell his position over an extended period of time with the goal of obtaining the best price possible would try to hide his selling and to disrupt the price as little as possible. In contrast, the Fed‘s sales are intended to drive the price lower with as much damage as possible on the price and intimidate potential buyers rocking their confidence that gold is a good buy at these levels. The aim is to convince investors that it was completely pointless to speculate on a rise in the price of gold. Though at one stage the prices will be forced so low that buyers will say “n’importe quoi” the price I think gold and silver is a bargain, it is good value here and I just buy it (see below the record demand for the physical from the Mints). And long-term buyers are not interested in paper gold they want physical gold, which avoids all counter-party risk except confiscation by the Government.

In light of these kind of movements, the assumption of so-called “free” markets doesn’t make sense at all, the Bafin investigation therefore is a refreshing and much needed initiative.

Who can under the current circumstances expose the manipulation of the gold prices better than the Germans!

“That the issue (of possible manipulation) is causing such a public reaction is understandable,” Koenig said. **“The financial sector is dependent on the common trust that it is efficient and at the same time, honest.** The central benchmark rates seemed to be beyond any doubt, and now there is the allegation they may have been manipulated.” Exactly, it is one or the other, the gold market is free or it is manipulated, and if the gold market is manipulated the governments should say so and not let investors believe it is independent and free and let them incur losses because the central banks/monetary authorities have different objectives than investors who believe the price of gold should be much higher on the basis of fundamentals of the economy. What is otherwise the difference with Madoff? Anyway finally someone such as Elke Koenig who understands it and who is not corrupt like all those other @#$%& that are hiding behind lies and incompetency! Who can better expose the manipulation of the gold prices than the Germans!

Why would other nations have to follow the US gold policies whilst the US is undermining its own status quo by pursuing irresponsible fiscal and monetary policies?

Why is Germany "harassing" the U.S. government about gold? Because it is theirs, hello property rights! Property rights are one of the most fundamental rights a society/country is based on! The Bundesbank said a year ago it will repatriate 674 tons of gold from vaults in Paris (374 tons) and New York (300 tons) by 2020 **"to restore public confidence in the security of Germany's reserves"**. The stockpile is worth about $27.2 billion in current prices. The withdrawal makes even more sense especially after the very much US "pressured" 7 years delayed delivery of German's gold from the NY Fed (we haven't received any plausible answer yet except for my and other people's assumption that the Fed just doesn't have the physical gold because of its continuous gold demonetizing operations) and the oh so "subtle" hacking of Merkel's personal cell phone for anti terrorism reasons or was it to get information on her so that they could blackmail her if she doesn't want to go along with the demonetizing of the gold!? I suppose the Pope is in the same category! Or for that sake any foreign business. By the way why would the US ask for the extradition of hackers whilst itself hacks anything that can be hacked without any regard for the constitutional rights of foreign nations and /or their citizens? Which ethical and legal base justifies that behavior? Only that of a sliding scale!

Anyway the question is why would Germany cooperate with the US to maintain the US dollar as the reserve currency by demonetizing gold when another arm of the US Government is listening into the private cell phone of a befriended nation's prime minister? In order to make sure that the US dollar remains the reserve currency? Those arguments are becoming less and less valid especially considering the recklessness the US government deals with it own finances. Why would other nations have to follow the US policies whilst the US is undermining its own status quo by following irresponsible fiscal and monetary policies? Because these other nations would also experience the brunt of a currency fall out?

Enough is enough. If you want to be the world leader act as such and act by example but don't put other nations under pressure and blackmail them by telling them what to do otherwise……….! Because at one stage it will come to hunt you. And the Germans, with the recollections of the Weimar Republic still fresh in their memory, are the wrong people to convince that paper instead of physical gold, which forces discipline and is real money, is the preferred currency.

Why did Germany's gold reserves accumulate at the NY Fed and why doesn't Germany want to demonetize gold?

From 1952 onwards the Bundesbank began to redeem some of its trade surplus dollars into gold bullion stored with the New York Fed, adding to their stock there every year until 1968. Except for the conversion of US dollars in gold following German's trade surplus with the US the cold war and the possibility of a Russian invasion was another reason for storing the gold outside Europe at the NY Fed. Though this threat doesn't hold true any longer. According to the Bundesbank's records in 2012 the German gold stored at the New York Fed amounted to 49.4m ounces or 1,536.4 tonnes next to that as far as I know the Germans didn't grant the New York Fed the permission to lease the gold.

Rightfully so, as being proven by the continuous erosion of purchasing power of the currencies and especially the US dollar, the Bundesbank never fully accepted the anti-gold stance of other central banks, which is also understandable given Germany's currency hyperinflation during the Weimar Republic and their strong working and savings ethos. Hence why Bafin investigation is even more interesting. The Bundesbank was always careful, in the absence of gold convertibility, to pursue sound disciplined monetary policies hence why the D-mark was so strong. This also makes the ownership of the gold for the Bundebank more delicate than for most other Western central banks.

Following growing public pressure in 2012 members of the German parliament, Bundestag, visited the vaults of the NY Fed in order to inspect that the German gold was indeed in the vaults. The members barely got any access to their own gold. And when they got the "assurance" they would get repatriation of "only" 300 tons of their 1,536.4 tonnes gold reserves by 2020 it became apparent that Germany's gold at the New York Fed probably didn't exist or was leased out. The Bundesbank was forced to rely on "written confirmation" by the New York Fed that their gold was safely there whilst 300 tonnes was all the Fed would agree to deliver! Let it be clear to readers **"IF YOU DON'T HAVE THE POSSESSION OF THE PHYSICAL GOLD YOU DON'T HAVE ANYTHING! A PIECE OF PAPER WITH ALL KIND OF PROMISSES IS ONLY WORTH THE VALUE OF THE PIECE OF PAPER UNLESS THE COUNTER PARTY CAN AND WILL HONOR ITS OBLIGATION.**"

In 2013 the NY Fed sent only 5 tonnes of the 300 tonnes to be delivered to Germany

According to the Bundesbank, in 2013 only 37 tonnes had been delivered so far, less than 2.5% of Germany's gold held at the Fed and less pro rata than the annual equivalent amount the Fed is expected to repatriate. According to the German newspaper "*Die Welt*" only 5 tonnes has come from the New York Fed with the rest, 32 tonnes, from Paris. How much more proof do you need that the NY Fed doesn't have the gold why wouldn't they otherwise deliver straight away? In 2011 it took four months to return Venezuela's 160 tonnes of gold. Over the course of the 13-year gold bull market, gold leasing and rehypothecation operations have largely depleted most of the gold in the vaults of the Federal Reserve, Bank of England, European Central Bank and private bullion banks such as JPMorgan Chase.

And the depletion of gold in the vaults came noticeably to the fore when Venezuela was the first country to repatriate all of its gold being held by foreign Central Banks, primarily the Fed and the BOE. Again the gold was not readily available and probably had to be borrowed, perhaps from unsuspecting private owners who mistakenly believe that their gold is held in trust. The evidence of suppression is everywhere, though most refuse to believe their elected officials are capable of such deception. Because that is not what officials are supposed to do. However, the recent numerous scandals in the financial world are slowly forcing people to realize that anything and everything can be manipulated. Libor, mortgage rates, FX — all were shown to be rigged markets, though NONE of them have the importance that gold has at the center of the financial universe, yet all of them are far bigger markets than gold and therefore much harder to rig. **THOUGH BELIEVE IT OR NOT GOLD IS AT THE HEART OF THE FINANCIAL SYSTEM, GOLD IS THE BAROMETER.**

Anyway what I don't understand is that this issue of manipulation/intervention, whatever you want to call it, which is at the crux of the credibility of the currencies and thus purchasing power and the financial system's integrity is not getting wider media attention. Or is it because a lot of people just don't understand the intricacies of the potential consequences of the US dollar/gold conflict.

The US probably has sold gold but can't be seeing buying gold in the market!

The Fed and Treasury are between a rock and hard place because they probably leased out the gold, sold it or lost the possession through rehypothecation which is when a bank or brokerage firm "borrows" client assets being held in custody by banks. Remember ABNAmro's statement that it would halt delivery of physical gold? The use of gold leasing to manipulate the price of gold became a dominant practice in the 1990's. **And whilst Central Banks admit to engaging in gold lease transactions, they do not admit to its purpose, which is to moderate rises in the price of gold!!!**

But despite the fact that the US can have separated from "its" gold the US can't be seen buying gold in the market because it would be seen as an act of no confidence vis a vis the reserve currency: the US dollar. Next to that it would defy the demonetizing of gold. So the question begs where is the US getting its gold from without creating a dollar crisis? From the GLD ETF, that has been plundered since the beginning of 2013? Or are we just plain simple hurdling towards a massive dollar crisis?

As a result of the German request the US finds itself in an extra difficult position because on one side they need to dump gold to rescue the US dollar and on the other hand they need to buy gold to make good on their deliveries to the Germans. Next to that the Chinese are buying anything that they can put their hands on. Something will have to give!

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