Thunder Road report

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Gold price and the monetary system since 5 August 2011

Tactical summary of gold market manipulation

The Evidence

Appendices

Same algorithm 2 days running:

Contact/additions to distribution:

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Caught Red Handed: massive manipulation of the Gold Market since America lost its "AAA" credit rating – implications for bullion & gold equities (and the monetary system)

This report provides proof of massive manipulation (suppression) of the gold price since the US sovereign credit downgrade on 5 August 2011. There are scores of "smoking guns" in the pages below. Rigging the gold market violates Section 1 of the Sherman Act and Section 9(a) of the Commodity Exchange Act under US law.

It explains in detail and illustrates in chart form exactly HOW the manipulation is taking place. Few portfolio managers or sell-side analysts have "deciphered" the modus operandi of the cartel banks (never mind financial journalists & the public). It's a fractal-like pattern of interventions within interventions which are driven by *repeating algorithmic trading programmes*.

Bletchley Park: centre for Allied code-breaking during WWII - including the famous German Enigma cipher machine

Enigma was to U-boats what algorithmic trading programmes in the gold market are to" Gold cartel" banks

In-depth analysis of the gold price since 5 August 2011 shows that these algorithmic trading programmes operate across time zones (often on a 24/7 basis) and are

particularly obvious during trading in London and (especially) New York. I've highlighted FIVE EXAMPLES of these algorithmic trading programmes which I term:

1. **Set Up algorithm**
2. **Soft Capping algorithm**
3. **Hard Capping algorithm**
4. **Death Star algorithm**
5. **COMEX Covering algorithm**

The intra-day and daily operation of these algorithms also fits into a weekly and monthly pattern of interventions, hence their fractal-like nature.

Working in tandem with these algorithms are specifically-timed "hits". The gold price gets smashed, when it should surge, on key announcements, e.g. new monetary stimulus (rate cuts, LTROs, etc.). This is to prevent a link developing (in the minds of investors) between each new act of monetary desperation with the ultimate condemnation of a rising gold price. SIX EXAMPLES are explained in detail including the already infamous "Leap Day Smash" of 29 February 2012.

Enigma machine and one in use on a U-boat

The need for such concerted and blatant manipulation of gold, the arch-nemesis of the current over-leveraged world monetary system, suggests that the integrity of the latter is not just fragile, but arguably fraudulent. Understating the situation, it's high time to be more than a little "concerned", if you aren't already.

Gold price – it is vital to understand the following: the gold price on Reuters/Bloomberg screens is not really THE gold price since the "gold market" is not a market for physical gold per se. Instead, the price on your screen is a hybrid price of some physical gold which is HEAVILY DILUTED in the price discovery process (deliberately) by a far larger amount of "paper" gold in several forms, notably unallocated LBMA accounts, COMEX futures and options, many ETFs (I would exclude Sprott and the Central Fund of Canada - both of which trade at premiums to NAV) and billions of dollars of OTC gold derivatives.

As long as this illusion prevails, the Anglo/US/Euro political and financial elite (for their personal accounts), Chinese and Russian central banks, Arab royals, Asian billionaires, Indian farmers, tin pot "stackers" and others stay focused on "squirreling away" physical metal. An almost unknown, except to a few, "sage" of the gold market once forecast (I'm paraphrasing but it is close enough) that:

"Physical gold will need only to be 'priced' once during this lifetime and that will be more than enough."

Beneath the surface and behind the scenes, this process is playing out irrespective of the current "hybrid price" on traders' screens. The latter is just being used to make the financial system look better than it really is. You know what they say about working out who the sucker is in a game of poker?

Do the vast majority of portfolios have sufficient "insurance" in the form of gold and gold equities? A counter-strategy being used by "players" is to accumulate on the artificial takedowns (dips) in the gold price - beautifully summarised by the acronym "BTFDs". (Please note: any funds which are playing in the gold futures market, or on the LBMA and NOT taking delivery of physical metal, are only making it easier for the cartel banks…and likely setting themselves up to be fleeced).

Many people have given up on the gold equities but I'm sticking with mine.

The majority of big cap gold mining companies and hoards of smaller gold miners and development/exploration companies are quoted on North American markets and, to a lesser extent, in London/Johannesburg – precisely when the most severe manipulation of the gold price has taken place since last August (see below). Consequently, I think the share prices of some very good companies are substantially lower than they would otherwise be;

In each of the last three years, gold equities have had a weak start to the year versus the overall markets (HUI Gold Bugs Index versus S&P500), only to trade at much higher levels in the second half.

HUI versus S&P500 (3 years)

Source: Stockcharts.com

For 10 components of the HUI (including the largest ones), I created an index of forward-looking Gold Cash Flow (GCF) per share, comparing the outlook for 2012 (as it currently stands) with the outlook for 2009 at the same time, i.e. after the release of reported Q4 results and

forecasts for production, cash costs and capex in the coming year. So, not exactly rocket science, but for each company I've calculated for 2009e and 2012e:

A)	**Gold price**	**–**	**forecast cash costs in coming year**	**= Cash flow per oz.**
B)	**A**	x	**forecast gold production in oz.**	**= GCF**
C)	**B**	**÷**	**no. of shares in issue**	**= GCF per share**

Note on gold prices: 26 March 2009 = US$916.50 and 26 March 2012 = US$1,685.00

Despite rising capex, some companies have undershot on production growth. Exactly how much benefit some of this incremental capex is delivering could be debated for hours. To be more conservative, I have reduced the GCF per share of any company with rising capex (2012 versus 2011) by:

D) Incremental capex ÷ no. of shares in issue

The companies which this applied to are Goldcorp, Newmont, Yamana, AngloGold Ashanti, IAM Gold, Eldorado Gold, Kinross and NewGold and for most of them it meant a significant reduction. Nevertheless, here are the results where 2009e is indexed at 100.0:

Company	**GCF per share 2009e**	**GCF per share 2012e**
Goldcorp	100.0	149.1
Barrick Gold	100.0	227.5
Newmont Mining	100.0	132.9
Yamana Gold	100.0	164.1
AngloGold Ashanti	100.0	124.5
IAM Gold	100.0	79.4
Eldorado Gold	100.0	408.8
Agnico Eagle	100.0	229.4
Kinross Gold	100.0	91.7
NewGold	100.0	236.0
Average (unweighted)	**100.0**	**184.3**

Source: Company statements and TRR estimates

I know the oil price has risen recently, but crude rose 60% from March 2009 to the end of that year and the gold shares still outperformed handsomely.

Briefly: gold price and the monetary system since 5 August 2011

If we look back to 2011, the gold price rose steadily during February-June. The gradient of the rise increased through July as the argument over raising the US debt limit raged in Washington. On 3 August 2011, Moody's maintained the AAA rating for the US but assigned a negative outlook. However, the big catalyst for the spectacular rise in the gold price last August was S&P's downgrade of the US from AAA to AA+ after the markets closed on Friday, 5 August 2011. On Friday night of 5 August 2011, gold had closed at US$1,663.40/oz in New York. By the close of trading on Monday 8 August 2011, it was almost US$100/oz higher at US$1,760.40. Following the US$100/oz rise in gold on 8 August 2011, the gold price first broke US$1,900/oz on 22 August 2011 and peaked at US$1,920/oz on 6 September 2011. For almost a month, the banks completely lost control of the price.

A surging gold price is the canary in the mine foretelling the demise of both the dollar's reserve currency status and our existing credit-based/unbacked monetary system. When gold is notching up new all-time highs, EVERYBODY watches it (even people who don't really understand its significance) and it makes front page news. When the gold price is trading sideways or under pressure, most people revert to "normal service" and go back to sleep. Which is precisely the reason for the intervention.

"A tip of the hat to the gold cartel! Since the August push over the $1900 mark, they have managed to completely confuse the average investor. Millions of people wake-up every day to the horror show in the financial markets, glance at the gold price, and decide that it can't be that bad cause 'Gold isn't doing anything."

Contributor to the "Le Metropole cafe" website

It's impossible to overstate how dangerous this manipulation ("containment" or "managed retreat", if you prefer) of gold actually is. This is central planning at its most reckless. Vital signals concerning risk, which would be available in a free market, are suppressed. If the investing community, and the public at large, had fully grasped the significance of what's taking place, logic suggests that there would already be far greater investor participation in bullion and the equities of gold and silver companies for wealth preservation and insurance purposes. Gold would be well into the US$2000s and Bernanke would be looking for a job.

We are in the middle of the biggest debt crisis in history, but central banks are able to persist with "QE to infinity", both directly and indirectly in the form of LTROs and Fed/ECB dollar swaps, US$1.5trn dollar deficits of the United States continue unchecked, European nations consistently miss deficit targets and trillions of "safe" government bonds sit in pension funds, etc. Central bankers and governments drip feed false reassurances, while the true extent of the folly goes unnoticed. The "Ponzi scheme" of ever increasing debt grows larger. Don't forget the paradox that hyperinflation is usually a deflationary phenomenon.

Here we are again! Risk is substantially under-priced across financial markets and the majority are under-estimating the dangers. This time, however, the focal point of that risk is not tech stocks or real estate, but **MONEY ITSELF**, and consequently government finance (and the OTC derivatives mountain looming in the background). Here is a very succinct explanation of how we got here from Doug Noland in his Credit Bubble Bulletin:

"After the LTCM fiasco, the danger was conspicuous. It was also conspicuously apparent that the LTCM bailout and the Federal Reserve market backstop were instrumental in inciting the tech bubble. And the Fed's response to that burst bubble was integral to the scope of the mortgage

finance bubble. As obvious as this chain of cause and effect has been, the Fed dogmatically refuses to have any part of such analysis."

Bubbles burst.

When stocks lose their value

That's a terrible thing

When homes lose their value

That's a terrible thing

But when money loses its value

That's the most terrible thing of all

Darryl Robert Schoon

It's so easy to forget, but the world's monetary system has been roiled by a never-ending series of shocks and ever more desperate policy responses since August last year. Let's just recap some of the major ones as we descended deeper into this crisis.

5 August 2011:

Sovereign credit rating of the US is downgraded from AAA to AA+ by S&P

10 October 2011:

Bankruptcy of the large Belgian-French bank Dexia which had come top of the European Banking Authority's bank stress tests on the 15 July 2011

6 October 2011:

Bank of England announces an additional £75bn of QE

27 October 2011:

Bank of Japan announces an additional Yen5 trn (US$66bn) of QE

31 October 2011:

MF Global filed for bankruptcy – over US$1.0bn stolen from client accounts

21 November 2011:

The US Super Committee failed in its efforts to agree to US$1.5 trn in deficit reduction. Please remember this target was over 10 years, i.e. a negligible US$150m p.a. of savings – less than 4% of projected fiscal 2012 Federal outlays.

8 December 2011:

The ECB announced its first LTRO (longer-term refinancing operations) whereby it lent Eur489bn (US$639bn) to 523 banks to stave off collapse of the European banking system. This was just QE/money printing under a different name;

21 December 2011:

US Federal debt-to-GDP passes 100%

13 January 2012:

S&P cut France's AAA rating to AA+. Eight other ratings in the Eurozone were cut including Spain, by two notches from AA- to A, and Portugal, whose rating went from BBB- to a "junk" rating of BB

26 January 2012:

US Senate approves Obama's request for a further US$1.2 trn increase in the Federal government's debt ceiling

9 February 2012:

Bank of England announces an additional £50bn of QE

14 February 2012:

Bank of Japan announces an addition Yen10 trn (US$130bn) of QE

Please note: the above excluded: innumerable "summits" of Euro nations, G20, G7, etc, frequent rumours of "successful" rescue plans for Greece, announcements that leveraged (yes leveraged!) Euro bailout vehicles (EFSF, ESM) were coming to the "rescue", periodically soaring CDS rates and sovereign bond yields, missed deficit targets and ever greater attachment to ZIRP (zero interest rate policy) – e.g. new ECB head Draghi has already cut rates twice and Bernanke is talking about a zero Fed Funds rate out to 2014.

The last seven months have been nothing less than dramatic in the post-Bretton Woods Monopoly money experiment. Dramatically bad. It's been noticeable over the years how intervention to stop the price of gold rising is often proportional to the severity of the crisis. This report focuses on the manipulation of the gold price since the 5 August 2011 when the US Sovereign credit rating was downgraded from AAA to AA+.

Think about how absurd the performance of gold was in the latter part of 2011. By 29 December 2011, the gold price was back to US$1,531.00/oz…that's more than US$130/oz lower than the price before the US Sovereign credit rating was downgraded…never mind every other bit of bad news for the world's monetary system. The current price is barely higher than it was on 5 August 2011 either. The stuff of fairy tales…well almost…it's the stuff of intervention. All you need to do is to break "the code" (!) and you can see how it was done and is being done.

Indeed, when you see the evidence, you might be surprised just what a systematic operation the manipulation of the gold market has become. And if gold doesn't really matter, why go to these ridiculous lengths? Given the sheer extent of the manipulation, it's hard not imagine growing panic behind the scenes in an effort to maintain the "status quo".

This comes from the always shrewd commentator, Bill Holter:

"Do you now fully see WHY they must at all costs ingrain into the sheeple's minds that 'Gold is bad'? If the public were to rush into Gold (which they are already doing in the physical markets), 'paper' would then be seen to be 'bad'."

And Eric King of King World News in a conversation with James Turk of goldmoney.com:

"If you and I are the central planners and we've got our teams that run the markets globally, we've got to go in and intervene James. I'm not defending what they're doing…you've just got to create a terrific smash because there was a terrific flight, and still is, out of fiat currencies into the metals. And they had to say, or at least give the appearance, that these are not safe."

To quote Elvis Presley:

"Truth is like the sun. You can shut it out for a time, but it's not going to go away."

Why do you think the now co-opted Warren Buffet came out so publicly about investing in gold and Bernanke was bashing the gold standard in a well-publicised lecture to American students? Buffet forgets to compare the performance of Berkshire Hathaway with gold during the last decade and Bernanke forgets to mention that the rise of the US into the world's greatest industrialised nation in the 19th and first part of the 20th century took place under a gold standard. And under a gold standard, we'd never have got into this situation in the first place.

Tactical summary of gold market manipulation

An intense study of the intra-day gold price charts since 5 August 2011 shows a fractal-like pattern of interventions within interventions occurring on a daily, weekly and monthly basis. This is how it works:

Repeating manipulative algorithms

At the heart of the manipulation in the gold market is a set of algorithmic trading programmes. While I will show you evidence that they operate across Asian, European and US time zones, they are particularly obvious during trading in London and (especially) New York. While different algorithms are used on different days, the same one is often used two days running, which is what drew my attention to them in the first place. From studying their operation, the basis of these algorithms is:

- To contain the gold price by forcing it down at tactically important times of the trading day. Indeed, the manipulation is so blatant that you can literally set your clock and your diary/calendar by it much of the time as I will show;
- To cap the gold price at key levels, such as "round numbers" (US$1,800, etc) and on chart breakouts, and to limit daily rises in the price;
- To ensure the gold price is weak during London and especially NY trading. Most of the world's largest gold mining companies are quoted on North American equity markets with a smaller number quoted in London/South Africa (i.e. the same time zone). While most people are unfamiliar with buying and storing physical metal, a very large number have brokerage accounts and a "mania" for gold and silver equities is seen as something to avoid/delay as long as possible; and
- To create big corrections and short-term volatility in the gold market and gold equities. In doing so, many investors are either scared out of the market, or too scared to get in. The ultimate "safe haven" is thus (perversely) seen as "risky". All the time, the smart money buys into the dips (BTFD) or covers some of their short positions in the case of the cartel banks.

Daily interventions at tactically important times

The most frequent "attack" times incorporated into the algorithms are as follows:

1.	**London open**	**3.00am London/3.00am New York;**
2.	**COMEX open**	**1.20pm London/8.20am New York;**
3.	**After PM fix**	**3.00pm London/10.00am New York; and**
4.	**Access market**	**After 6.30pm London/1.30pm New York.**

From day-today, different combinations of interventions are used depending on the algorithm.

"Smashes" on specific "gold-bullish" events

Besides the regular interventions, there are times when the gold price is SLAMMED immediately after a news release regarding a specific event which is (counter-intuitively) very POSITIVE for the gold price. In this report I look at FIVE since the 5 August 2011:

6 September 2011	**- Swiss central bank pegs "safe haven" Swiss franc to crippled Euro;**
31 October 2011	**- "Yen-tervention" by the Bank of Japan;**
21 Sept. 2011	**- FOMC meeting: Fed Funds rate to remain at zero through mid-2013;**
3 November 201	**- Surprise ECB rate cut; and**
21 December 2011	**- First LTRO - ECB's prints Eur489bn for European banks.**

Then a "smash" which needs a section all of its own:

Leap day smash of 29 February 2012

I will also touch on the recent "Leap Day smash" of gold and silver prices on Wednesday 29 February 2012 (please note: it was just as, if not more, important, to get silver down on the same day). This was probably the most glaringly obvious example of market rigging which I can remember. The gold price on 29 February 2012 is the green line in the chart below:

The timing of the hit combined several tactics used by the cartel banks described above in ONE operation:

1. Specific event:

i) Second LTRO when the ECB announced a larger than expected Eur530bn (US$712bn) of new loans (money printing) to the banking system; and

ii) Silver had JUST (the previous day) made a spectacular technical (chart) breakout from a corrective wedge which had been 10 months in the making.

2. Daily Intervention:

The big nearly US$100 smash began at precisely 3pm – right after the PM fix in London and the conclusion of "physical" trade (see below).

3. Weekly Intervention (see below):

The previous day (Tuesday) had seen the gold price continue to move higher and a big move up in silver on heavy volume. This was the set up for a Wednesday hit (see below on Tuesday/Wednesday trading action).

4. Defending a level:

The gold price was less than US$10 away from the breaking the US$1,800 level and next stop would have been a re-test of US$1,900/oz and an attempt at a new all-time high (chart below from TF Metals Report).

Limiting intra-day price rises on COMEX

Cartel algorithms kick-in to sell gold contracts and prevent daily rises of more than 1.0% in the gold price on COMEX. If this fails, there is a fall back defence of 2.0%. Gold hardly ever rises more than 2.0% in COMEX trading. Please note: this is not a new phenomenon. Nearly 10 years ago, when gold was in the US$300s/oz., cartel banks used a "$6 rule" (see below). The aim is (obviously) to keep speculative favour in gold at bay.

Weekly Interventions

There is a phenomenon which relates to strength and weakness on the gold price at particular times of the week. On average:

> **Tuesday: gold price has a significantly higher probability of *rising* on COMEX**
>
> **Wednesday: gold price has a significantly higher probability of *falling* on COMEX**

As I explain below, this appears to relate to "window dressing" of short positions relating to the weekly "Commitment of Traders" report.

Monthly interventions

The most important and politically sensitive announcement of economic data, especially during times of crisis, is the monthly US jobs report – "Non-farm payrolls" (NFP) – which is usually released on the first Friday of each month. As I will show, the gold price is almost always hit by the cartel on NFP days.

The Evidence

The manipulation of the gold market is clearly visible in the intra-day charts of the gold price. This is where the intra-gold price charts on the www.kitco.com website are invaluable. HARDLY ANYBODY IN THE MAINSTREAM INVESTING WORLD, NEVER MIND THE FINANCIAL MEDIA AND THE PUBLIC, CLOSELY MONITORS INTRA-DAY CHARTS OF THE GOLD PRICE. If they did, and they have an understanding of where we are heading, it would drastically alter their outlook. It's one reason why the cartel banks have been able to get away with illegal manipulation. In the same way that FINGERPRINTS ARE LEFT AT A CRIME SCENE, Kitco's intra-day charts are a permanent record of manipulation in the gold market.

Repeating manipulative algorithms

In the day-to-day manipulations, cartel banks are using computerised trading algorithms which send sell orders into the gold market (and buy orders on the occasions they choose to partially cover their short positions). This is from Wikipedia:

"algorithmic trading or automated trading...is the use of electronic platforms for entering trading orders with an algorithm deciding on aspects of the order such as the timing, price, or quantity of the order, or in many cases initiating the order without human intervention."

While different algorithms are used on different days, I will show you a definite pattern where:

- ☯ Sell orders are heaviest at tactically important times in the trading day; and
- ☯ The intervention manifests in sudden WATERFALL DECLINES in the gold price which appear out of nowhere with uncanny frequency at these times.

The burst of sell orders overwhelms the bids in the market and these waterfall declines show up in the Kitco charts (See Appendix 1 – Waterfall Declines in the Gold Price). The price declines vary between straight down and about 45 degrees, depending on the level of (counteracting) buying interest at the time.

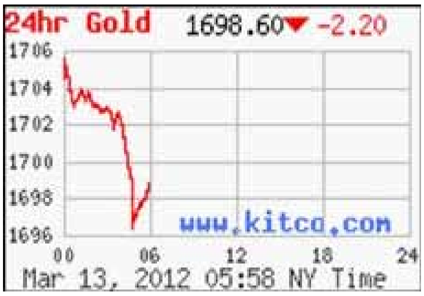
Loading a torpedo on a U-boat

It is also important to understand that when cartel banks sell gold in the London or New York markets to depress the price, most of what they are selling is not physical gold but "paper" gold. (See Appendix 2 - most of the manipulation does not involve the sale of physical gold). However, they have to be careful, as we have seen recently. "Big money" (e.g. central banks and others) has bids in the market and the lower the price, the larger the bids. They only play for PHYSICAL. The cartel banks have lost physical gold in tonnage during the recent takedown.

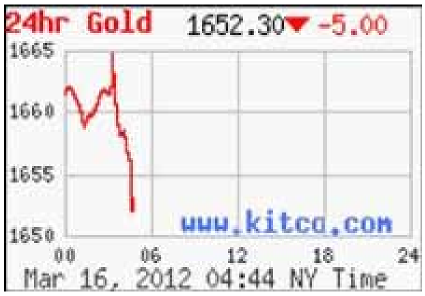
Let me give you a taste. There are several types of intra-day gold charts on the Kitco website. The one I'll use in this example only shows NY time, i.e. US Eastern Stand Time. One of the frequent interventions occurs at 3am NY time, which is 8am in London as the European markets open. Let's make this so obvious that even dear old Stevie Wonder... Here are several examples of waterfall declines at that time in recent trading days:

9 March 2012

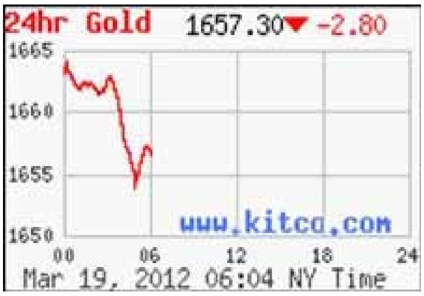
13 March 2012



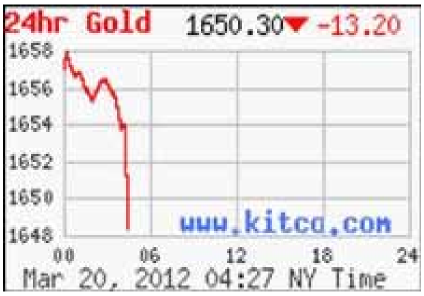
16 March 2012



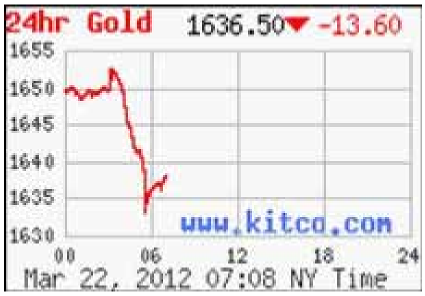
19 March 2012



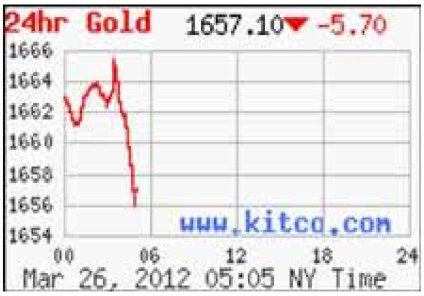
20 March 2012



22 March 2012



26 March 2012



"The proverbial, broken record Gold Cartel ruse at 3 AM NY time AGAIN..."

Bill Murphy (see below)

As you can see, the same pattern repeated over and over again, with only small differences depending on the strength of buying interest at the time.

The fact is that 8.00am London/3.00am NY is one of the most frequent "attack" times when the cartel's trading algorithms send out sell orders in heavy volume to suppress the gold price. As I said earlier, there are "interventions within interventions" and this sort of hit takes place within algorithms which are operating across the trading day and on a weekly and monthly basis. This is why I alluded to a "fractal-like" pattern.

Now let's go a stage further and put that sort of pattern into ones of a longer duration. This is where we go further down the "rabbit hole". Do you remember learning the **"Random Walk"** theory of prices in financial markets? It doesn't apply to the gold market! In recent months it's been much more of a **"Forced March"** instead of a "Random Walk". Below I will show you **FIVE** examples of algorithms used by cartel banks. There is no way that the patterns in the gold price in these charts could be generated by anything other than computerised trading programmes. None.

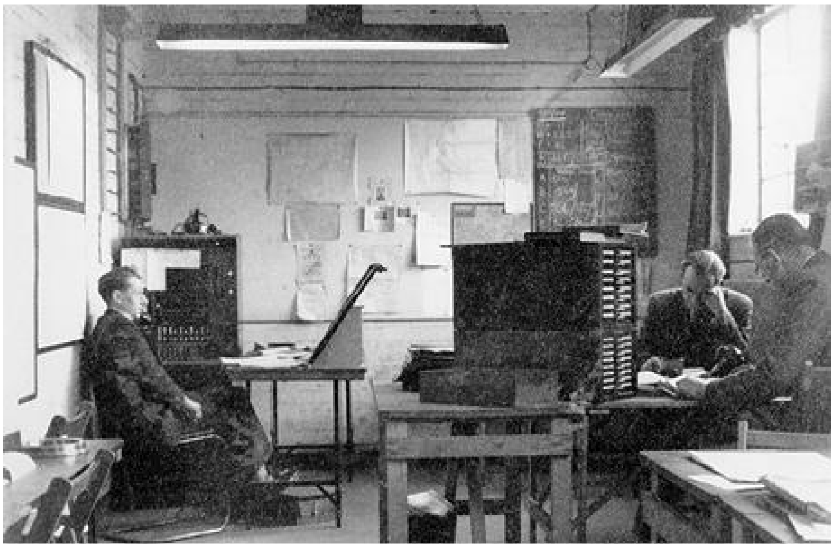
From now on I'm going to use a second type of Kitco intra-day gold charts:

☯ They also cover 24 hour periods from a New York point of view, i.e. from midnight to midnight. Consequently, each chart begins with latter part of the trading day in Asia, through trading in London, then New York and, finally the re-opening of the Asian market during the evening NY time.

- However, in each chart, you can see the gold price for three successive days – the green line is the most recent, the red line is the previous day and the blue line is two trading days earlier.
- COMEX is part of the New York Mercantile Exchange (NYMEX) and the words "New York NYMEX" are used along the bottom of the Kitco gold price charts to signal the official (floor) trading hours for what traders refer to as "COMEX". They are 8.20am-1.30pm NY time; and
- After 1.30pm in New York, trading is done electronicallyfor the rest of the afternoon – known as the "Access" market – see "NY Globex"along the bottom of the charts.

Note: the charts show London time shows as "GMT" at the bottom. However, from 27 March to 30 October in 2011, the UK was on British Summer Time (BST) where BST = GMT + 1 hour, i.e. 7am GMT = 8am BST.

Intercept Control Room in Hut 6 at Bletchley Park in 1943



Algorithm No.1 - "Set Up" algorithm (before the "Leap Day Smash" of 29 February 2012)

The chart below is an important one for me. I'd been very well aware how raids on the gold price happened at certain times of the trading day with ridiculous regularity. What I hadn't appreciated was that the "containment" of the gold market was a 24/7 operation much (if not all) of the time and that, at its heart, were computerised trading algorithms. Look at the green line, which is the gold price on 15 February 2012, and the red line, which is the gold price for the day before.

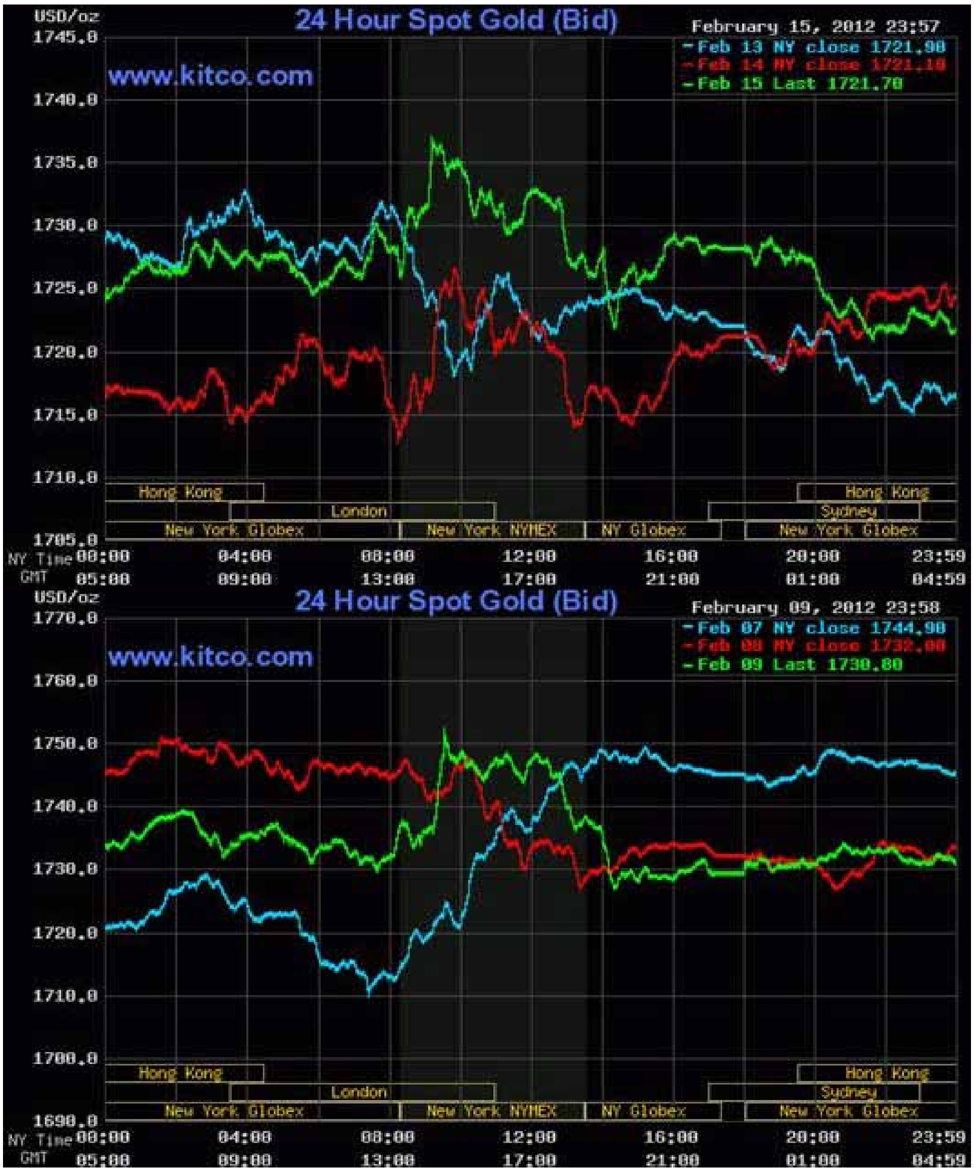
Look on the bottom axis and find 8.00am (08:00) NY time. Then note that from then onwards right, through to approximately 5.00pm, the red and green lines are essentially identical:

☯ Almost every intra-day peak and trough in the gold price occurred at EXACTLY the same time; and

☯ Even the magnitude of the intra-day rallies and declines in the gold price were almost identical.

Anybody with even a small amount of market experience knows that free markets don't trade like that. Manipulated markets do.

Next I put that chart above a chart which shows the gold price (green line) for the 9 February 2012, i.e. Thursday of the previous week. Compare it with the green and red lines from the top chart from 8.00am NY time through to about 3.00pm later that day.



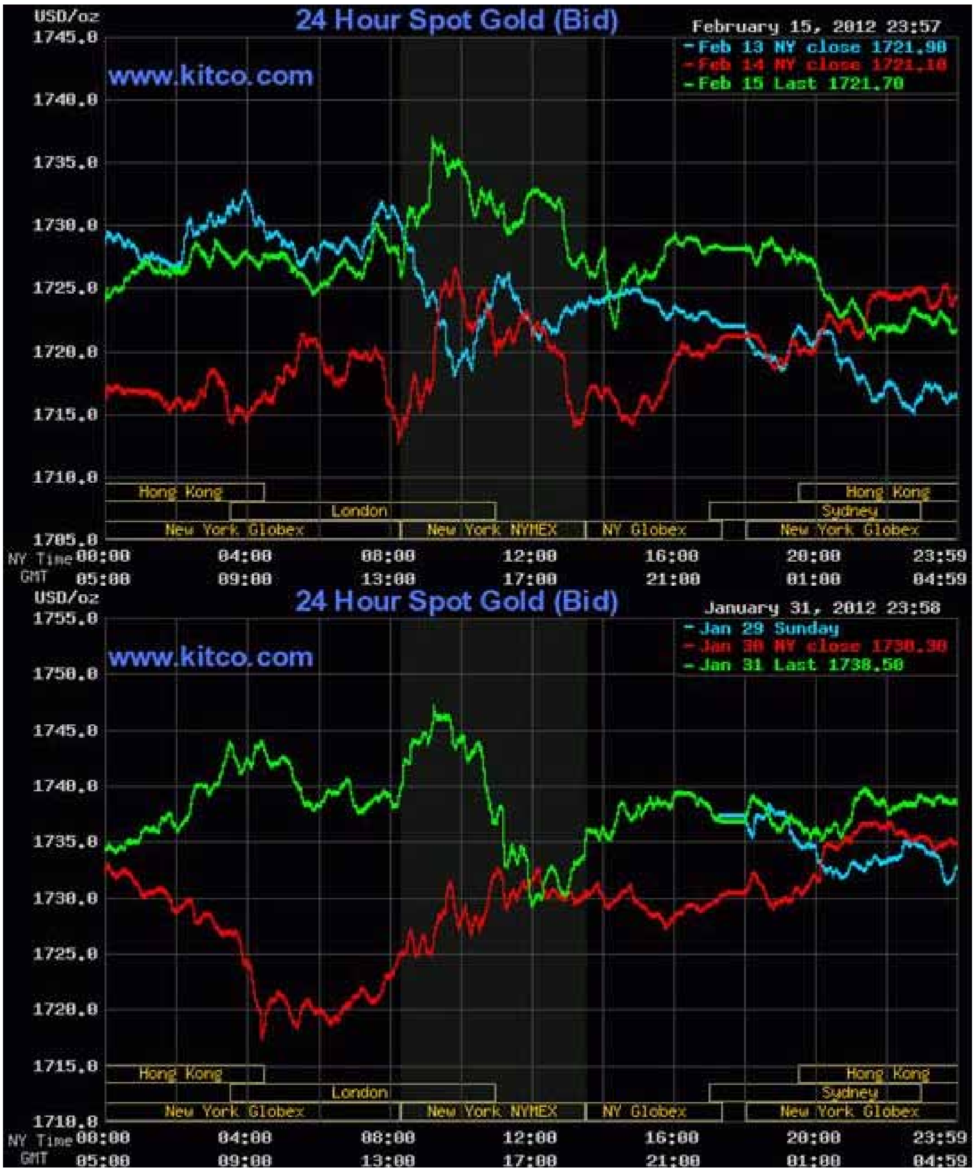
Once again, it's almost identical. The match is not quite perfect with the first two, but it is close enough to realise that it's THE SAME ALGORITHM.

It wasn't just me who spotted this. This was veteran lumber trader, James McShirley, writing to the Chairman of the Gold Anti-Trust Action Committee, Bill Murphy:

"I have been comparing daily gold charts attempting to discern identifiable patterns. Many of the cartel patterns are obvious to the point of blatant. What is interesting is that I believe there are clearly defined daily algo programs that are part of the cartel repertoire. It's as if

they pick one from their algo menu programming options, and that's the one that runs for the day. For example the trading chart for February 15th overlays very closely to the trading chart for February 9th. I believe that on many days you can identify the algo set to run, then predict nearly every twist and turn. This isn't trading advice, just an observation of how blatant market interference has become."

Next I've taken the top chart again for 14 and 15 February 2012 and placed it on top of another chart where I want to draw your attention to the green line for 31 January 2012. Once again, you can see the gold price represented by the red and green lines for 14 and 15 February 2012 in the top chart are driven by the same algorithm as the green line for the gold price in the bottom chart.



Here is one final example of this algorithm for our friends at the CFTC. Having moved back in time from the 14 and 15 of February 2012, let's move forward to a more recent example. The same algorithm was also used on the on 17 February 2012. Here I can show the 15 February 2012 (blue line) and the 17 February 2012 (green line) on the same chart.

The gold price in both days is almost perfectly correlated until the NY open at 2.00pm London/9.00am NY time. In the next few hours, you can see that while it's obviously the same algorithm, there was somewhat less opposition to the sell orders after 2.00pm/9.00am on the 17th February 2012 (green line). It was as though the gold price hit a bit of an "air pocket", suddenly falling more sharply than two days earlier.

Incidentally, it should be obvious by now that the CFTC is going to do absolutely nothing about the manipulation until the pressure applied to the commissioners from institutional investors, retail investors, banks and brokers who want free markets, gold and silver mining executives, the media and politicians who want to uphold the rule of law, is so intense that they are forced into taking action.

So in the space of 14 trading days, you had the same algorithm operating in the gold market on 5 occasions:

1. 31 January 2012;
2. 9 February 2012;
3. 14 February 2012;
4. 15 February 2012; and
5. 17 February 2012.

"If you choose to remain in Normalcy Bias Land, hoping and praying in the illusion of 'free markets', knock yourself out. I'm just here to tell you what I believe and, to me, it is very clear that the precious metals are actively manipulated and suppressed on a daily basis."

TF Metals Report on 8 February 2011

Let me explain why I call this an algorithm used in the "Set up";

- **Background:** After reaching an all-time high of US$1,920/oz. on 6 September 2011, the gold price was forced down to an interim low of approximately US$1,523/oz on 29 December 2011. From there, it recovered to a recent interim high of just over US$1,790/oz on 29 February 2012, a few hours before the US$100 "Leap Day smash";
- **Timing:** this algorithm was in frequent use during late-January and during February when the gold price was on a rising trend;
- **Gold price impact:** The gold price is allowed to rise by up to US$15-20/oz during the first hour or so of trading before the rise is halted and reversed, beginning between 9.00-10.00am NY time. Despite this hit, if you look at the change in price between the open and close of the COMEX trading session,

the trend is generally flat or slightly down, i.e. aside from capping any gain (of course), the algorithm is relatively benign from this standpoint – unlike algorithms like the "Death Star" (see below); and

- ☯ **Longs versus shorts:** the rising gold price encourages thousands of new long positions by large and small speculators on COMEX. Rather than letting the price rise strongly, so that these new positions can be accommodated by the profit-taking (selling) of existing longs, the cartel banks (categorised in "Commercials" in the CFTC's weekly "Commitment of Traders" report) are happy to add a new short for each of the new longs.

This algorithm is PART of the "set up"…because then comes a "smash", like the one on 29 February 2012, which the cartel banks themselves orchestrate.

The table below shows the changes in positions (no. of contracts) for the Commercials and Speculators using the Commitment of Traders reports closest to the interim low in the gold price on 29 December 2011, the recent interim high on the morning of 29 February 2012, and the latest report for 20 March 2012.

Date	**27 Dec 2011**	**28 Feb 2012**	**20 Mar 2012**
Commercials: Net Short	(163,932)	(245,351)	(166,138)
Speculators: Net Long	163,932	245,351	166,138
1 contract = 100oz.			

Source: CFTC Commitment of Traders report

You can see that the positions of the Commercials and the Speculators have almost perfectly reversed.

The Commercials used the smash, which they created, to cover 79,213 contracts into the decline. The reality is actually many more, e.g. the more than 10,000 contracts which were used to instigate the slam itself on the 29th (see below). On that day, the gold price fell like a stone from about US$1,780/oz to US$1,720/oz before bottoming out below US$1,650/oz. So the vast majority of the 90,000 contracts were covered at a price which was probably US$80-100/oz better than the price on the morning of 29 February 2012. Let's calculate the benefit to the Commercials:

1) 90,000 contracts x 100oz. x US$80/oz = US$0.720bn

Then there's the remaining short position of 166,138 contracts which, between 28 February and 20 March, gained:

2) 166,138 contracts x 100oz. x US$140/oz = US$2,326bn

3) Total gain from the "Leap Day Smash" = US$3.046bn

This US$3.0bn gain no doubt excludes positions in the much larger LBMA market in London, as well as the OTC derivatives.

Algorithm No.2 - "Soft Capping" algorithm

The next algorithm was used to CONTAIN THE GOLD PRICE IN TRADING ACROSS 3 SEPARATE TIME ZONES OVER TWO DAYS. The red line is for 7 March 2012 and the green line is for the following day, i.e. 8 March 2012 and you can see by the almost perfect match that it didn't let up for 48 hours.

I would characterise this as a "soft capping" type of algorithm. Notice how on the 7 March 2012 (red line), the gold price was beginning to approach the "round number" of US$1,700/oz. again. The algorithm seems to have been set to defend US$1,680/oz then, when that failed, US$1,685/oz. on 7 March 2012. When that broke the following day (green line), the algorithm was set to defend US$1,700/oz. itself – although the price was permitted to breach the US$1,700/oz. threshold.

This algorithm is also used with a subtle variation as I'll show you in a moment. The variation is a sharp sell-off at 8.00am London/3.00 am NY time. Before we look at the chart, it's important to mention that the cartel banks don't always it all their own way. Sometimes the algorithms are working perfectly – moving seamlessly from Asian trading into London and on to the open in New York. The gold price is being contained successfully…then all of a sudden some big gold buyers step in and "spoil" it. In the next chart, the red line is for 17 January 2012 and the green line is for 18 January 2012.

The algorithm was working like a dream for about a day and a half until about 4pm London/11am NY time on the 18 January 2012 (green line). After the gold price spiked, notice how the same algorithm was back in operation – peaks/troughs and rallies/declines are almost perfectly synchronised - from just before 2.00pm NY time through to almost 8.00pm following the Asia open.

Algorithm No.3 - "Hard Capping" algorithm

There are occasions when the cartel banks choose to "cap" the gold price at a certain level, either because they can't overwhelm the buyers, or they choose to defend a certain price, e.g. a "round number". The gold price chart suddenly takes on the appearance of a straight(ish) line. The next chart shows how the gold price was capped at US$1,750/oz during NY and early Asian trading on 30 November 2011 (green line). In contrast to the previous algorithm, the price was not permitted to breach US$1,750/oz.

The 30 November 2012 was a significant day. Banking shares, especially in Europe, had been collapsing. To stave of the severe dollar funding problem for European banks, the Federal Reserve cut the price of established swap lines with the ECB (primarily), BoE, SNB, BoJ and Bank of Canada by 50bp. You can see that while the gold price spiked on the announcement, the cartel banks drew a line in the sand at US$1,750/oz.

Below is a more recent example when gold was capped at US$1,735/oz during Friday 17 February 2012 (blue line) and Monday 20 February 2012 (green line).

There were a number of gold friendly headlines during this period:

- The World Gold Council reported that central banks bought 439.7 tonnes of gold in 2011, the highest since 1964;
- Greek one year bond yields saw their biggest ever rise (to 629%) in a single day;
- China cut the reserve ratio for its banking system by 50bp;
- Iran announced that it would suspend oil sales to British and French companies; and
- The WTI price of crude oil broke US$105/bbl, the highest level in nine months.

Algorithm No.4 "Death Star" algorithm

When this algorithm is run, the aim is to cause a substantial fall in the gold price during London and New York trading. The impact – approximate peak to trough move in the gold price during the 24-hour period - in the three examples I'll show you below was:

23 August 2011	**=**	**$80/oz.**
12 September 2011	**=**	**$56/oz.**
4 October 2011	**=**	**$84/oz.**

When you try to wreck the gold market in such a short period of time, there's quite a bit of buffeting" around in the price, but you can still see that it is the same algorithm. On each occasion, however, note the similarity with heavy selling at or after:

- 8.00am London/3.00am NY time
- 3.00pm London/10.00am NY time
- 6.30pm London/1.30pm NY time

Please note: each of these "attack" times are significant - becoming known as Plan A, Plan B and Plan C, as I'll explain later in the report. I've put these charts on top of each other for easier comparison on the next page.

Algorithm No.5 – "Comex Covering" algorithm

This is a very interesting algorithm because it can be fine-tuned in TWO different ways around the open and close of trading on COMEX. In general, it works as follows:

- The gold price is put under pressure during the morning trading session in London – usually including a sell-off at 8.00am London/3.00am NY time;
- A low in the price is reached around the time of the COMEX open;
- There is a sell-off either just before, or just after, the COMEX open (No.1 fine tuning);
- The gold price recovers, carves out a trough pattern, and peaks at 11.00am-12.00pm NY time; and
- Around the close of COMEX at 1.30pm NY time, the gold price either goes on a flat/rising trend, or there is another major sell-off (No.2 fine tuning).

You can see this algorithm on 12 March 2012 (red line) and 13 March 2012 (green line) in the next chart.

You can see both elements of "fine tuning" in this chart:

- On 12 March 2012, there is a sell-off before the COMEX open (which carries over into the early part of COMEX trading. On 13 March 2013, the sell-off occurs just after the COMEX open; and
- On 12 March 2012, the gold price is on a flat/rising trend after the close of the COMEX session, while there is a big sell-off on 13 March 2012.

The next chart shows the same algorithm in operation for the 16 March 2012 (blue line) and 19 March 2012 (green line). However, and this is the second method of "fine-tuning", notice this time that the sell-off begins just before COMEX opens with the latter being the inflection point.

If you look at the gold price following the COMEX close, it rose on the 16 March 2012 (blue line) but saw a sell-off on 19 March 2012 (green line).

The next chart compares the 19 March 2012 (now the red line) with the 20 March 2012 (green line) and once again you can see the same algorithm in operation on both days.

With regard to the fine-tuning on 20 March 2012:

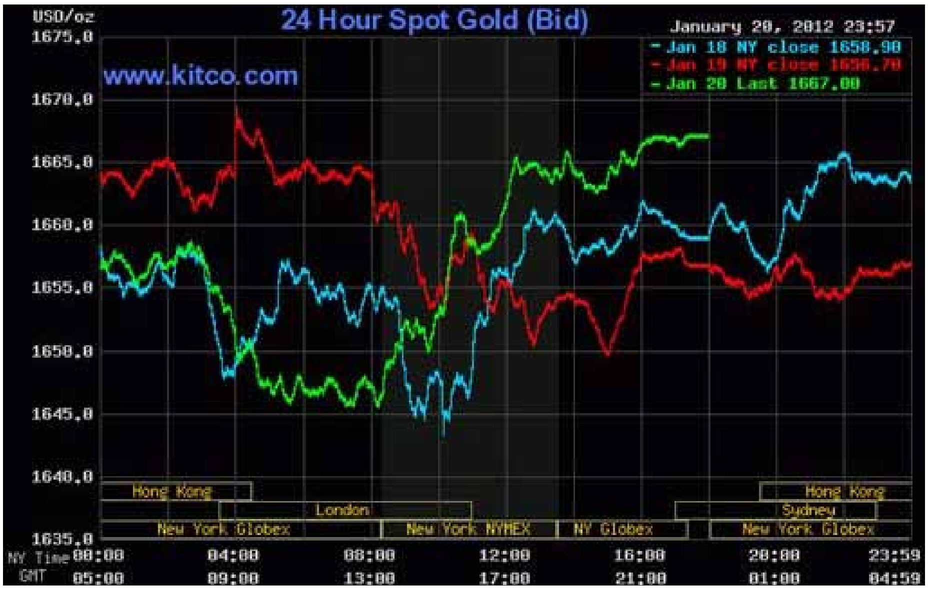
- The earlier sell-off occurs just before the COMEX open which marks the low; and
- A later sell-off begins just before the COMEX close.

Let me explain, why I call this the "COMEX Covering" algorithm:

- This algorithm is being deployed after the "Leap Day smash" of 29 February 2012. The Commercials' (bullion banks) net short position peaked on that day; and
- With this algorithm, the gold price declines from the London open with a further sell-off just before or just after the COMEX open. This is followed by strong bounce in the price as the COMMERCIALS AGGRESSIVELY COVER SHORT POSITIONS AT LOW PRICES AS SPECULATORS LIQUIDATE THEIR LONGS AT ARTIFICIALLY LOW PRICES.

If you thought the above were isolated examples have a look at a couple more in the first few weeks of January. Firstly 3 (red line) and 4 (green line) January 2012:

Secondly on 18 (blue line) and 20 (green line) January 2012:



Remember the gold price had reached an absurdly low interim trough of US$1,523/oz on 29 December 2011.

A shrewd observation from James McShirley:

"The two daily objectives for the cartel are always to quell excitement, and manage the retreat. The only way to defeat the algos is to take physical off the market. Algos love paper opponents, and loathe physical buyers. As long as the hedgies line up to make their scheduled 'sacrifices' to the algo gods the cartel computers work like a charm. Scarcity of the real stuff will always be the cartel's kryptonite. Last August showed what happens when they're scrambling to get their hands on the shiny."

The genius, Alan Turing, working at Bletchley Park during WWII

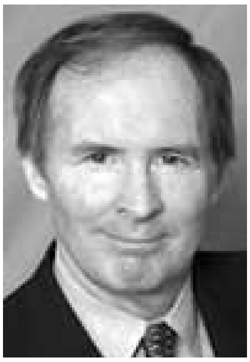
Now you've seen how important the cartel banks algorithms are to the gold market. In the next section, I'll run through glaring examples of all of the SPECIFICALLY TIMED daily interventions which incorporated into many of the algorithms.

Daily interventions - Plan A, Plan B, Plan C and the COMEX open

This is from the GATA website:

"The Gold Anti-Trust Action Committee was organized in the fall of 1998 to expose, oppose, and litigate against collusion to control the price and supply of gold and related financial instruments. The committee arose from essays by Bill Murphy, a financial commentator on the Internet (LeMetropoleCafe.com), and by Chris Powell, a newspaper editor in Connecticut."

Murphy



Powell

So 14 years and the CFTC has done nothing so far. Bill Murphy, a former commodity trader, was the first person to articulate the timing of the majority of the regular daily interventions. He identified THREE times during the trading day, or A, B and C as he subsequently termed them:

- **Plan A:** selling starts around 8am London time (3am NY time) when Europe opens for business and the London markets open. This can be used to set a negative tone for the day in the gold market as well as counteracting any strength in Asian trading;
- **Plan B:** selling starts AFTER the London afternoon (PM) fix – 3pm London time (10am NY time) – when the pricing of physical metal has been completed for the day (COMEX is a futures market); and
- **Plan C:** selling starts after the close of the "official" COMEX trading session in New York at 1.30pm NY time (6.30pm London time) in the thinly traded "Access" market.

Now let's show some of the best examples since 5 August 2011.

Plan A (8am London/3am NY)

Look at this chart of the gold price below, focusing on the green line for 13 September 2011. You can see how the decline began just before 8am London time/3am NY time – there was some initial resistance before an even sharper decline kicked in.

Bill Murphy has been writing a daily commentary on the gold price and financial markets in the "Midas Column" of his website Le Metropole Café (www.lemetropolecafe.com) since 3 September 1998. It has become a dossier of illegal intervention in the gold market. This was from the 13 September 2011:

"It is difficult for me to understand how there could possibly be anybody who monitors the gold price on a daily basis who does not understand there is a Gold Cartel out there and how they operate... The fact is no matter how much evidence you assemble of what is really going on, the flat earthers won't go there. And yet it is essential to truly understand the gold market and how and why it trades like it does. How many times lately have I pointed out how The Gold Cartel goes into their PLAN A attack at 3 AM NY time? Been bringing this to Café readers attention for something like a decade. Well, after pointing that out AGAIN yesterday, the bums were back at again THIS MORNING at the same time..."

Look at the chart above again. This time look at the red line which shows the gold price movement during the previous day 12 September 2011. You can see that the first decline on that day occurred at almost exactly the same time, i.e. minutes before 8am London/3am New York time, i.e. another PLAN A attack by the cartel. Here are three more examples of Plan A attacks:

The 18 (blue) and 20 January 2012 (green)

6 February 2012 (green line)

If you look carefully, you'll notice how the green lines on both charts are the same algorithm.

Plan B (after PM fix – 3pm London/10am NY)

In the chart below you can see two perfect examples of Plan B attacks, beginning at precisely 3pm London/10am NY time on successive days - 12 (red line) and 13 (green line) January 2012.

The title of Bill Murphy's commentary on 12 January 2012:

"Gold And Silver Move Higher Again, But THUGS Go To PLAN B"

Here are four more examples of Plan B:

10 November 2011 (green line)

31 January 2012 (green line)

If you look carefully, you'll notice how the green lines on both charts are in fact the same algorithm.

1 December 2011 (green line)

8 February 2012 (green line)

Again, notice how the green lines on both charts are in fact the same algorithm.

Plan C (after the close of the "official" COMEX session at 1.30pm NY time)

Now look at this chart for the 13 December 2011 (green line). You can see the near US$40/oz fall in the gold price which began at 2.00pm NY time after the end of the COMEX session at 1.30pm. Traders refer to this as the "Access" market.

Here are three more examples of Plan C:

21 September 2011

8 (red line) and 9 (green line) November 2011

Plan C attacks are often best viewed by means of a third type of Kitco intra-day gold chart which just covers New York trading. In the next two charts, the waterfall declines can be seen clearly – both begin at just before/just after 2.30pm NY time (7.30pm London time). Andy Hoffman (see below) calls them "Cry Baby Attacks" by the cartel banks because they are late in the day.

23 February 2012:

24 February 2012:

Plan A, Plan B and Plan C all on the same day

Periodically, the interventionists lose their temper and run all three - Plan A, Plan B and Plan C. For example, look at this chart (green line) for the 23 August 2011. It probably shouldn't have been surprising in hindsight because gold had just breached US$1,900/oz for the first time. The raids on the gold price occurred at the precise times predicted by Plan A, Plan B and Plan C tactics. This is the Death Star algo.

Which led to this response from Bill Murphy that day:

"Wait a second. I just blinked and gold is now $1830 and silver $41.60…PLAN C in the Access Market. That makes it a Gold Cartel Trifecta. They used all of their tactics in one trading period. Can anything be more obvious than what these goons do?"

I won't repeat the other charts of the Death Star, but the 23 August 2011 was not a one off given the US$56/oz smash of the gold price on 12 September 2011 and the US$80/oz smash on 4 October 2011.

The 4 October 2011 was notorious because both the Financial Times and the Wall Street Journal (by coincidence) published bearish articles on gold on the same day:

- The FT article "Gold bugs beware – the bubble will burst" was written by Mark Williams of Boston University's School of Management, someone who has links to the Federal Reserve dating back to the 1990s; and
- The WSJ article was "A Golden Age For Gold Loses Some of Its Luster" by Francesco Guerrera, the Money & Investing editor.

Neither raised any argument deserving of repost. With gold down more than US$80/oz during London and New York trading, an exasperated Bill Murphy gave his commentary that day the following title:

"Only A MORON Could Not See What Is Going On Re: The Gold Cartel And PPT"

Please note: the PPT is a reference to the "Plunge Protection Team", the slang term for the "President's Working Group on Financial Markets" – it was created after the 1987 Crash in order to maintain "orderly" trading in equity markets.

Here a couple more "mix and match" examples of these tactics:

Plan A and Plan B on the same day

5 March 2012 (green line)

If you look carefully, you'll notice how the green lines and blue lines on the chart are the same algorithm. However, the Plan B attack on 2 March 2012 (blue line) at 3.00pm London/10.00am NY time was essentially unsuccessful.

Plan B and C on the same day:

13 December 2011 (green line)

COMEX open - 8.20am NY time

Andy Hoffman is a former analyst at Salomon Smith Barney who now works for the US bullion dealer, Miles Franklin. In his daily commentaries, he has highlighted a fourth attack time for the Gold Cartel at the beginning of COMEX trading session – 8.20am New York time (1.20pm London time).

The point of hitting the gold price at the opening of US markets is probably to "set the tone" for the day in a similar fashion to the Plan A attacks at 8am London time. Here is an excellent example from the 14 December 2011 (green line):

And two more:

7 September 2011 (green line)

15 September 2011 (green line)

"Smashes" on specific "gold-bullish" events

Working in tandem with the algorithmic trading programmes, the cartel banks organise specifically- timed operations to "smash" the gold price. Since 5 August 2011, the gold price has been smashed on SIX key announcements which should have been very bullish for gold. Examples include new monetary stimulus/ printing (e.g. interest rates cuts, LTROs, etc) and the curtailment of other "safe havens (e.g. Swiss franc). The aim is:

- To prevent a connection being made in the minds of investors and the public between each new act of monetary irresponsibility and a rising gold price (which would have been the logical market reaction); and

- A surging gold price is a condemnation of the dollar/Euro/other currencies and the monetary policies of central banks and governments - and consequently those in control of the aforementioned.

John Embry, the Chief Investment Officer of Sprott Asset Management, noted on King World News:

"It's a testimony to the power of the mainstream press and TPTB that basically they have created sufficient volatility and negative press that the average person is basically scared to death because he doesn't fully understand the fundamentals of gold and silver and, as a result, he's driven away by the price action."

Let me highlight some examples:

1. Swiss franc peg to Euro (6 September 2011)

This was a major "hit" to create a significant correction in the gold price before it took out US$2,000/oz. It took place on 6 September 2011, which marked the current all-time high in the gold price. This was when the Swiss National Bank (SNB) officially ended the safe-haven status of its currency – an event which (ironically) would have propelled gold towards US$2,000/oz in a market free of manipulation. On that day, the SNB announced that it would:

"no longer tolerate a EUR/CHF exchange rate below the minimum rate of CHF 1.20."

And if required, print Swiss francs to infinity, as it threatened to:

"buy foreign currency in unlimited quantities."

You can see from the following chart (ignore the red line) that the Swiss franc was almost trading at parity with the Euro in August 2011 after earlier unsuccessful interventions by the Swiss National Bank (SNB). Then they unleashed a nuclear version of the "CTL Print" threat.

Logically, the demise of one of the few remaining safe havens should have been MASSIVELY bullish for the gold price. Instead, there was a sudden and 100% counter-intuitive collapse in the gold price which began approximately five minutes before the SNB announcement at 8am London time - and in the absence of any other gold-sensitive news - the gold price plunged almost US$50/oz from US$1,910/oz down to nearly US$1,860/oz.

In fact, it was so bullish that on three subsequent occasions the price climbed back above US$1,900/oz in the gold price were met with renewed selling. The decline in the gold price was counter to headlines such as this one from Reuters on that morning:

"Snap analysis: Swiss franc peg may unleash gold to $2,000/oz"

Which it would have done in a free market. The point of the intervention was to dissuade more investors from participating in the gold bull market and to convey a message to those gullible enough to believe it - gold is not a safe haven.

As an aside, please note that there were two "big meetings" during September - the G7 Finance Ministers on 9 September 2011 followed by the meeting of G20 Finance Ministers and central bank governors on 20 September 2011. The G7 meeting pledged to:

"take all necessary actions to ensure the resilience of banking systems and financial markets"

And likewise from the G20:

"We reiterate that excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability...We commit to take all necessary actions to preserve the stability of banking systems and financial markets as required."

Two things - remember that gold has an "exchange rate" in every other currency and note the threats to "take all necessary actions" in both communiques. There are only two things they can do to bring about their desired outcomes:

- ☯ Actual Intervention; and/or
- ☯ Propaganda.

The latter doesn't immediately impact market prices.

2. FOMC meeting – zero interest rates until mid-2013 (21 September 2011)

Anybody who understands the key drivers for the gold price knows the significance of negative real interest rates. On the afternoon of 21 September 2011, the FOMC statement contained the following unexpected remark (my emphasis):

"The Committee also decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run - are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013."

This replaced the previous "for an extended" period. As you can see from the chart of the NY session below, gold (as would be expected) took off to the upside, rising by about US$15/oz., when the announcement came out just after 2.00pm. That was "all she wrote", as the rise was suddenly reversed in an illogical "waterfall" decline to the tune of US$35/oz. All those traders who interpreted the news correctly found themselves carried out by the intervention of the cartel banks.

3. The "Yen-tervention" (31 October 2011)

There was a sudden decline in a second "safe haven" currency aside from the Swiss franc during late-2011. This time it was the rather perverse "safe haven" in the form of the Japanese Yen, where government debt/GDP is 200% (another slow motion train wreck). The intervention, or "Yen-tervention", took place on Monday morning, 31 October 2011 Asian time, or just before 9.30pm on Sunday night New York time. The chart below shows the roughly 3.2% decline in the Yen versus the US dollar:

According to Reuters:

"Japan sold the yen for the second time in less than three months after it hit another record high against the dollar Monday, saying it intervened to counter excessive speculation that was hurting the world's No. 3 economy...Finance Minister Jun Azumi said Tokyo would continue to step into the market until it was satisfied with the results."

At exactly the same time, gold plunged US$35 from US$1744/oz down to US$1709/oz (green line):

Just more "black is white and white is black" which we've become accustomed to in the gold market. It reminded me of a comment from analyst Rob Kirby (Kirby Analytics) following another counter-intuitive move in the gold price back in 2007:

"I better not drop my coffee cup in amazement – it might fall up."

Silver analyst Ted Butler connected the dots between the collapse in precious metals prices on 29 February 2012 (described below) and this one:

"A few words on today's price smash. Exactly when the crooks will strike is always an open question. Sometimes, it's on a Sunday evening when no one is around, other times it's in broad daylight with an attempted cover story of comments from a Fed chairman. It doesn't matter, as it's always the same at the core - an artificial market move caused by a concentrated short position and a collusive group of speculators (called commercials) waiting like jackals to pounce by surprise."

4. ECB rate cut (3 November 2011)

In his first interest rate decision as President of the ECB, Mario Draghi cut rates on 3 November 2011. Reuters commented:

"The European Central Bank cut interest rates by a quarter point to 1.25 percent in a surprise move on Thursday and President Mario Draghi said the euro zone could subside into a "mild recession" in the latter part of 2011."

The announcement was made at 8.30am NY time and the gold price immediately rallied almost US$15/oz from US$1,750/oz to US$1,764/oz. Yet again, the price rise was short-lived and by just after 10am had been more than reversed with an US$18/oz reversal.

For once, however, the Cartel was overwhelmed by buying during the remainder of the trading session – despite several more attempts to contain its rise. A win for the good guys.

5. ECB's near half a trillion refinancing programme (21 December 2011)

With the European banking system close to collapse, the ECB came to the rescue with an even larger-than-expected round of money printing (Eur489.1bn or US$638.5bn), aka indirect QE or LTRO (Long Term Refinancing Operation) in ECB speak. As one of the wire services reported that morning:

> **"ECB allots €489.19B in new 3-year refinancing operation vs consensus €310B**
>
> **Risk assets fly on ECB refinancing operation**
>
> **ECB lends highest ever total for a 3-year deal**
>
> **Stocks, euro climb, and bunds sink"**

As you can see in the chart below, gold began to spike after the announcement came out just after 10.00am London/5.00am NY time. The spike was very short-lived as you can see in the chart.

I'll leave the explanation to Dave Kranzler of the Golden Truth website:

"Think there's no manipulation in the metals? Gold and silver were flying until the ECB announced its massive loan program to its ailing banks. Gold was smashed for $30 as that announcement was being disseminated. Stock indexes moved higher. Gold was manipulated lower because this action by the ECB is de facto money printing."

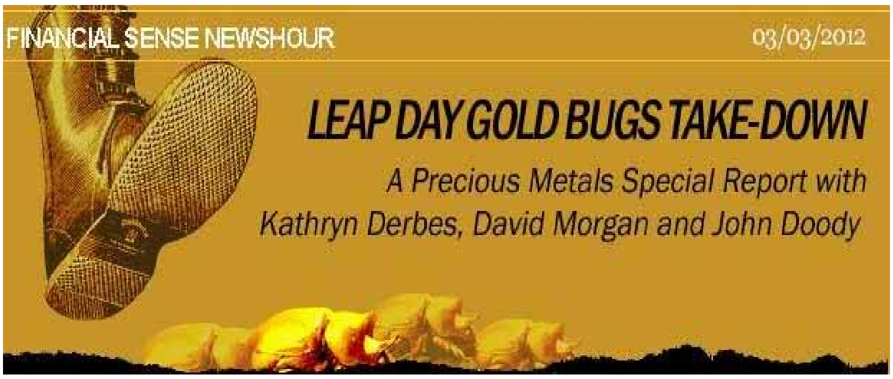
The Leap Day Smash (29 February 2012)

The US$100/oz smash of the gold price on the leap day this year is one of the most blatant acts of manipulation in the gold market ever and that's saying something. I'll just summarise what I said earlier that this operation incorporated several cartel tactics:

1. Specific event	Second massive ECB money printing (LTRO) announced and spectacular breakout by silver the previous day.
2. Daily intervention	Plan B after the PM fix in London
3. Weekly intervention	On a Wednesday, often a weak day, after a strong Tuesday (see below)
4. Capping a level	Gold was less than US$10/oz from US$1,800/oz.

This was Christopher Barker writing at The Motley Fool website:

"If you ask me 10 years from now for a rundown of the most memorable moments in this entire precious-metals bull-market cycle, I'll place the events of Feb. 29, 2012, right near the top of my list. The astonishing circumstances surrounding the sell-off - popularly dubbed the "Leap-Year Gold Massacre" - were so divorced from normal market dynamics as to yield a chorus of memorable commentary from some surprising sources. It appears more and more market observers may be ready to concede that GATA was right all along."



Source: Financial Sense website

Let's begin with trading on the Tuesday, i.e. 28 February 2012. The gold price on that Tuesday is the red line in the chart below. See the Weekly Interventions section later in this report, but probability dictated that gold should have risen (at least in New York) and it did. Gold was basically on a rising trend almost all day - from Asian trading during the night, through the trading sessions in London and New York, and into the re-opening of Asian markets (Sydney then Hong Kong). The price was also closing in on a significant "round number", i.e. US$1,800/oz, which would have been widely noted across financial markets.

The Tuesday was also notable for a spectacular technical breakout in the silver price, which was up 4.6% on COMEX. You can see the short-lived breakout in the silver price in this chart courtesy of TF Metals Report.

Moving on to the 29 February 2012 and at 10.15am London time, the ECB announced the second LTRO – 800 banks would borrow Euro 529.5bn of "money" created out of thin air by the ECB. The amount was slightly higher than the consensus estimate of Eur 500bn with a far larger number of banks involved. On the ECB announcement, gold immediately spiked up more than US$5/oz as logic would dictate. Almost immediately, the price was slammed back down again to a lower level than the price when the rally began in counterintuitive fashion – as we've seen again and again. This move is best viewed in the gold chart above as it gets slightly lost in the scale of the chart when we include the subsequent US$100/oz collapse.

You can see clearly in the chart below that the collapse began at exactly 3.00pm London/10.00am New York time. However, the sharpest decline occurred just before 4.00pm London/11.00am NY time.

The cover story for the collapse was a comment from Ben Bernanke in testimony to Congress that a new round of QE may not be immediately forthcoming. There were three holes in this cover story:

The first is elucidated by 20-year commodity trading veteran, Dan Norcini:

"We are told that traders were expecting QE3 to be imminent and were disappointed because the usually dovish Bernanke did not sound quite as dovish as before... Excuse me - but as a trader who watches these markets each and every day for more hours than I would prefer anymore, I have not seen any analyst explain the reason for the heretofore rally in the metals as traders EXPECTING AN IMMINENT QE3 program to launch."

The second hole in the cover story was the way in which the selling in the gold (and silver) market was carried out. The financial media gave the impression that there was some broad kind of selling of gold, but let's get the views of participants who were close to the action:

This was from a CIBC note on the gold market:

"Looks like a large seller of gold in the market, as a 10,000 contract traded, down-ticked the price by $40 per ounce, and represents 1 million ounces of gold sold. Roughly 200,000 contracts trade per day, but unusual to see such a large single trade...Shortly after the 10,000 order, which was closer to 11,000 contracts, looks like one size seller out there. Sold 1.8 million ounces of gold on the day."

Ross Norman, proprietor of the London bullion broker Sharps Pixley Ltd. and founder of TheBullionDesk.com:

"A reported 31-tonne sell order on the Chicago Mercantile Exchange rocked gold, which saw prices collapse from a high of $1,790 in London hours to $1,703 during New York trading, followed by a further dip to the low of $1,687 in out-of-hours electronic trading. ... Ordinarily if a seller wanted to get the best price for his metal he would seek to finesse the selling over time, hunting out liquidity (finding people who are the other side of his sell order) and thereby ensure he gets the best possible profit. This seller was clearly simply out for effect."

Andrew McGuire, 40-year veteran trader on the LBMA:

"Talk about not worrying about hiding your footprints. The amount of paper contracts which hit the market all at once within seconds of each other. This was not normal trading...There was no real news. Bernanke was just spouting the same old stuff. There was nothing major to trade off. Sure you have a have a $5 or $10 move in gold, you might see a few cents in silver, but not that

kind of a move. This was 100% to protect resistance levels that were about to be breached…I don’t think for a minute this has fooled anyone…This was 100% paper orchestrated selling. It had nothing to do with the physical markets whatsoever.”

The third hole was that if financial markets had been so dependent on Bernanke talking up more QE, then we should have seen the stock market fall sharply since it always “flies” on the mere mention of more Fed QE. The Dow Jones fell 53 points or 0.4%. Remember when Bernanke was asked pointedly about the supposed benefit of QE last year, the only thing he could come up with was a higher stock market. We should also have seen other “real” assets fall sharply but this didn’t occur either. WTI crude rose 0.5% and copper (“Doctor Copper”) was down 0.4% like the Dow.

Less than a month later on 26 March 2012, gold is a US$100 lower, and we have this report on the latest Bernanke comments:

“SAN FRANCISCO (MarketWatch) — U.S. stocks surged Monday, rebounding from last week’s losses, after a speech by Federal Reserve Chairman Ben Bernanke signaled the central bank is committed to a monetary policy that’s helped buoy stocks for three years. Stocks added to broad gains after an index of pending home sales for February dipped from January, disappointing the expectations of some economists for a 1% rise. The Dow Jones Industrial Average rose 135.5 points, or 1%, to 13,216.20…Ahead of the opening bell, Bernanke said it’s not yet certain that the recent pace of improvement in the nation’s labor market will be sustained…“We continue to expect the [Federal Open Market Committee] to implement another round of [quantitative easing] over the summer,” the Nomura economists wrote.”

The leap day slam was uncannily similar to the way the gold price suddenly collapsed after it broke US$1,000/oz for the first time in March 2008 (see Appendix 3). They run ran the same “play”.

Limiting intra-day price rises on COMEX

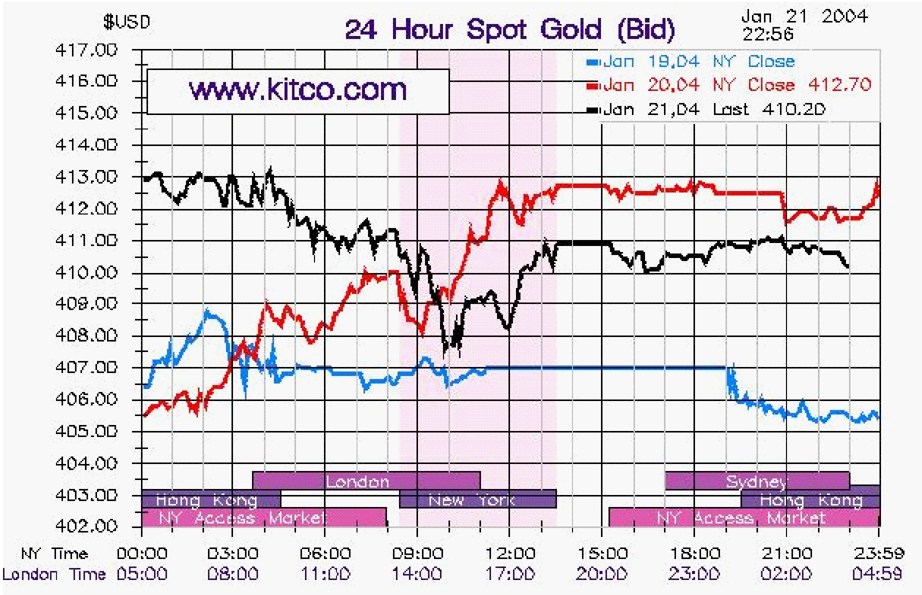
COMEX and London are the primary markets for intervention. Within the pattern of these intra-day interventions in the gold market, there is another which involves limiting the rise in the gold price on any single day on COMEX. After all, headlines about surging gold prices might whip up the speculative fervor of the masses – and there are a lot of Americans with share dealing accounts, even if some of them might be reluctant to buy and arrange storage for physical gold.

If you go back to the early 2000s, GATA’s Bill Murphy observed how daily price rises were limited to US$6/oz, whenever possible. When gold was trading at around US$300/oz, this was c.2%. Here are a couple of old examples from Bill Murphy’s Midas column:

20 January 2004:

“Veteran Café members know all about the $6 rule the cabal puts in play whenever gold rallies sharply. Thus, we can have $13 down days, but up days are limited to the $6+ or – range. Been that way for a LONG time.”

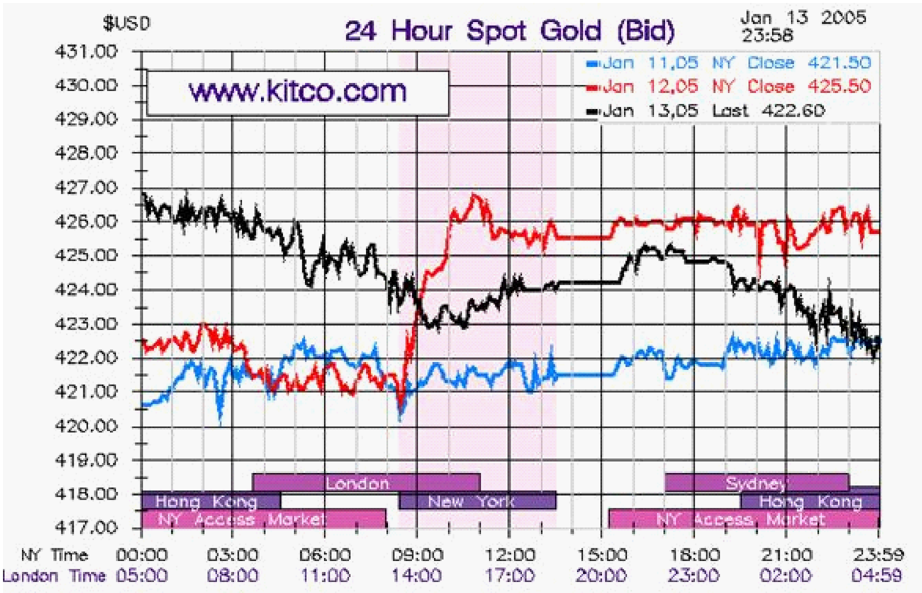
You can see in the chart below that gold closed on the COMEX at exactly US$407/oz on 19 January 2012 (blue line). On the following day (red line), the rally in gold is terminated at exactly US$413/oz.



12 January 2005:

"how many times have I brought the $6 Rule to your attention over the past few years, say 30? 40? Recently you saw gold drop $10+ three times within a two week period, yet it is never allowed to rise more than the parameters of the cartel's $6 Rule...Wouldn't you think someone in the gold industry might raise a Red Flag?"

This price action on the 12 January 2005 (red line) is beautifully illustrated in the Kitco chart below. The gold price opens in New York at just under US$421/oz before peaking at just under US$427/oz.



A similar tactic is in operation today. However, with a much higher gold price the "$6 rule" is no longer workable and has been replaced by the "1% rule" with a fall back "the 2% rule". James McShirley, a veteran lumber trader and LeMetropole Cafe contributor, is the foremost observer of this tactic. This was an interesting comment from 6 December 2011 on the difference between the lumber and gold markets:

"January lumber futures have had 14 trading days exceeding 2% gains since June 17th. In fact in just 5 short months lumber's daily gains over 2% exceeded those for gold for the past decade! Furthermore there were NO trading days in Jan. lumber that got capped, or closed at exactly 2%."

He has also explained:

"IMO there aren't any algos or traders capable of nailing the exact tick, every day. They do come close however."

On that note, this was his comment on 4 January 2012:

"Today (so far) the high tick in Feb. gold is $1,616.10. That is not surprisingly within a tick or two of the 1% gain, which is SO boringly cartel."

If you look at the chart below – the gold price closed on COMEX on 3 January 2012 (red line) at almost exactly US$1,600/oz. Then look at the high for 4 January 2012 (green line) at about 1.00pm NY time.

Another good example was 11 January 2012. This was James McShirley's comment:

"What a joke, this gold capping routine is beyond absurd. It's so obvious I really don't even need to point it out. Yesterday's 2% cap, today's 1% cap, ($1,648.00 Feb. high is +1% to the very tick)"

If we look at the chart, you can see that gold closed on COMEX on 10 January 2012 (red line) at between US$1,631-1,632/oz. The peak on 11 January 2012 (green line) occurred at just before 12.00pm.

Please note: the Kitco 24-hour charts aren't detailed enough to show every tick in the gold price each and every second.

Sometimes the cartel banks really do nail the 1.0% rule! James McShirley again on 28 February 2012

"April gold high tick $1,792.70 = 1.0000000000%. Unreal how often they set up defenses there. They're sure spending a lot of 1% rule days lately to keep the lid on gold. For the technical crowd the gold RSI is now over 80 with a negative MACD. That's a pretty rare occurrence, and indicative of the cartel effort to thwart gold from taking out $1,800." *

Please note: the next day was the "Leap Day Smash" (see above) when gold fell US$100.

Weekly: window dressing the Commitment of Traders reports on COMEX

Everybody should be familiar with the concept of "window dressing" in a financial context. The accountingcoach.com defines it as:

"Window dressing refers to actions taken or not taken prior to issuing financial statements in order to improve the appearance of the financial statements."

Window dressing can be minor, e.g. withholding payments before the end of a reporting period to make the balance sheet look stronger. Or it can be major, like hiding vast amounts of debt in off-balance sheet vehicles like Enron.

Let me explain an anomaly in the gold market regarding the performance of the gold price on different days of the week, notably Tuesdays and Wednesdays, and its logical conclusion.

For gold traded on the COMEX market in New York, the Commodities and Futures Trading Commission (CFTC) publishes a summary of the open trading positions on the close of business every Tuesday – although the report is actually released three days later on the Friday. This is the "Commitment of Traders" (CoT) report. Each trader on the exchange is classified as either "commercial" or "non-commercial". The former applies to traders who are:

"...engaged in business activities hedged by the use of the futures or option markets."

This is basically the major bullion banks but may include some large hedge funds and mining companies. The "non-commercial" category consists of large speculators, e.g. managed money, and small traders who don't have to report detailed information on their positions on a daily basis. In the latest CoT for gold for 20 March 2012, the Commercials were long 166,857 contracts (16.7m oz.) and short 322,997 contracts (32.3m oz.) for a net short position of 156,140 contracts (15.6m oz.).

Once a month, the CFTC produces a further report, the "Bank Participation Report" (BPR), which also presents data relating to the close of business on Tuesdays – this time the first Tuesday of each month. The BPR shows the aggregate long and short positions of major US and non-US banks. It also reports how many banks hold these aggregate positions unless it is under four (previously the number was reported even if it was less than four – now there is less transparency). In the latest BPR for 6 March 2012, 4 US banks (it will be 2 main ones and probably one very large one) were long 43,965 contracts (4.4m oz.) and short 136,017 contracts (13.6m oz.) for a net short position of 92,052 contracts (9.2m oz.). Until 2008, however, hardly anybody even knew about the monthly BPR. On 22 August 2008, silver analyst Ted Butler published his famous "Smoking Gun" report based on the BPRs for July and August of that year. This is what he had to say regarding gold:

"For gold, 3 U.S. banks held a short position of 7,787 contracts (778,700 ounces) in July, and 3 U.S. banks held a short position of 86,398 contracts (8,639,800 ounces) in August, an elevenfold increase and coinciding with a gold price decline of more than $150 per ounce. As was the case with silver, this is the largest short position ever by US banks in the data listed on the CFTC's site. This was put on as one massive position just before the market collapsed in price...

Is there a connection between 3 U.S. banks selling an additional 78,611 gold futures contracts (7,861,100 ounces) in a month, followed shortly by a severe price decline in gold? That's equal to 10% of annual world production and amounts to more than $7 billion worth of gold futures being sold by 3 U.S. banks in a month."

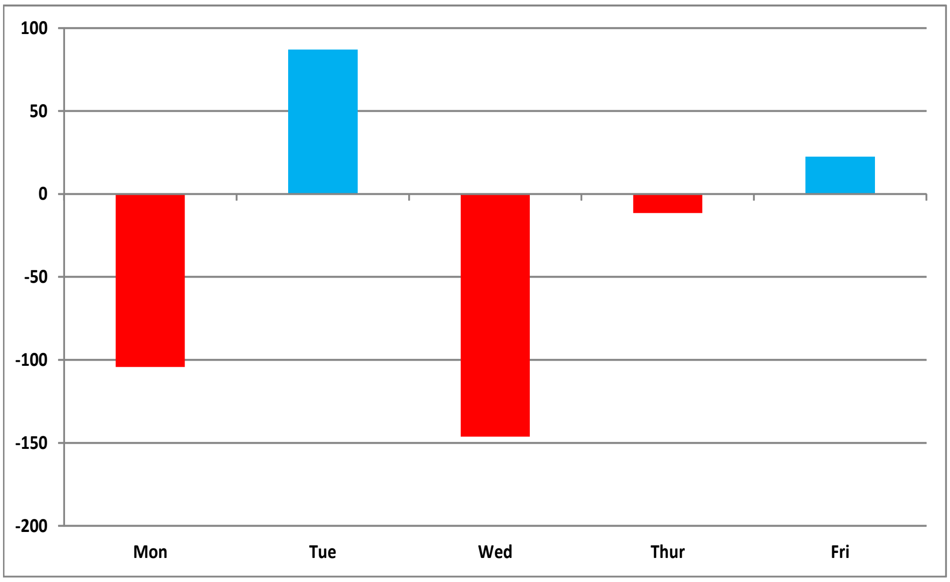
The CFTC was looking the other way. Back to the normal of reporting of the CoT and BPR on Tuesdays, weekly in the case of the CoT and monthly in the case of the BPR. It occurred to me: if these positions are only reported once each week, what if the positions reported on Tuesdays are merely WINDOW DRESSING? Perhaps the short positions held by the Commercials/US banks are much larger on days other than on Tuesdays?

If so, how could you tell? It's obvious that if short positions needed to be brought back to lower levels by close of business on a Tuesday, there might be clues in the difference between the daily performances of the gold price. For example:

- If short positions are sometimes bought back heavily on Tuesdays, then the gold price should perform more strongly on Tuesdays than other days during COMEX trading hours; and
- If large short positions are sometimes put back on the following day, then the gold price should be weaker on Wednesdays than other days during COMEX trading hours.

Well whaddya know? Below is a chart showing the aggregate performance of the gold price on COMEX for each day from 8 August 2011 to 23 March 2012.

Gold price: Aggregate performance on COMEX since 5 August 2011 (US$/oz.)



Source: Kitco, TRR estimates

Monthly - after Non-farm Payrolls (jobs) announcements

Gold is unique amongst assets being the only one which outperforms in either inflation or deflation (yes, read Roy Jastram's "The Golden Constant" with data back to 1560 if you don't believe me). In the current climate, an NFP report which is better OR worse than consensus can be interpreted as gold positive:

Better than consensus: Inflation will pick-up and the "risk-on" trade often drags gold higher.

Worse than consensus: Deflationary and also increases the likelihood of more QE (money printing).

The monthly US employment report on non-farm payrolls (NFP) is generally considered to be the most economically and politically important release of economic data. Indeed, the President normally holds a press conference following it release. We will forget for a moment that its political sensitivity means that the reported figures are open to "abuse", e.g. via the births/death adjustment, seasonal adjustments and discouraged workers, etc.

The actual impact of the report, whether better or worse, on the gold price is debateable in the current crisis. For example:

- A better-than-expected report could mean that inflation is likely to exceed expectations going forward, which could be positive for gold. Alternatively, it could be read as heralding an earlier rise in real interest rates, which would be negative for gold; and
- A worse-than-expected report could mean that a renewed round of QE and even bigger deficits are on the horizon - positive for gold. Alternatively, it could herald deflation which the majority of commentators mistakenly view as negative for gold (they should read Roy Jastram's book "The Golden Constant" which shows that gold outperformed in either inflation or deflationary conditions since the 16th century – what it hates is benign economic conditions).

Perhaps it is because NFP reports can be interpreted as positive for gold whichever way they come out, that the Gold Cartel is so active on days which the data is released.

NFP reports are released at 8.30am NY time. Now look at the following charts below and you'll see how there was an initial rise in the gold price at or just after 8.30am on the release of every one of the reports since 2 September 2011 (an almost imperceptible one for the February 2012 release) except the last one earlier this month. Almost immediately, the price rise was met with selling and, in most cases, the gold price contained during the rest of the day.

2 September 2011

7 October 2011

4 November 2011

2 December 2011

6 January 2012

3 February 2012

Then the exception:

9 March 2012

What happened? Did buyers overwhelm the cartel, which was forced to instigate a hard(ish) cap? Or did the cartel banks themselves cover some shorts at low levels (we know from the the earlier discussion that they were in "big-time" covering mode after the Leap Day Smash) and then cap the price?

Manipulation of gold and silver markets on NFP reporting days is already a story unto itself. On 3 February 2010, precise information regarding an upcoming manipulation of silver and gold prices on the announcement of the NFP report two days later was relayed to the CFTC by LBMA trader, Andrew McGuire. The details of this correspondence with Eliud Ramirez, a senior investigator for the CFTC's Enforcement Division, was read out at the public meeting of the CFTC on 25 March 2010 in Washington. The correspondence between Andrew McGuire and the CFTC with regard to the NFP manipulation on 5 February 2010 is included in Appendix 5.

GATA in London

A little while back I went to a dinner at Scott's in Mayfair (very nice) hosted by Pi Capital. I'll let the latter describe itself:

"Pi Capital is a unique investor network that finds exciting growth equity and alternative asset investment opportunities for its members, and negotiates participation in select private equity deals and funds...Throughout the year, Pi Capital provides a unique platform for members to engage with each other and with expert speakers by hosting topical speaker lunches, charity dinners, and cultural and philanthropic events...Members are typically entrepreneurs, CEOs, chairmen and non-executive directors of medium to large private and public companies or full

time private investors. Together, they sit on over 600 boards and their combined expertise covers all major UK industries and service sectors."

Speakers at their events have included Jim Rogers, Richard Branson and Willie Walsh, to name but three. Anyway, the night I was invited, the speaker was Chris Powell, who is the Secretary/Treasurer of the Gold Anti-Trust Action Committee. He gave a speech:

"Gold Price Suppression Purposes and Proofs"

Here are some of his opening remarks:

"...most Americans will believe almost anything if it's said with a British accent. I'm not here to ask you to return the favor, but rather to consider some evidence, to be receptive to questions, and to start asking some questions of your own...gold is a currency that competes with government currencies and has a powerful influence on interest rates and the value of government bonds... Gold is the ticket out of the central banking system, the escape from coercive central bank and government power."

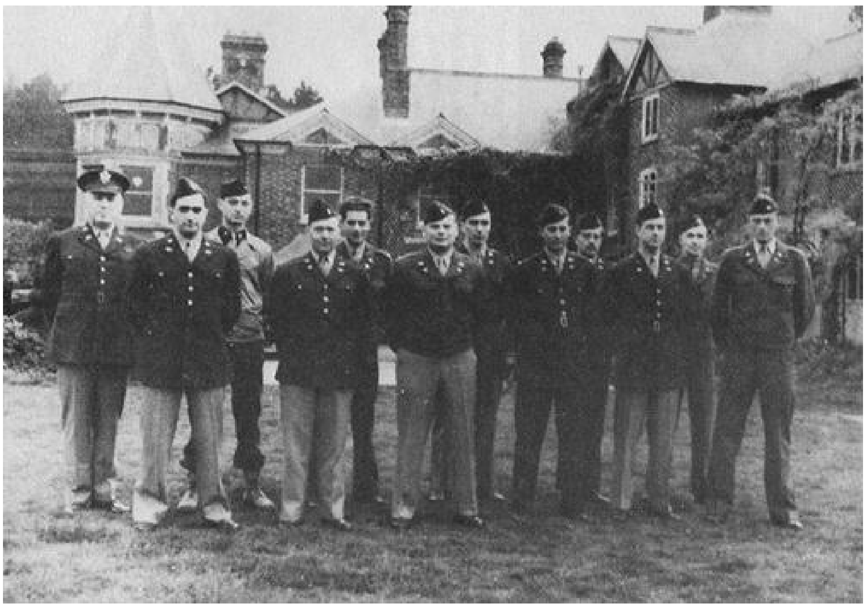
He continued:

"As an independent currency, a currency to which investors can resort when they are dissatisfied with government currencies, gold carries the enormous power to discipline governments, to call them to account for their inflation of the money supply and to warn the world against it. Because gold is the vehicle of escape from the central bank system, the manipulation of the gold market is the manipulation that makes possible all other market manipulation by government."

Emphasising that suppressing the gold price:

"is a matter of the most extensive public record - at least for those who want to look at the record. These records include: Public statements by Federal Reserve officials, officials of other Western central banks, and the International Monetary Fund, the minutes of the Federal Reserve's Federal Open Market Committee...."

Members of the American Signal Corps at Bletchley Park



Let me highlight some views on GATA. This was the Canadian "Trader Wizard", Bill Cara, discussing GATA a couple of years ago:

"You know, the thing I love about GATA is that they've been right from day one and they haven't budged a bit. They've been abused, harassed, ridiculed, blacklisted, sworn at, scoffed at.....you name it. But they've stayed on message consistently, simply pointing out the facts again and

again and again, knowing that as the world financial system started to crack, the truth would come out bit by bit until it was finally acknowledged that they were right all along. We're about half way through that process I reckon."

And billionaire Canadian fund manager, Eric Sprott of Sprott Asset Management, last Summer:

"The GATA people have been a big influence on the increasing interest in gold. They've been incredibly helpful in terms of keeping people focused on what's going on in the precious metals markets. They had a wonderful conference in Dawson City in 2005. The people who spoke there - and who will speak at this GATA conference in London - are all independent thinkers who aren't swayed by the conventional. They're typically contrarian. You have to work hard to be a contrarian, because you have to win what would seem to be very difficult arguments. They're just top-notch people. When I look back over the last decade, I think those who were sceptical and outspoken are the true heroes. If more people had listened to them, they wouldn't have suffered the kind of financial damage that has transpired in the last decade. Certainly, if they owned gold and silver in lieu of any other investment, they would've been better off."

And from thirty year veteran of the mining sector, Michael Coulson:

"I am genuinely proud that when I was chairman of the Association of Mining Analysts we held two gold seminars at which the much-reviled Gold Anti-Trust Action Committee spoke. What they said about the gold market and the shadowy world of derivatives has come home to roost, and with an accuracy that I cannot recall the like of in over 35 years as a stockbroker and mining analyst."

Isn't it funny how sometimes outstanding contributions are only fully recognised after the event.

This was a comment from a website about Bletchley Park:

"I've been studying this for years, and been 3 times to Bletchley (from NYC). The work done there (decryption, computing, misinformation, strategic) was simply astounding, and the wider world is just now beginning to appreciate the significance of it."

More on this in Appendix 5

Appendix 1 - Waterfall declines in the gold price

In most of the intra-day charts below, you will see sudden "waterfall" declines in the gold price, varying in angle from straight down (every bid hit with heavy volume on the sell side) to about 45 degrees (some buying resistance and/or less aggressive selling). These price declines "just happen" in the gold market either on no news or bullish news as mentioned above. Furthermore, in free markets, traders/investors are profit maximisers - so when selling gold, commodities or securities they attempt to get the best average price. In the gold market, rather than trying NOT to disturb the market, the aim is to cause maximum amount damage to the gold price.

Here is Dimitri Speck (author of the German book "Geheime Goldpolitik" which should be available in English shortly):

"Why do these sharp price declines seem to appear out of nowhere? Usually professional investors do their best not to execute large sell orders all at once in order to avoid moving the market so as to conserve profits. Nevertheless, in the precious metals market it seems some market participants are often clumsy, triggering abrupt price drops. The reason however is not clumsiness, but other interest: these players want to influence prices with their selling actions. Since August 5th, 1993, when these sudden price moves began occurring with statistically measurable frequency - a number of financial institutions have intervened systematically against precious metal markets."

I would also note that the examples that I show below are only the most obvious ones. The raids on the gold price are NOT ALWAYS successful since they can be overwhelmed (occasionally), or at least mitigated. For example, let's look at two charts of the gold price for 4 January 2012. The first chart shows a waterfall decline in the gold price beginning at 3am NY time (or 8am London time) which, as I'll explain below, is a usual time for intervention in the gold market (with traders at certain banks turning up for work in London).

However, if I put that in the context of the larger intra-day Kitco charts, which I use in the analysis below, the downward move at 8am on 4 January 2012 (green line) barely registers – and it certainly wouldn't have justified being included in the examples ("greatest "hits"!) which I showed earlier in this report.

Appendix 2 – most of the manipulation does not involve the sale of physical gold

When the Gold Cartel sells gold in the London or New York markets to depress the price, it is selling physical gold, right? Wrong – most of the time it is only selling "paper" gold. In London, the LBMA (London Bullion Market Association) is the world's largest gold market by far. Gold is traded on an OTC basis between the principals involved, i.e. it is not even formally regarded as an "exchange", so regulation is practically non-existent – an outrage. It is also a wholesale market – the minimum amount of gold traded in a single transaction is 1,000oz – hence retail investors are excluded.

Over 95% of the "gold" traded on the LBMA is in "Unallocated" form, i.e. a purchaser is not buying a specific gold bar, but an unsecured PAPER claim on a pool of gold in a bank vault. Whatever physical gold there is remains the property of the bank, which can lend it out or structure derivative trades against it, etc. Buyers must specify if they want to take delivery of physical gold. Estimates of the number of paper claims versus physical gold vary up to 100:1 – the key point being that it is a FRACTIONAL RESERVE SYSTEM which will fail as more and buyers demand either to take physical possession themselves or exchange "Unallocated" gold for "Allocated" gold (gold bullion is specifically segregated in the bank vault for the benefit of the customer who has full ownership rights and serial numbers, etc.). The New York gold market – the COMEX – is a futures market where only a small fraction of contracts stand for delivery of physical metal.

Obviously, some physical gold has to be supplied to the market. Even though it's being hoarded on a global basis, there will be some outright sellers of metal. In addition, there is about 2,500 tonnes of new supply per annum and during critical times central banks will lease (lend) their gold into the market. This gold is sold by a bullion bank but typically needs to be returned (theoretically anyway) at the end of the lease period, usually 1, 3, 6 or 12 months. Then there's the gold which may or may not be in the big ETFs, but I'm not going to go there.

For some good insight, read this from the "Anonymous London gold and silver trader" speaking on King World News on 21 December 2011:

"the bullion banks, which are working with the central banks, have inside knowledge as to the timing and just how much gold is going to be available to them. So, in order for the bullion banks to maximize the effect of the physical gold they get from leasing, they add high scale paper leverage...They smash the price, but leave just enough physical gold for going into the fixes because the smart buyers are saying, 'I'll take it at this price.' So, as we go into the fix, they've provided just enough physical to satisfy as many of those buyers as they can. They then smash it right after the fix, again, with paper.

That's what's happened with gold and it's the reason it has been manipulated down to these levels. It's the only way they could do it, and it's a sign of absolute desperation when central banks are willing to risk giving bullion banks gold they will never, ever receive back. You don't think the Chinese aren't sitting here taking every single ounce of that leased gold? Of course they are. There were actually three enormous physical buy areas that they pierced, where, literally, there was tonnage ordered. I estimate well over 100 tons of physical gold was taken between the first pivot they broke, where these guys loaded up with discounted gold, and this stuff disappears from the West to the East. These central banks had to be in desperation to allow this borrowed gold to be absorbed by foreign entities."

Appendix 3 – Cartel defence of US$1,000/oz

When gold first breeched US$1,000/oz. in March 2008, it was a big deal for the financial markets – the cartel wasn't going to give in without a fight. In a remarkably similar operation to the "Leap Day smash" of 29 February 2012 described above, a supposedly "less dovish" than hoped for comment from the Fed was used as "cover" the gold price hit. In identical fashion, other asset markets fared much better than gold!

This was a Reuters report on 19 March 2008:

"LONDON (Reuters) - Gold tumbled nearly 6 percent to a three-week low on Wednesday, as investors rushed to take profits after a lower-than-expected U.S. interest rate cut and as the dollar trimmed losses…"

Here is Bill Murphy's response:

"So let me see this MORNING … since the announcement:

***Oil is unchanged.**

***The dollar is unchanged.**

***The DOW rallied 450 points yesterday into the opening this morning investors were so disappointed in the Fed cut.**

***Yet gold is nailed for $50.**

The explanation is, without a doubt, the goofiest reason for a market move of all time … and is typical Planet Wall Street BS and for most of the mainstream gold world. Because they refuse to deal with the market manipulation issue, these clowns just make up a reason why gold is collapsing."

Appendix 4 – Andrew Maguire correspondence with CFTC

From: Andrew Maguire

To: Ramirez, Eliud [CFTC]

Cc: BChilton [CFTC]

Sent: Wednesday, February 03, 2010 3:18 PM

Subject: Re: Silver today

Dear Mr. Ramirez,

Thanks for your response.

Thought it may be helpful to your investigation if I gave you the heads up for a manipulative event signaled for Friday, 5th Feb. The non-farm payrolls number will be announced at 8.30 ET. There will be one of two scenarios occurring, and both will result in silver (and gold) being taken down with a wave of short selling designed to take out obvious support levels and trip stops below. While I will no doubt be able to profit from this upcoming trade, it is an example of just how easy it is to manipulate a market if a concentrated position is allowed by a very small group of traders.

I sent you a slide of a couple of past examples of just how this will play out.

Scenario 1. The news is bad (employment is worse). This will have a bullish effect on gold and silver as the U.S. dollar weakens and the precious metals draw bids, spiking them higher. This will be sold into within a very short time (1-5 mins) with thousands of new short contracts being added, overcoming any new bids and spiking the precious metals down hard, targeting key technical support levels.

Scenario 2. The news is good (employment is better than expected). This will result in a massive short position being instigated almost immediately with no move up. This will not initially be liquidation of long positions but will result in stops being triggered, again targeting key support levels.

Both scenarios will spell an attempt by the two main short holders to illegally drive the market down and reap very large profits. Locals such as myself will be "invited" on board, which will further add downward pressure.

The question I would expect you might ask is: Who is behind the sudden selling and is it the entity/entities holding a concentrated position? How is it possible for me to know what will occur days before it will happen?

Only if a market is manipulated could this possibly occur.

I would ask you watch the "market depth" live as this event occurs and tag who instigates the move. This would surly help you to pose questions to the parties involved.

This kind of "not-for-profit selling" will end badly and risks the integrity of the COMEX and OTC markets.

I am aware that physical buyers in large size are awaiting this event to scoop up as much "discounted" gold and silver as possible. These are sophisticated entities, mainly foreign, who know how to play the short sellers and turn this paper gold into real delivered physical.

Given that the OTC market (where a lot of the selling occurs) runs on a fractional reserve basis and is not backed up by 1-1 physical gold, this leveraged short selling, where ownership of each ounce of gold has multi claims, poses a very large risk.

I leave this with you, but if you need anything from me that might help you in your investigation I would be pleased to help.

Kind regards,

Andrew T. Maguire

* * *

From: Andrew Maguire

To: Ramirez, Eliud [CFTC]

Sent: Friday, February 05, 2010 2:11 PM

Subject: Fw: Silver today

If you get this in a timely manner, with silver at 15.330 post data, I would suggest you look at who is adding short contracts in the silver contract while gold still rises after NFP data. It is undoubtedly the concentrated short who has "walked silver down" since Wednesday, putting large blocks in the way of bids. This is clear manipulation as the long holders who have been liquidated are matched by new short selling as open interest is rising during the decline.

There should be no reason for this to be occurring other than controlling silver's rise. There is an intent to drive silver through the 15 level stops before buying them back after flushing out the long holders.

Regards,

Andrew

* * *

From: Andrew Maguire

To: Ramirez, Eliud [CFTC]

Cc: BChilton [CFTC]; GGensler [CFTC]

Sent: Friday, February 05, 2010 3:37 PM

Subject: Fw: Silver today

A final e-mail to confirm that the silver manipulation was a great success and played out EXACTLY to plan as predicted yesterday. How would this be possible if the silver market was not in the full control of the parties we discussed in our phone interview? I have honored my commitment not to publicize our discussions.

I hope you took note of how and who added the short sales (I certainly have a copy) and I am certain you will find it is the same concentrated shorts who have been in full control since JPM took over the Bear Stearns position.

It is common knowledge here in London among the metals traders that it is…(name of large US bank deleted)…intent to flush out and cover as many shorts as possible prior to any discussion in March about position limits. I feel sorry for all those not in this loop. A serious amount of money was made and lost today and in my opinion as a result of the CFTC's allowing by your own definition an illegal concentrated and manipulative position to continue.

Bart, you made reference to it at the energy meeting. Even if the level is in dispute, what is not disputed is that it exists. Surely some discussions should have taken place between the parties by now. Obviously they feel they can act with impunity.

If I can compile the data, then the CFTC should be able to too.

I would think this is an embarrassment to you as regulators.

Hoping to get your acknowledgement.

Kind regards,

Andrew T. Maguire

Appendix 5 – Alan Turing and the Battle of the Atlantic

Allied convoy after the Battle of the Atlantic

Source: Indicatorloops

From Wikipedia:

"It was at its height from mid-1940 through to the end of 1943. The Battle of the Atlantic pitted U-boats and other warships of the Kriegsmarine (German Navy) and aircraft of the Luftwaffe (German Air Force) against Allied merchant shipping. The convoys, coming mainly from North America and mainly going to the United Kingdom and the Soviet Union, were protected for the most part by the British and Canadian navies and air forces…As an island nation, the United Kingdom was highly dependent on imported goods. Britain required more than a million tons of imported material per week in order to be able to survive and fight. In essence, the Battle of the Atlantic was a tonnage war (just like the gold market today – Paul): the

Allied struggle to supply Britain and the Axis attempt to stem the flow of merchant shipping which enabled Britain to keep fighting…

"The early U-boat operations from the French bases were spectacularly successful. This was the heyday of the great U-boat aces like Günther Prien of U-47, Otto Kretschmer (U-99), Joachim Schepke (U-100), Engelbert Endrass (U-46), Victor Oehrn (U-37) and Heinrich Bleichrodt (U-48). U-boat crews became heroes in Germany. From June until October 1940, over 270 Allied ships were sunk: this period was referred to by U-boat crews as 'the Happy Time' ('Die Glückliche Zeit'). Churchill would later write: '...the only thing that ever frightened me during the war was the U-boat peril'…

"The German navy relied on the Enigma machine to encipher its message traffic. They considered it unbreakable. Thus they felt safe in exchanging relatively large volumes of radio messages between U-boats and shore commands. This was essential to wolf pack operations, which required a lot of coordination. In early 1941, the Royal Navy made a concerted effort to assist the code breakers at Bletchley Park in breaking German naval Enigma. This climaxed on 9 May when crew members of the destroyer HMS Bulldog boarded U-110, and recovered all her code books and current Enigma keys. The captured material allowed the reading of all U-boat traffic for several weeks (until the keys ran out); then familiarity with the usual content of messages helped in breaking the new keys. Throughout the summer and autumn of 1941, Enigma intercepts (combined with HF/DF) enabled the British to plot the positions of U-boat patrol lines and route convoys around them. Merchant ship losses dropped by over two-thirds in July 1941, and remained low until November…

On 1 February 1942, the Kriegsmarine switched the U-boats to a completely new Enigma key (TRITON), which used special upgraded Enigma machines. This new key could not be read by code breakers, the Allies no longer knew where the U-boat patrol lines were. This made it far more difficult to evade contact, and the wolf packs ravaged many convoys. This state persisted for ten months…Then on 30 October, crewmen from HMS Petard salvaged Enigma material from U-559 as it foundered off Port Said. This material allowed the code breakers to break TRITON - a feat credited to Alan Turing. By December 1942, Enigma decrypts were again disclosing U-patrol positions, and shipping losses declined dramatically once more…

Also, in March the Germans added a refinement to the U-boat Enigma key, which blinded the Allied code breakers for 10 days. That month saw the battles of convoys UGS 6, HX 228, SC 121, SC 122 and HX 229. One hundred twenty ships were sunk worldwide, 82 ships of 476,000 tons in the Atlantic, while 12 U-boats were destroyed. The supply situation in Britain was such there was talk of being unable to continue the war, with supplies of fuel being particularly low. It appeared Dönitz was winning. The situation was so bad, the British considered abandoning convoys entirely.

The next two months saw a complete reversal of fortunes. In April, losses of U-boats increased while their kills fell significantly. Only 39 ships of 235,000 tons were sunk in the Atlantic, and 15 U-boats were destroyed. By May, wolf packs no longer had the advantage and that month became known as Black May in the U-Boat Arm (U-Boot Waffe). The turning point was the battle centred around slow convoy ONS 5 (April–May 1943). Made up of 43 merchantmen escorted by 16 warships, it was attacked by a pack of 30 U-boats. Although 13 merchant ships were lost, six U-boats were sunk by the escorts or Allied aircraft. Despite a storm which scattered the convoy, the merchantmen reached the protection of land-based air cover, causing Dönitz to call off the attack. Two weeks later, SC 130 saw five U-boats destroyed for no losses. Faced with disaster, Dönitz called off operations in the North Atlantic, saying, 'We had lost the Battle of the Atlantic'."

This was the then British Prime Minister, Gordon Brown, honouring Alan Turing in a speech in 2009:

"Earlier this year, I stood with Presidents Sarkozy and Obama to honour the service and the sacrifice of the heroes who stormed the beaches of Normandy 65 years ago. And just last week, we marked the 70 years which have passed since the British government declared its willingness to take up arms against fascism and declared the outbreak of the Second World War…we have this year a chance to mark and celebrate another contribution to Britain's fight against the darkness of dictatorship: that of code-breaker Alan Turing. Turing was a quite brilliant mathematician, most famous for his work on breaking the German Enigma codes. It is no exaggeration to say that, without his outstanding contribution, the history of the Second World War could have been very different. He truly was one of those individuals we can point to whose unique contribution helped to turn the tide of war. The debt of gratitude he is owed makes it all the more horrifying, therefore, that he was treated so inhumanely…Thousands of people have come together to demand justice for Alan Turing and recognition of the appalling way he was treated… his treatment was of course utterly unfair, and I am pleased to have the chance to say how deeply sorry I and we all are for what happened to him."

End notes

Jim Sinclair is a commodities and forex trader and currently CEO of gold mining company, Tanzanian Royalty Exploration. He was tasked with liquidating the Hunt brothers' silver position in the early 1980s. He is also the son of Bert Seligman, who was the trading partner of Jesse ("Reminiscences of a Stock Operator") Livermore, the most famous trader in history. On 23 December 2011, Jim Sinclair commented:

"We're in the most manipulated markets. We are in the most fraudulent markets in history… What you're seeing going on right now favours the bankers and disfavours all others. However, when it's finally finished there will be one man standing and that one man standing will be gold – the only market that the banksters can't control in the final chapter."

And Gerald Celente of the Trends Journal (who lost money in MF Global):

"The only time that the Prince of Peace became violent was when he drove the money changers out of the temple."

Author: I started work the month before the stock market crash in 1987. I've worked mainly as an analyst covering the Metals & Mining, Oil & Gas and Chemicals industries for a number of brokers and banks including S.G. Warburg (now UBS), Credit Lyonnais, JP Morgan Chase, Schroders (became Citibank) and, latterly, at the soon to be mighty Redburn Partners.

Charts: With special mention and thanks to kitco.com