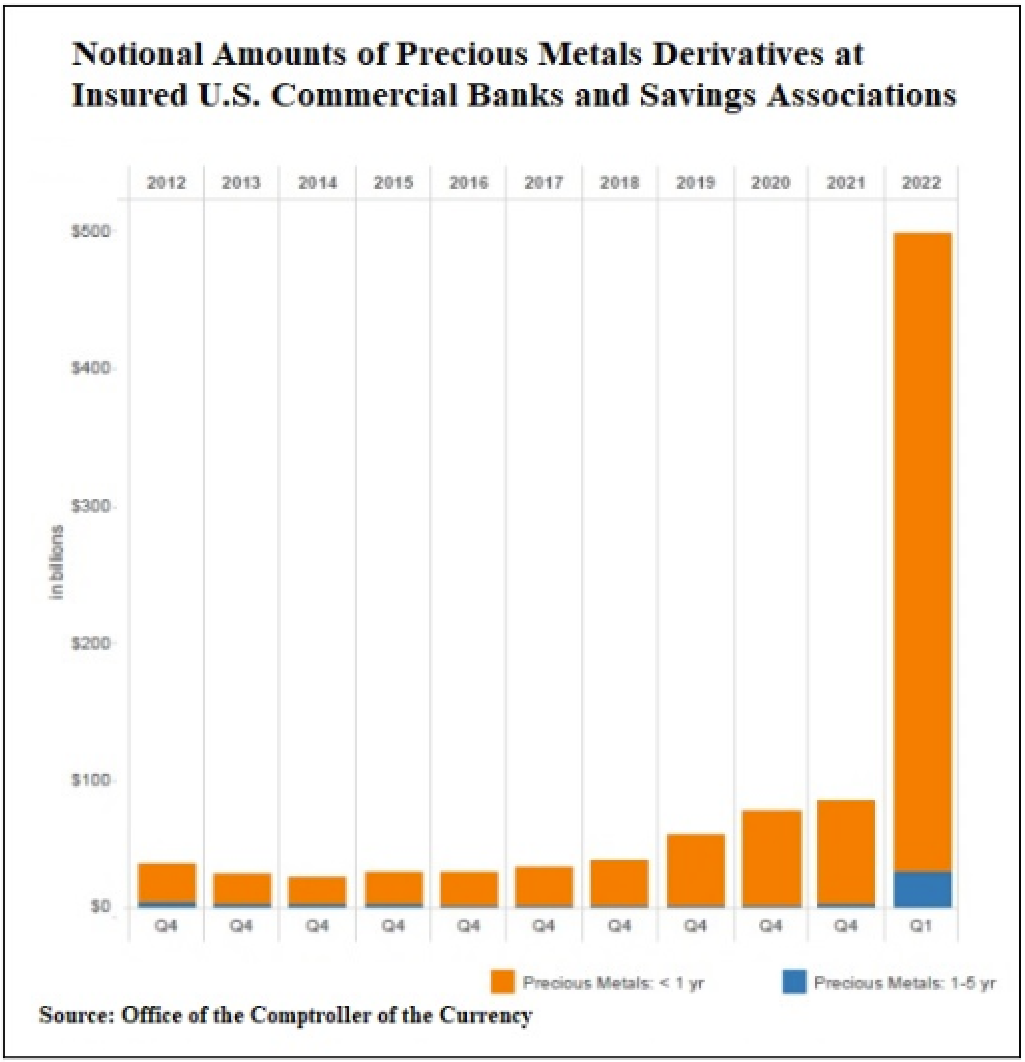
Don’t forget the golden rule: whoever has the gold makes the rules

- Peter Hambro
- July 4, 2022

Straws blowing in the wind are often said to presage great tempests and I believe that this chart shows just such a straw.



You do not need to take my word for it. After all, the straw is being pointed out by the United States Comptroller of the Currency.

Disinformation for many years has kept the lid on this tinder-box, and since 2018 the Financial Stability Desks at the world’s central banks have followed the Bank of International Settlements’ instruction to hide the perception of inflation by rigging the gold market.

Of course they cannot be seen to do this and they need cover.

The only way to achieve the cover is by smashing the price of physical gold by the alchemical production of **"paper gold"**. With the help of the futures markets and the connivance of the Alchemists, the bullion traders – yes, that includes me, I was Deputy Managing Director of Mocatta & Goldsmid – managed to create an unshakeable perception that ounces of gold credited to an account with a bank or bullion dealer were the same as the real thing. "And much easier, old chap! You don't have to store or insure it".

Once investors swallowed this stupefying pill it was easy to sell them gold that simply didn't exist. Of course there were wary investors who found it hard to believe that the likes of Mocatta, Montagu, Rothschild and Sharps Pixley were undoubted counterparties and wanted to be assured that the gold would be there when they called for it. Easy, we said. Don't bother to pay for it, just give us an initial cash margin and agree to a variation margin and our paper promise is as good as gold. This was the simple derivative. If you thought the price would go down, you could sell us gold you didn't have and margin the trade in the same way. Then along came a raft of options and other products and the derivative market – for that is what this chimera was called – started to spiral like a tornado.

To make the bogus gold look even safer, the Bank of England was quietly willing to lend the London Gold Market Members physical gold, in the event that things got a bit tricky and our vaults were empty. When one of the Members went bust, the others clubbed together and with the Bank of England holding the ropes, the customers were bailed out. But I didn't get a bonus that year.

And this pseudo-confidence suited the brilliant theoretical economists. We the government, we the central bank, we the BIS can print the margin. That is what fiat currency is: **not unlike BitCoin** and easier to mine. Derivatives are unmargined and thus have no limit and may not even be on the balance sheet. The great banks of Wall Street will accept our fiat dollars as margin and manufacture gold to swamp the market.

Gentle folk: look at this chart and then go see your bullion trading counterparty and buy some gold. Then ask for your gold or silver or platinum or palladium or any other physical store of value and medium of exchange that you have acquired to protect you from the ravages of inflation. For Inflation will surely engulf the world when the paper gold emperor's clothes are seen for what they really are.

Vladimir Putin and Xi Jinping are among those who know the golden rule: "Whoever has the gold makes the rules".

The author has worked in the gold business for more than 40 years, both as a trader and investor. He co-founded and was chairman of Petropavlovsk plc until it was taken over by Russians and is now Chairman of, and a major shareholder in XAU Resources Inc, a precious metals exploration company with assets in Guyana and shares listed on the Toronto Ventures Exchange.