

"I may disapprove of what you say, but I will defend to the death your right to say it." --Voltaire

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**BUSINESS & FINANCE**

**The Golden Hedge Where's The Gold?**

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Part II

*(Editor's note: Ms. Bylund is an ongoing Contributing Editor to the Las Vegas Tribune on issues dealing with Small Business, Barter, and the 'New Economy.' If you have missed any of the previous installments they may be found in the 'archives' section of Las Vegas Tribune Online at [www.lasvegastribune.com](http://www.lasvegastribune.com))*

*The gold is gone and it's going to \$1000 an ounce.*

*This ain't your father's supply and demand commodity anymore!*



Lynnea M. Bylund

Gold has been much maligned as a strategic historic inflation hedge, and those who focus on its historic role as a standard of value are often labeled as "kooks." But, given the recent highs that gold prices have posted, it looks like the "gold bugs" are having a hell of a time. With the stock market floundering, gold returned nearly 90 percent to investors, moving from \$255 an ounce to sixteen-year highs of \$450 in barely 4 years.

Some analysts are quick to explain recent rises in the gold price is due to the war with Iraq, many hard-money analysts argue that the war is of little long-term consequence to the price of gold because, they say, "gold is a commodity" and its price a matter of "supply and demand."

But in a February 2003 article appearing in Insight On The News entitled "The Gold Is Gone!" author Kelly O Meara writes

" the "lunatic fringe" has long argued that the price of gold is being manipulated by a "gold cartel" involving J.P. Morgan Chase, Citigroup, Deutsche Bank, Goldman Sachs, the Bank for International Settlements (BIS), the U.S. Treasury and the Federal Reserve, but that the manipulation had been sufficiently exposed to require that it be abandoned, producing the steady upward increase in the price of the shiny, yellow metal. In fact the "gold bugs," as they're known, are so sure of their research that not only do they believe the price of gold will continue to climb, but many are expecting to see prices of \$1,000 or more per ounce."

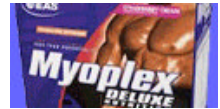
O Meara continues -

"... Until recently, most in the gold and financial worlds scoffed at such a prediction, but last year the Bank of Portugal made an announcement that shocked those who credit official gold-reserve data and added fuel to the contention of the gold bugs that the "gold-cartel" manipulation is

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in meltdown. What the Bank of Portugal revealed in its 2001 annual report is that 433 tonnes "(metric tons) of gold – some 70 percent of its gold reserve – has been lent or swapped into the market. According to Bill Murphy, chairman of the Gold Anti-Trust Action Committee (GATA), a nonprofit organization that researches and studies the gold market and reports its findings at [www.LeMetropoleCafe.com](http://www.LeMetropoleCafe.com): "This gold is gone -- and it lends support to our years of research that the central banks do not have the 32,000 tonnes of gold in reserve that they claim. The big question is: How many other central banks are in the same predicament as the Portuguese?"

The essence of the alleged gold market 'shell game' is that the bullion banks borrowed central-bank gold from various vaults and flooded the market with supply, keeping the price down. The GATA camp has uncovered information that shows that over 15,000 tonnes of gold is no longer held by the central banks, leaving the central-banks' reserves with less than half of what is officially reported.

"This is why those who follow such arcana are predicting an explosion in the price of gold. According to GATA's Bill Murphy, "The gold establishment says that the gold loans from the central banks are only 4,600 to 5,000 tonnes, but GATA's information is that these loans are more than three times that number, which means "they're running out of physical gold to continue the scheme," Murphy adds.

According to O Mear's article, John Embry, the manager of last year's best-performing North American gold fund and manager of the Royal Precious Metals Fund for the Royal Bank of Canada, is putting his and his clients' money on the "lunatic fringe" in this dispute: "I've examined all the evidence gathered by GATA and everyone else, and I think these guys are anything but lunatics. They've done their homework and have unearthed a lot of interesting stuff. The problem, though, is that the market is sufficiently opaque that there is really no way to know who is right and who is wrong. I think that [GATA is] right and that officialdom doesn't want this exposed. GATA is willing to have a public debate but the gold world won't debate. I'm an analyst who has looked at both sides of the issue and I bet my money on GATA. So far they've been right."

Whether the gold bugs are right or wrong about the reasons and likelihood of gold's continued meteoric price rise is uncertain, but, according to GATA's Murphy: "It's all the more reason to have the central banks come clean about the actual amount of gold that physically exists in their reserves. Either way, the price of gold will continue to rise because, as we already know and others are discovering, the gold is gone."

Where's the gold? Gone, and on its way to a thousand bucks an ounce!

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