Gold This Week

Close Of Trading: March 6, 2009

Updated Weekly

Daily Updates
Weekly Updates

Gold Last Week (Plus Archives)

*In any discussion of the future of Gold, or of the price of Gold, the first thing that must be realized is that Gold is a POLITICAL metal. In the true meaning of the word, its price is **"governed"**.*

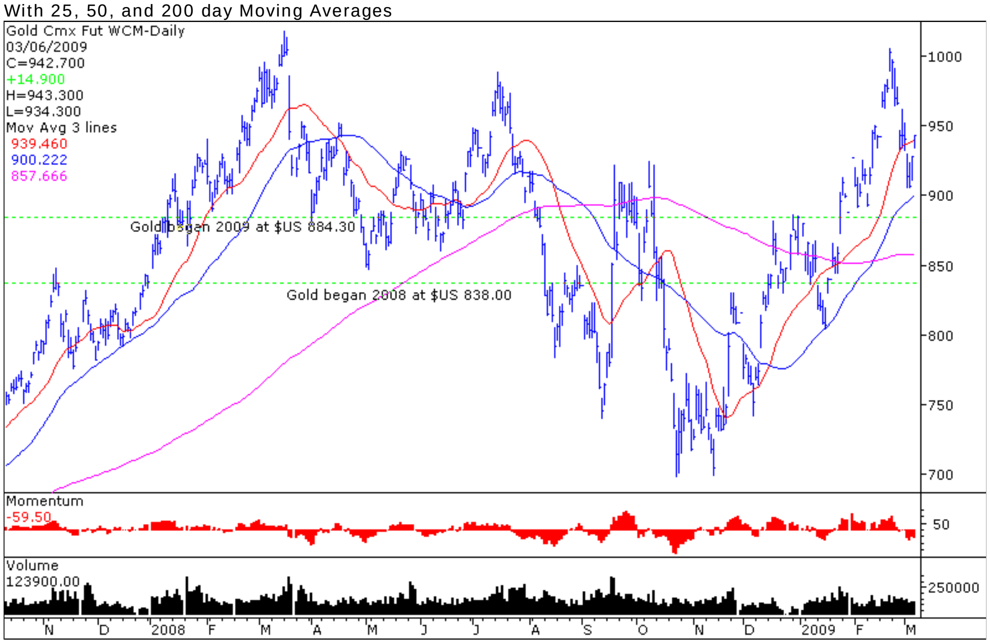
This is so for the very simple reason that Gold in its historical role as a currency is fundamentally incompatible with the modern worldwide financial system.

*Up until August 15, 1971, there has never in history been an era when **no** paper currency was linked to Gold. The history of money is replete with instances of coin clipping, printing, debt defaults, and the other attendant ills of currency debasement. In all other eras of history, people could always escape to other currencies, whose Gold backing remained intact. But since 1971, there is NO escape because NO paper currency has any link to Gold.*

All of the economic, monetary, and financial upheaval since 1971 is a direct result of this fact.

The global paper currency system is very young. It depends for its continued functioning on the BELIEF that the debt upon which it is based will, someday, be repaid. The one thing, above all others, that could shake that faith, and therefore the foundations of the modern financial system itself, is a rise (especially a sharp rise) in the U.S. Dollar price of Gold.

With 25, 50, and 200 day Moving Averages



Spot Future Data: March 2 - 6, 2009
Date,Time,Open,High,Low,Close,Volume,Open Interest

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03/02/2009,1600,951.500,952.000,932.500,940.000,132394,367342
03/03/2009,1600,927.000,929.500,906.000,913.600,144645,365271
03/04/2009,1600,913.500,923.000,905.500,906.700,113876,366228
03/05/2009,1600,917.800,928.000,911.000,927.800,120068,369981
03/06/2009,1600,935.500,943.300,934.300,942.700,123900,0
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Download **gold96.zip** (74 Kb) Gold since the top of the last bull market
More than thirteen years of daily spot future Comex Gold data: January 2, 1996 to March 6, 2009
Zip file INCLUDES a weekly bar chart - 672 x 472

Weimar - Zimbabwe - Great Britain??

As you probably know, on March 5, the Bank of England (BoE) cut UK controlling interest rates in half - from 1.00 percent to 0.50 percent. That was widely expected, and regarded as unremarkable since the European Central Bank (ECB) also cut rates by 0.50 percent on the day. What garnered global headlines is the other step taken by the BoE. The Governor of the BoE, Mr Mervyn King, has decided to throw the bank headlong into the process of "quantitative easing" by obtaining permission from the Chancellor of the Exchequer to "print" 150 Billion UK pounds. Most of this new money would be injected into the system by means of the BoE printing up "money" and using it to buy the debt paper of the UK government, ironically known as "gilts". This is the one step which the US Fed has been reluctant to take, even though they have been publically considering it since last December.

Your Captain was "startled", to put it mildly, when the move by the BoE was explained by a newsreader on our local (Australian) evening news as follows. Please note, this is a paraphrase, not a quote. ***"It didn't work in what was called the 'Weimar Republic' in 1923. It didn't work in Robert Mugabe's Zimbabwe. But Bank of England Governor Mervyn King is going to try it anyway. He is going to start printing money to rescue Britain from its worst recession since the 1930s."*** It is not every day that you see and hear a TV news story like THAT!

Even more piquant were reports from *Bloomberg* the following day. Here are some quotes:

"We're groping in the dark. Ultimately we'll know it works if the economy turns around, and that we won't know for a couple of years."

"It's effectively printing money, but because all the other government policies haven't worked, I don't think the Bank of England was left with any other choice."

"While UK officials are at pains to deny similarities with the economic policies of Robert Mugabe's Zimbabwe, where printing money has fuelled hyperinflation, some economists argue that the Bank of England hasn't much of a choice left."

My word, we are getting right down to it now. The most surprising thing is not that the BoE has now bitten the bullet and embarked on out and out debt monetisation by creating the money to "buy" the government's debt paper. The remarkable thing is that this has been reported quite bluntly in news media all over the world without any kind of response at all.

Well, perhaps that's not quite true. After all, the $US Gold price did do an abrupt turnaround after the BoE announcement, regaining all of its losses earlier in the week over the last two days of the week.

The most hilarious, and potentially tragic, aspect of the entire desperate situation is simply this. No matter how drastic the actions of the "regulators" and the "authorities" become, the same justification has been offered every step of the way. That is simply that the alternative was to do "nothing", and that would have been worse than the situation that we now all confront.

This is, of course, utterly false. To understand just how false it is, consider a quote from a US politician uttered way back in 1913, in the midst of the debate about the establishment of the US Federal Reserve Bank. The politician was Elihu Root. He was forecasting, with unerring accuracy, the inevitable consequence of politics meddling with money:

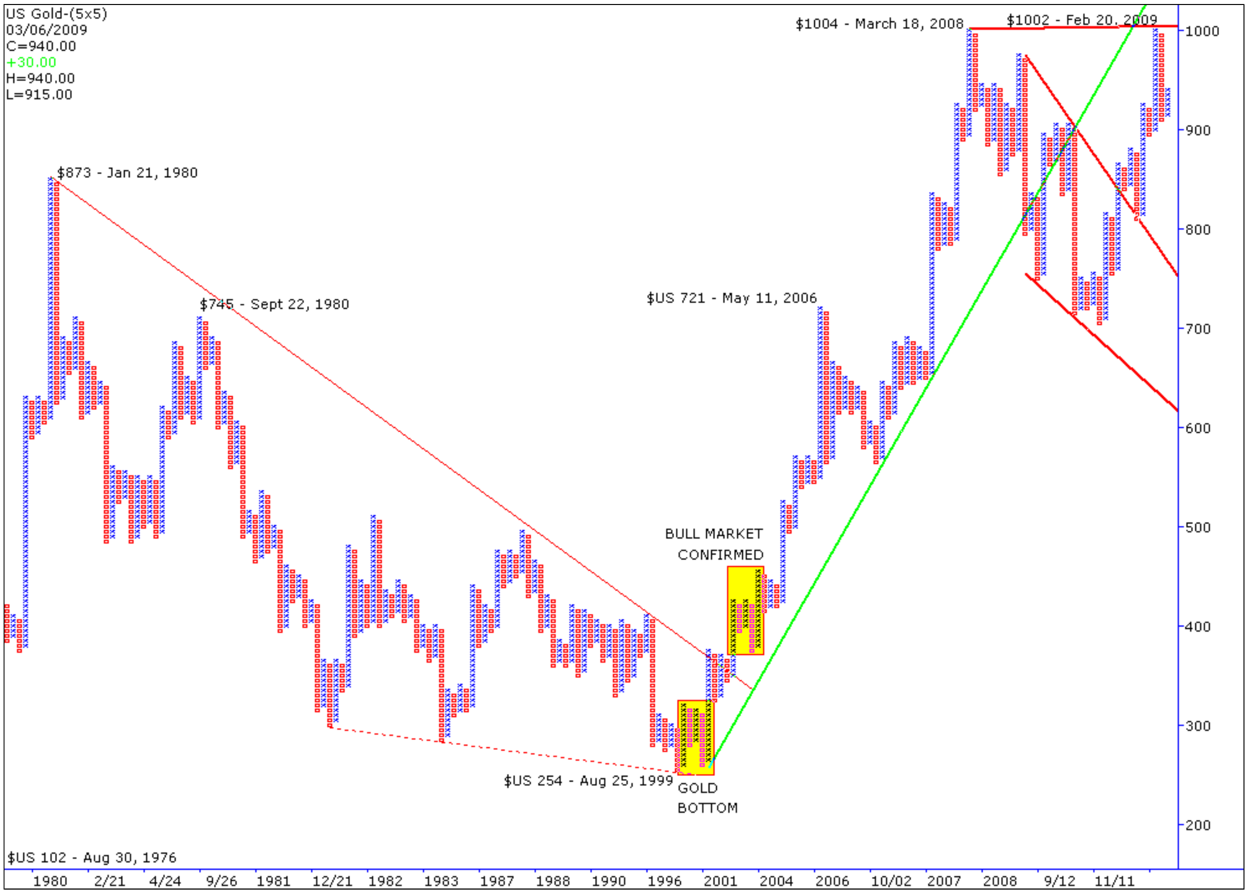
"This is in no sense a provision for an elastic currency. It does not provide an elastic currency. It provides an expansive currency, but not an elastic one. It provides a currency which may be increased, always increased but not a currency for which the bill contains any provision compelling reduction. ...With the exhaustless reservoir of the government of the United States furnishing easy money, the sales increase, the businesses enlarge, more new enterprises are started, the spirit of optimism pervades the community. Bankers are not free from it. They are human. The members of the Federal Reserve Board will not be free from it. They are human. All the world moves along on a growing tide of optimism. Everyone is making money. Everyone is growing rich. And it goes up and up...until finally someone breaks...and down comes the whole structure. I can see in this bill ...no influence interposed by us against the occurrence of one of those periods of false and delusive prosperity which inevitably end in ruin and suffering. For the most direful effects of the awakening of the people from such a dream are not to be found in the banking houses --no, not even in the business houses. They are to be found among the millions who have lost the means of earning their daily bread."

What Elihu Root has to say here was true in 1694 when the Bank of England was Chartered. It remained true in 1913 when the US Federal Reserve was legislated into existence. It has always been true and will always be true. It is sad that when the US Founding Fathers were so careful to separate Church and State, they did not put forth the same care in separating Economy and State and especially MONEY and State.

The only error in that quote was his statement about the "exhaustless reservoir" of the US Government. The British government has exhausted their "reservoir". Given its present policies, the US government won't be far behind.

The Bank of England has embarked on the ultimate destruction of their currency. And any other nation or nations which follows them down the path they have chosen will see their currency meet the same fate.

The $US 5 x 5 Gold Point And Figure Chart:



A new low was hit on the chart when spot future Gold closed in New York at $US 705 on November 13 last year. This pushed the chart two "Xs" below the $US 715 support level established in late October and equalled early in November. Then came the first big turnaround - and upturn on the chart - of November 14. The region between $US 700-720 firmed as SOLID support for Gold. That support "zone" was emphatically confirmed as Gold rose by just over $US 110 between November 13 and November 28 last year.

On February 20, as you know, Gold made it all the way back to its previous all time highs. But it did NOT break through the $US 1000 barrier. Since then, we have had a simple downturn on the chart. And now, with the upturn, we have the support level at $US 910. Resistance has stiffened with Gold's second bounce off $US 1000 nearly a year after the first one. We shall see if a trading range between just above the $US 900 level and $US 1000 firms up. And if it does, it will be interesting to see how long it lasts.

We began the table below in 2007 and have extended it into 2009, even though Gold in all four currencies in the table remain well above their 2006 highs. The all time highs for Gold which occurred in 2008 have remained intact in US Dollars and in Yen.

But in terms of the Euro and especially the Aussie Dollar, the situation is very different. Gold hit new all time highs in both currencies on January 30 with situation being duplicated by Gold in terms of MANY other currencies. Last month, those highs were taken out last week when Gold hit $US 1000. Even with the almost $US 100 fall in Gold up to March 4, the Japanese Yen and the US Dollar (and currencies still "pegged" to the US Dollar) are about the only paper moneys left against which Gold has NOT (yet) hit an all time high this year.

Gold In Four Major Currencies Since The 2006 High

On the $US 5 x 5 P&F chart (see above), the May 2006 high is VERY significant.
It led to the correction which anchors the uptrend line on the chart.

Currency	2006 High	Date	All Time High	Date	Up/Down	Percent
US Dollar	721.50	May 11	**1004.30**	March 18 (08)	+282.80	**+39.20%**
Euro	560.20	May 11	**796.00**	**Feb 20 (09)**	+235.80	**+42.09%**
Aus. Dollar	928.60	May 11	**1571.60**	**Feb 20 (09)**	+643.00	**+69.24%**
Jap. Yen	79285	May 11	**103233**	July 17 (08)	+23948	**+30.20%**
