



Gold This Week

Close Of Trading: February 27, 2009

Updated Weekly

Daily Updates
Weekly Updates

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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: February 23 - 27, 2009

Date,Time,Open,High,Low,Close,Volume,Open Interest

02/23/2009	1600	988.000	997.000	977.000	995.000	118614	369132
02/24/2009	1600	990.000	991.000	964.000	969.500	168789	372697
02/25/2009	1600	964.700	977.700	964.700	966.200	150527	373063
02/26/2009	1600	939.800	946.400	933.000	942.600	142068	376482
02/27/2009	1600	959.000	961.500	934.100	942.500	150990	0

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 February 27, 2009

Zip file INCLUDES a weekly bar chart - 672 x 472

Foiled Again?

A classic week, not only for Gold but for the entire financial maelstrom that is our wonderful "modern" world. The US Commerce department has "revised" (don't you just love that word?) US fourth-quarter GDP "growth" from the originally announced minus 3.8 percent to minus 6.2 percent. Citigroup, which had a market valuation of \$US 277 Billion a little over two years ago, is now "worth" 8.34 Billion. Its shares sank to \$US 1.49 on February 27. I remember "\$1.49 days" in the late 1950s at one of our local department stores.

Bloomberg has added up the pledges made by the US government on behalf of US taxpayers over the past 19 months. Their total comes to \$US 11.6 TRILLION - nearly \$US 1 TRILLION more than the current funded debt admitted to by the US Treasury. But as we all know, money is quite literally "no object" to the US government. This was the week when Mr Obama unveiled his first budget proposal as President. The budget? \$US 3.55 TRILLION. The expected deficit? \$US 1.75 TRILLION. Remember, these are official "projections". The actual numbers are always much higher.

How classic is it that on the day when Mr Obama made this truly amazing "proposal", Gold finished its dive for the week by giving up \$US 23.60 to close for the day at \$US 942.60? It did fall the next day, February 27, too, but only by ten cents. So, after visiting the \$US 1000 level for the second time ever - the first was in March 2008, Gold has recoiled in horror, just as it did in March 2008. This has, of course, led to legions of "analysts" crowing at the top of their lungs that the Gold bull is finished.

We hope that it goes without saying to anyone who has been reading these pages (not to mention *The Privateer*) that the financial and monetary powers that be inside and outside the US will do whatever it takes to prevent Gold from consolidating above \$US 1000. The reasons should be clear enough. As has long since been pointed out here, and elsewhere on the internet we hasten to add, Gold has already made new all time highs in terms of almost all other major world currencies. But those other "major world currencies" are not world RESERVE currencies, not yet anyway. To a much greater extent than anywhere which matters in the world, the financial and economic future of the US is hanging on the ever more tenuous thread of "confidence" in its currency, the US Dollar.

Actually, "confidence" is not the right word here. As Hillary Clinton, Mr Obama's Secretary of State, made perfectly clear in her recent visit to China, the US is very "grateful" to China for their massive purchases of Treasury debt paper. Mrs Clinton all but said it in so many words - if you stop buying we'll both go down together. That is the only thing left holding the global system together. The only thing that there is still confidence in is the fact that a US implosion would have dire consequences for the rest of the world. We are not yet, apparently, at the point where the dire consequences of continuing to prop up the US Dollar are deemed worse than the consequences of standing back and letting it fall over from its own dead weight of debt.

How long this state of affairs will last is impossible to foretell. That it will end, at some point, is certain.

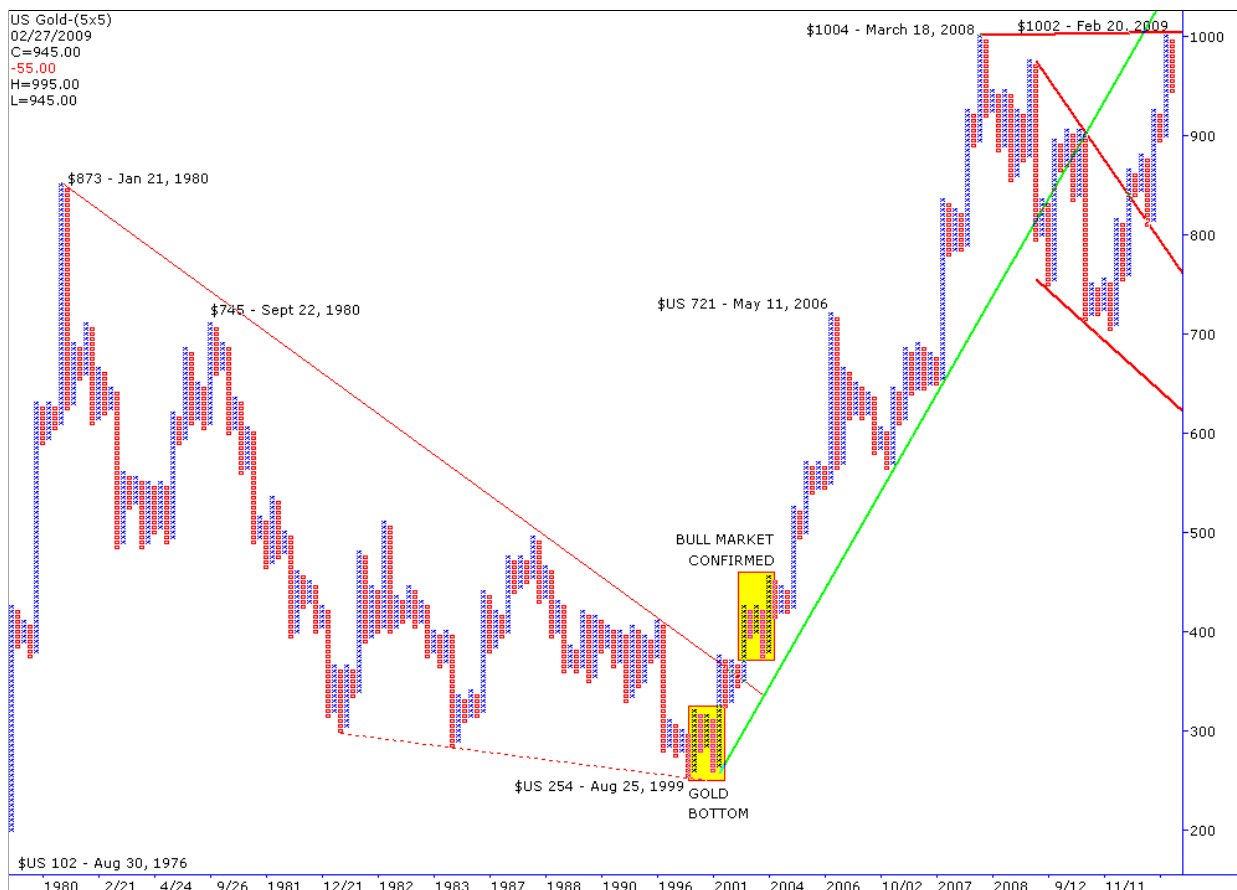
But as long as the perils of a global reserve currency crash are deemed more dreadful than the consequences of continuing to support it, the paper Gold emporium which is the US futures market will still be able to manipulate what is known as the US Gold "price".

Consider some sage words from a great Austrian Economist - Hans Sennholz - penned a little over twenty years ago:

"Sound money and free banking are not impossible, they are merely illegal. That is why money must be deregulated. ...The Gold standard will return as soon as people realise that honesty is the best policy. As hope of ill gain is the beginning of the fiat standard, so is honesty the mother of the Gold standard. The Gold standard is as old as civilisation. Throughout the ages, the Gold standard has emerged again and again because man needed a dependable medium of exchange."

It really is as simple and straightforward as that. As we have been saying ever since it started its rise from just above the \$US 700 level last November, Gold is just "waiting in the wings". That's in terms of US Dollars, of course, it has already emerged onto centre stage in terms of other major world currencies. There are some advantages to being paid in the world's reserve currency after all. Americans still have the chance to purchase Gold at prices lower than it was in March last year. That is something nobody else still has.

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.

Last week, 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. This week, we have a simple downturn on the chart. Support is now about the \$US 925 level. Resistance is, of course, at \$US 1000. And that resistance has stiffened with Gold's second bounce off \$US 1000 nearly a year after the first one.

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 week, Those highs were taken out last week when Gold hit \$US 1000. Even with the almost \$US 60 fall in Gold this week, 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%

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