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The International Precious Metals Outlook 2014 - 2016

Part I

Gold & Its Changing Role for the Future

In affiliation with

The International Think Tank

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Gold & the Future

The stories used to sell gold have done far more damage than the Gold-bugs even realize. Way too many people have done their research and the numerous propaganda that state *only gold is money*, *all paper money is just fiat*, *we should return to a gold standard*, *physical gold is suppressed because of the paper gold contrary to every other commodity* and *the only reason gold has underperformed has been perpetual manipulation of banks*. The daunting question that emerges is why be bothered to advise people to buy something that cannot possibly rally without dark sinister forces lurking behind every rally?

Gold and the future have nothing to do with the gold promoter's sales propaganda, which has never changed ever since the collapse of Bretton Woods in the early 1970s. Gold does have a role. But what is it? When will the gold rally take place and how far will it go? Will everything fall to dust and only gold will survive? What about War and Debt?

Then there are the really wild stories that China will torpedo the dollar and unseat it from its reserve status. Does this even have any credence? Why is it that to buy gold the promoters must destroy everything else? They seem to argue trade will tear down the United States and buy gold for that will be the only thing standing. Yet trade remains but a tiny fraction of world capital flows. Can China displace the dollar simply with trade?

Putting aside the fact that the Chinese Yuan has not even reached 9% yet of global trade flows. Even if the Chinese Yuan replaced the dollar in trade flows right now, it would still not replace the dollar as the reserve currency. One of the biggest misrepresentations has been that of trade and oil behind the value of the dollar of which neither has any appreciable impact. Granted, when the dollar was first floated, the US lobbied to have oil traded in dollars (hence the term petrodollar) assuming that would help support the dollar. But that misconception also proved wrong over time. The real impact behind a reserve currency is not trade – it is capital investment flows.

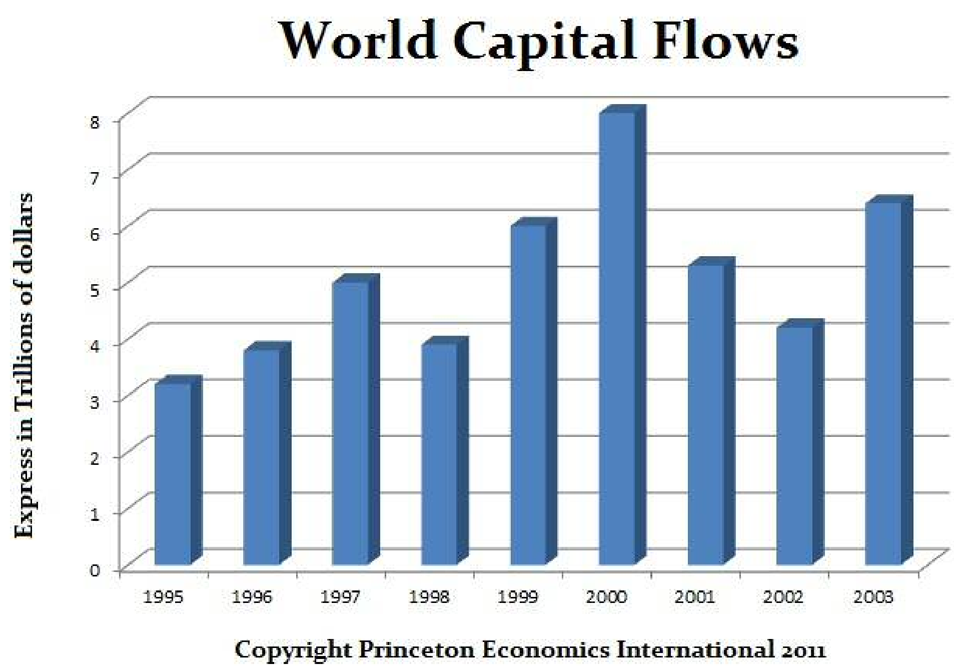
Those who seriously think that the dollar will be impacted by oil or that the Chinese Yuan will unseat the dollar as the reserve currency are simply living in a world of delusion. Such statements made by people display they have no clue about the depth of international capital flows remaining clueless to the **FIRST Golden Rule** of international capital flows that dictate why the dollar is even the reserve currency. This is the golden rule of a reserve currency always attributes to the most powerful and largest economy throughout history

The **SECOND Golden Rule** is that of finance over trade in the modern age that has been really accelerated globalization of the world economy since the fall of Bretton Woods. People fail to even comprehend why Bretton Woods collapsed. It had little to do with trade – it was a current account deficit of the USA caused by the global expansion of the military. Even John F. Kennedy understood this and stated bluntly that the US could end its current account deficit any time it desired. I personally believe Kennedy was assassinated because he wanted to curtail the military to support the dollar. That was the real economic issue that he understood. Building military bases globally sent more dollars outside the USA than trade ever did. The Bretton Woods system collapsed because the dollar was undermined by the military expansion, not importing oil or pink cocktail umbrellas from Asia.

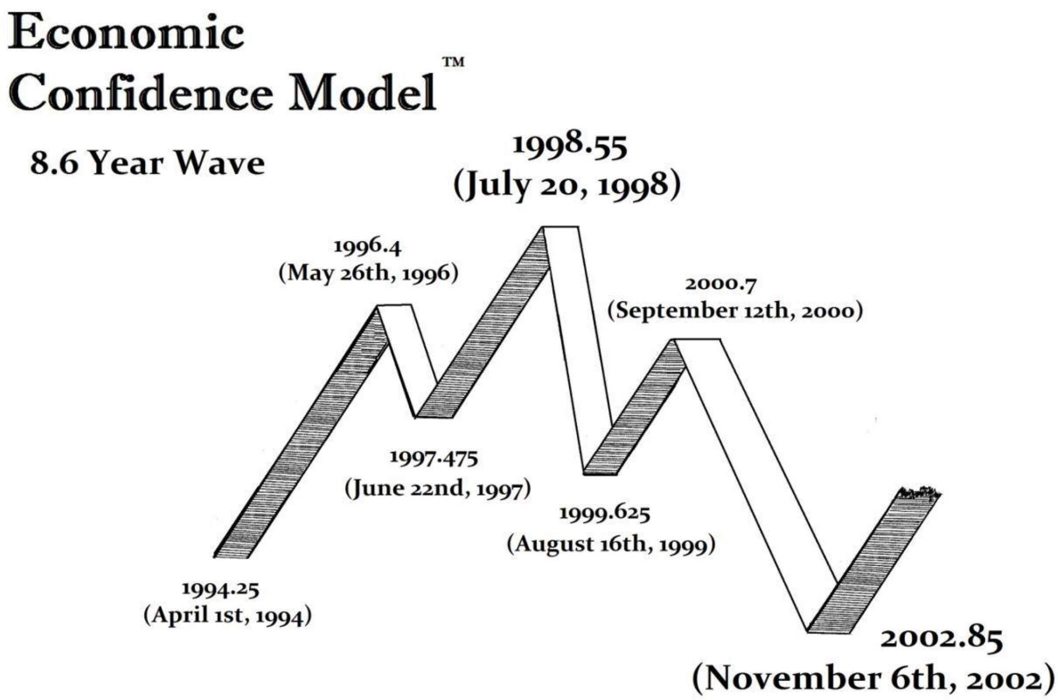
The capital account is the mirror image of the current account, one might expect total recorded world trade—exports plus imports summed over all countries—to equal financial flows—payments plus receipts. However, in fact, during 1996–2001, the capital account was $17.3 trillion, **more** than three times that of the current account, at $5.0 trillion. This illustrates the point, financial transactions between international financial institutions are cleared by netting daily offsetting transactions. For example, if on a particular day, U.S. banks have claims on French banks for $10 million and French banks have claims on U.S. banks for $12 million, the transactions will be cleared through their central banks with a recorded net flow of **only** $2 million from the United States to France even though $22 million of exports was financed. This has the effect of understanding the full capital flow movements.

Secondly, since the 1970s, there have been sustained and unexplained balance-of-payments discrepancies in both trade and financial flows. These anomalies are due to unrecorded capital flows that are taking place. Additionally, there is also a huge share of both capital flows on the financial side as well as export and import trade that is intra-firm transactions. Insofar as trade in goods and material is concerned, this is more often within the semi-finished parts category as in automobiles and other non-electronic machinery between parent companies and their subsidiaries in different countries that are shipped without exchange of actual money flow. Compensation for such trade is accomplished with accounting debits and credits within the firms' books and does not require actual financial flows. Although data on such intra-firm transactions are not generally available for all industrial countries, intra-firm trade for the United States in recent years accounts for 30–40% of exports and 35–45% percent of imports. This tends to allow corporations to book profits in different tax zones that are most favorable for them. Therefore, even the capital and profits do not always flow through the central banks. We might call this part of the underground global economy within international capital flows. If we attribute flows solely to the flag the parent flies for its host domicile, the United States has a massive surplus and there has quite frankly never been a deficit except a few brief periods like 1998-1999.

The lion-share of capital flows has simply been capital rather than trade. Back in 2003, of the more than $6.4 trillion in gross financial transactions, about $5.4 trillion (84%) involved the 24 industrial countries and almost $1.0 trillion (15%) involved the 162 less-developed countries and the bulk of that included the emerging markets or economic territories. The balance of flows amount to less than 1% and that is accounted for by international organizations.



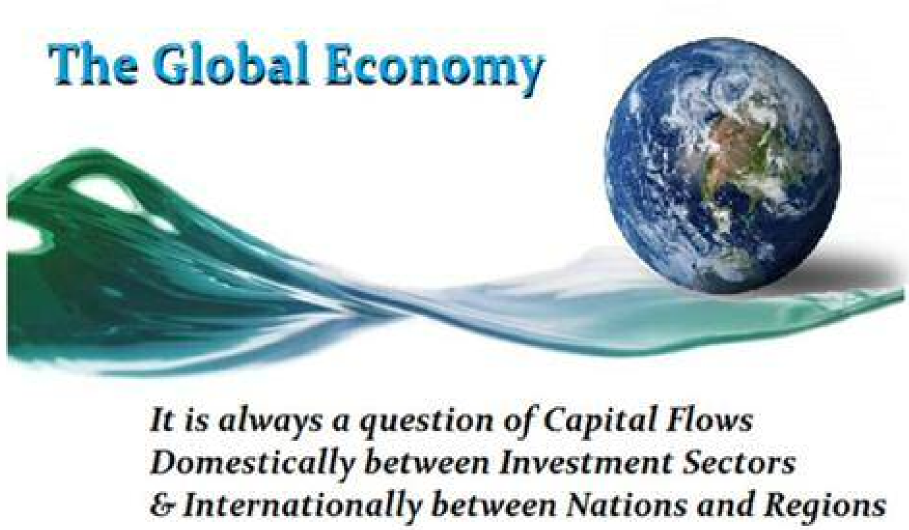
Nonetheless, the impact of the turning point of July 20, 1998 on the **Economic Confidence Model** was way beyond what most people would have guessed. The global capital flows had been outward as there was a rush of investment into Russia. But with the collapse in emerging markets and the **Long-Term Capital Management** debacle in 1998, the capital flows reversed back into the USA. This turn into the USA set the stage for the Dot.COM Bubble that peaked in 2000. The world capital flows thereafter declined from the 2000 high and bottomed in 2002 perfectly in line with the **Economic Confidence Model**.



The global capital flows followed the ECM very nicely moving out of the USA into 1998 reflecting the investment in Russia and then contracting back in creating the DOT.COM bubble for 2000, then reversing outward creating the final low in 2002. The capital flows matched the ECM turning points quite nicely.

Looking closer, the share of industrial nations and the international organizations of total world capital flows peaked with the ECM in 1998 with 90% for industrial nations and 5% for the international organizations. This set the tone for the shift into equities in the USA for 2000. In 1998, the combination of the Russian debt default with the ruble devaluation, the Southeast Asia financial crisis, and the initial uncertainty centered on the return of Hong Kong to Chinese sovereignty in July 1997, caused the collapse in the less-developed countries share of world capital flows driving them down to just 5%.

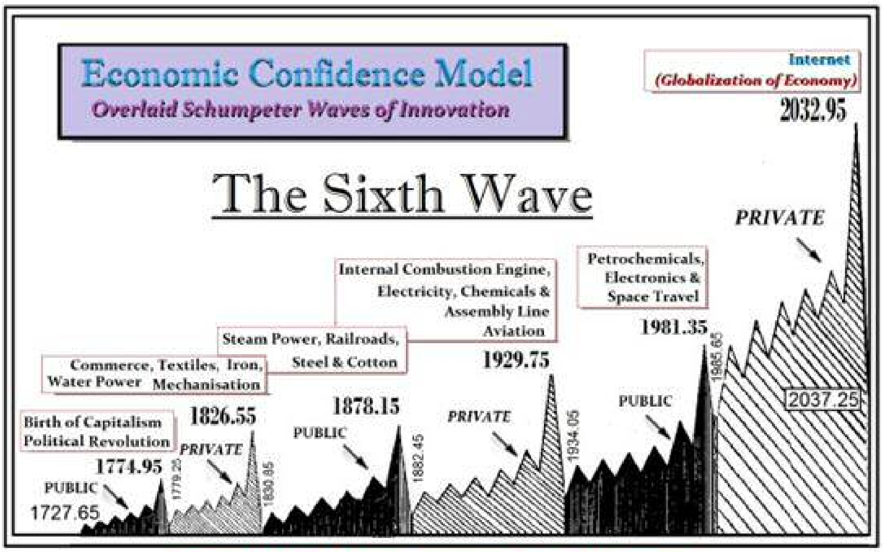
Absolutely everything around us is connected. The major trend unfolds actually in slow-motion. The rise in corporate cash is a reflection of the collapse in capital flows that is now even being accelerated by **FATCA**. Liquidity has also collapsed and this is all reflected in the failure of conventional fundamental analysis to understand that the game has changed entirely.



This globalization of the world economy is best illustrated by trading in foreign exchange markets. Daily foreign exchange trading has reached over $4 trillion, including spot and forward markets and other foreign exchange derivatives that feature prominently in carry trades (cross currency swaps based upon interest rates). While still in the teens in the late 1970s, the ratio of yearly foreign exchange market turnover over merchandise exports had reached about 50:1 in the 1980s, and has doubled again since that time. The current ratio of around 100:1 implies that only about 1% of foreign exchange trading is actually related to merchandise trade. The bulk of money flowing around the world is **INVESTMENT**. So just how can China or Russia displace the dollar if trade is a tiny fraction of the world economy?

Clinton Repeals Glass Steagall Allowing 2007 Mortgage Crisis To Unfold
The Gramm–Leach–Bliley Act (the Financial Services Modernization Act of 1999)
(Pub.L. 106-102, 113 Stat. 1338, enacted November 12, 1999)

The conspicuous rise of derivatives has provided yet another indicator and symptom of the fragility of unfettered global finance, including credit derivatives such as credit default swaps and collateralized debt obligations. These instruments have been celebrated as welcome innovations in a new era of cherishing beliefs in self-regulation thanks to bank lobbying and the repeal of Glass-Steagall. These products have only proved to be the most lethally destructive instruments ever contemplated far beyond their centers of origin in the developed world. What they have done is leveraged the entire game into a realm that few even contemplate the potential impact.



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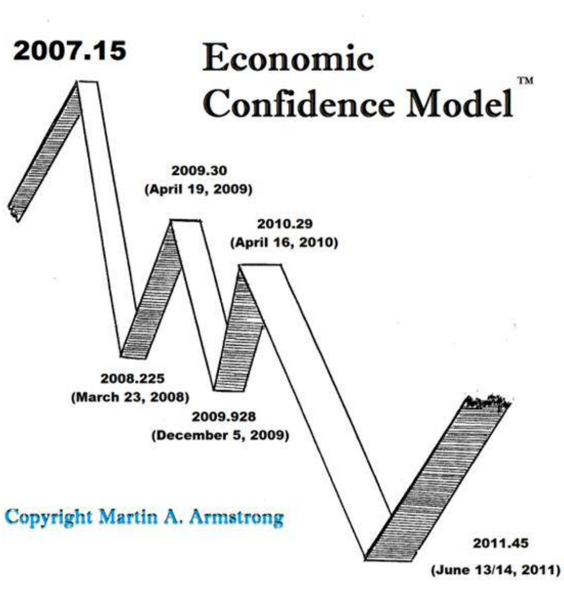
This is the real state of affairs and it is why in 2032 we could be facing a profound change in our political-social-economy. If we have leveraged the entire system far beyond our rational understanding of our management capabilities, then the correction will be equally leveraged on the downside. This is the danger we face for I cannot rule out a Dark Age as long as we over leverage the entire global economy.



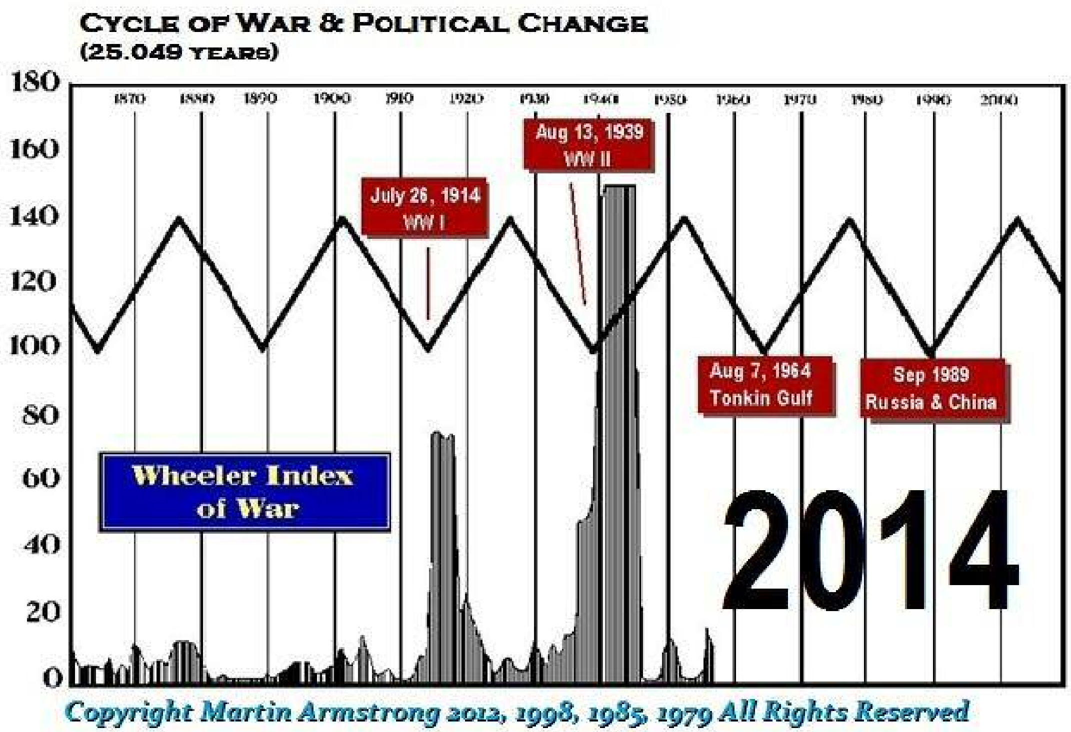
The current economic crisis is truly an unprecedented amazing collapse in international capital flows that has followed years of rising financial globalization since the fall of Bretton Woods. This collapse began with the 2007 turning point on the ECM from which we have witnessed a collapse in liquidity that is coupled with a major retrenchment in international capital flows. This amazingly alarming phenomenon has only been accelerated by the hunt for taxation by governments and their refusal to reform or even comprehend what they are doing. Across time, this astonishingly dramatic collapse in capital flows began in the wake of the Lehman Brothers' failure. We saw this collapse in flows become manifest in banking flows being the hardest hit due to their sensitivity of risk perception. The collapse in capital flows has impacted emerging markets as capital has been recalled and that has also been accelerated by Russia's aggressive posture. Therefore, across regional indicators such as emerging economies has been devastating. The retrenchment in developed economies has been the rise in risk in banks, investment, bonds, and escalating taxation.

A clear econometric analysis warns that the magnitude of the retrenchment in capital flows across countries has been linked to the extent of international financial integration and countries reporting to one-another everyone is doing for tax purposes. Domestic macroeconomic conditions and their connection to world capital flows has been dramatic. This will be incredibly important to the future of gold.

The US is now harassing even our people flying in for meetings from other countries all concerned about taxes and are they being paid in the USA. They are no longer harassing tourists for taxes on trinkets. They are harassing business people looking for money. This is highly destructive of international business and such discretion in the hands of low-level border officers who fail to understand anything is proving massively destructive to the world economy.

It appears that U.S. corporations' are taking advantage of the low interest rates manipulated by the government and supported by two primary trends. **FIRST** we have the strong demand for guaranteed rates of return for pension funds that are insolvent due to the excessively low rates of interest. **SECONDLY**, we have record levels of cash that has sparked buy-backs in shares. When we look at corporate debt, yes total debt has substantially risen to $2.8 trillion because of the low rates. However, corporate cash has piled up reaching a record high of up to $1.3 trillion. When we net these two trends in corporates, this actually leaves them with a record debt of $1.5 trillion on a net basis.

The Consequences of the Collapse in Capital Flows



The seriousness of the collapse in capital flows and the rising hoarding of cash are providing a major warning signal that the global economy is at risk of a substantial contraction. This will only feed the Cycle of War further increasing the finger-pointing and blaming of all sides on an international level while simultaneously we are seeing a rise in domestic civil unrest on a global scale. This undermines the economy as well and sets in motion a decline in confidence in the establishment.

The key to gold is not inflation, collapse in the dollar, hyper-inflation, or any of the other nonsense touted by the gold promoters. The key to the future is not even war alone. We are facing a Sovereign Debt Crisis in combination the turn in the Cycle of War. This lethal combination combines to create the most destructive force to the global economy possible. As the Sovereign Debt Crisis moves forward, this is compelling government to raising taxes and hunt down capital that is sharply contracting the global economy and shrinking liquidity. As that takes place, volatility will only rise. Understanding these forces will explain the future.

We must simply understand that money is an invention of the human mind. The creation of money is made possible because human beings have the capacity to accord value to symbols. Money is a symbol that represents the value of goods and services. The acceptance of any object as money – be it cattle, bronze, wampum, gold coins, paper currency or a digital bank account balance - involves the consent of both the individual user and the community. This debate about what is money serves no purpose and only blocks others who realize this issue of claims of fiat is simply without merit. All money has been fiat as soon as government dictates the value of anything. We are headed into the abyss of electronic money and in this capacity we must redefine the role of gold in the future.

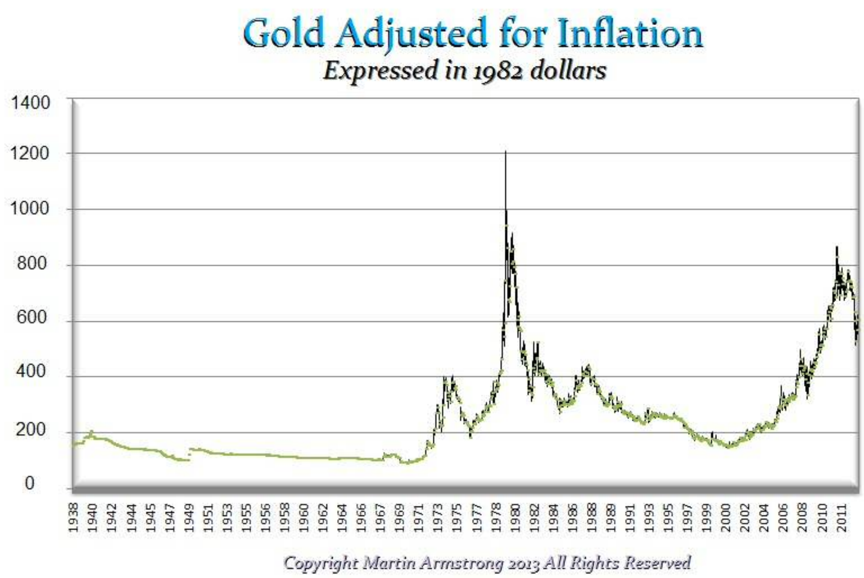
The socialists called gold a ***barbaric relic*** of the past. The inflationist wail against paper money as fiat and that hyperinflation will emerge any day now and engulf the world and only gold will survive. Meanwhile, governments are defaulting everywhere at every level. Even bailouts of banks are transformed into bail-ins and the IMF is advocating the confiscation of more wealth and the raising of taxes at every level. This is not inflationary but **DEFLATIONARY**.

Those who advocate a return to a gold standard fail entirely to understand that these arguments are delusional at best. It is impossible for money to be a store of value yet simultaneously you receive wage increases and your investments appreciate in value. As soon as that takes place, the purchasing power of money declines proving that money cannot and has never been a store of value. Yet facts mean nothing to the gold promoters. They rant and rave against everything and in the meantime, they have cause such financial devastation to the unsuspecting believers it is not funny.

The gold promoters who have argued gold is a hedge against inflation simply do not investigate what they have said. Gold's rally into 2011 failed completely to exceed the 1980 high adjusted for inflation. In 1980 the Dow Jones Industrials reached 1,000 when gold hit $875. The Dow has reached 17,000 and gold trades at $1300. Clearly, this sort of propaganda has led many to lose a fortune and has undermined the confidence in gold distorting its true role within the economy.

We cannot invest in anything unless we have the confidence in what we are doing. To comprehend anything fully, we simply must always reduce it to its origin – its seed. The sad part about gold has been the excessive nonsense that creates half-truths and spins them into a real absurd story whereby both the knowledgeable and the institutional money just cannot subscribe. If we just do a minimal job at investigating markets, we cannot excuse the fact that gold has not rallied to all time **REAL** record highs. Creating dark forces that conspire to suppress the price of gold is a popular excuse for error. If such conspiracies were true, then why tell people to buy something which can never appreciate? Telling people to buy and when they lose, the excuse is the promoters are right, but there are powerful forces that compel them to be wrong, is dishonest. This is not analysis – it is propaganda to sell you something like swamp land in Florida during the Bubble in the 1920s.

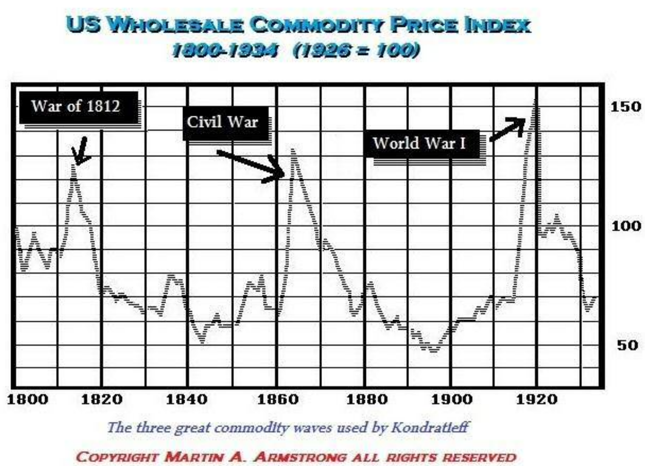
The extreme gold promoters harp on fiat money and inflation, yet they fail to address that every monetary system began with something other than gold, which was used simply for ornamentation. They also make the erroneous claim that gold is the only "real" money and that "money" is supposed to be a ***store of value.*** Neither claim is true. Indeed, this has just **never** been the case.



In order to move forward, we have to ascertain what the **true role of gold** will be within the context of our modern economy. Is gold a hedge against inflation? Does it really even matter? If gold was this hedge against inflation, then why has gold been the ***hedge against making money*** failing to even rally a fraction of what the Dow Jones Industrials did since 1980 – 1,000 to 17,000 compared to gold $875 to $1900? Waiting 40 years for gold to suddenly catch up with inflation is an awful long time to wait. As pictured above, when gold is adjusted for inflation, it never exceeded the 1980 high in real purchasing power terms. It is time to stop the snake-oil sales-pitch and pay attention to reality. Waiting 40 years is missing half your life as a whole. In investment years, it is closer to 75% of your entire life. The last thing we need is swamp land salesmen.

Nevertheless, the gold promoters have sold to unsuspecting investors this unsubstantiated sophistry that gold is the perfect hedge against inflation and is the only real money. The promoters fail to reveal that during systemic inflation, everything rises from real estate and shares to commodities and wages. Unfortunately, the promoters weave wonderful bedtime stories that picture gold as defeating the dragon in a mythical world of economics. What they completely fail to address is that there are three phases of inflation:

(1) Everything rises in proportion,
(2) only movable assets rise like gold when war emerges, and
(3) the final stage of collapse is where the only thing to retain value is food.



Gold's role within the context of a monetary system has been so distorted by the gold promoters it is insane and it has made real investment run away preferring not to be associated with such fanatics. This type of sophistry makes it impossible to move forward and comprehend the real aspects of the future for so many look at this nonsense and see gold as the offering of snake-oil salesmen. Historically, even when gold was officially ***"money"*** in the United States, it rose and fell in purchasing power. There was never a period without inflation or exempt from the business cycle and deflation.

So how do we move forward and understand the potential role for gold in the years ahead? The only possible way we can take one-step forward is to comprehend that Empire, Nations, and City States collapse by attacking their own people creating massive waves of deflation that end in total disaster. It is a matter of how far down this path we move. It we go all the way on this cycle, and then we are staring in the eyes of a dead society and a new Dark Age. If we wake up from this madness in time, perhaps we can save the day and take that giant step for mankind.

The Future Prospects for Gold

What we have to realize is that money is changing before our eyes. In Britain, they have stopped taking cash on public transport. In Manchester they set up a street and all stores agreed not to accept cash. Everything is moving toward electronic money. Things like BitCoin will be shut down. The governments of the world have already made their decision – cash is dead. By moving toward electronic money they will accomplish a lot of projects along side of the main objective, which is to eliminate the underground economy forcing everyone to pay taxes.

The additional side-effects will be to eliminate illegal trade in prostitution, drugs, gambling, or whatever. How do you pay someone for an illegal service or product if there is no ability to pay cash? In ancient Rome, they also sought to purify society after Ovid's (Publius Ovidius Naso (43 BC–17/18AD) writings created an era of free love in Rome like the 1960s. In 8AD, the first Emperor Augustus banished Ovid to Tomis on the Black Sea summarily without any judicial hearing. Augustus was implementing family values by decree. Augustus banished his daughter Julia (39BC–14AD) for her promiscuity in 2AD.

Roman Prostitute Token
1st Century AD

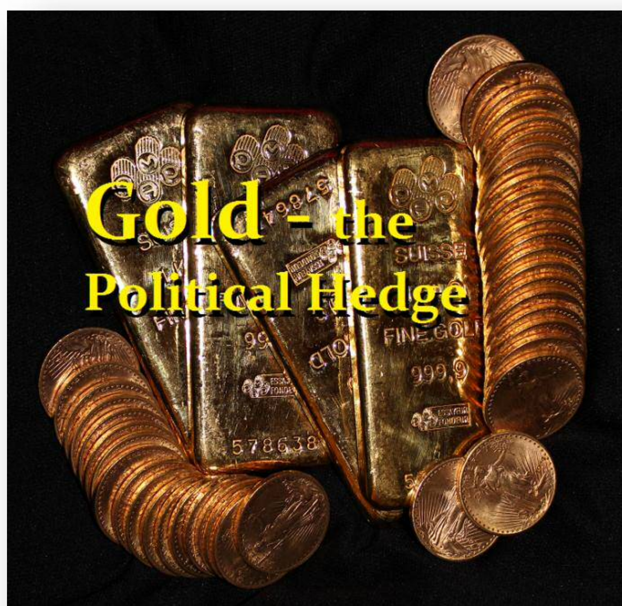
To further what he saw as morality, Augustus had prostitution taxed, and he made homosexuality a punishable offense. According to Roman historian Suetonius (69–after 122 AD), carrying a ring or a coin bearing the emperor's image into a latrine or brothel could be

the basis for an accusation of treason (*maiestas*) under Tiberius (14-37AD). Under Caracalla (198-217AD), an equestrian was sentenced to death for bringing a coin with the emperor's likeness into a brothel; he was spared only by the emperor's own death. Consequently, to get around such laws, prostitute tokens became the standard form of payment. A patron purchased the token and then paid with that token and the prostitute then exchanged it for money. We may see this sort of development when money becomes completely electronic.

Furthermore, we are looking at the prospect of preventing also bank-runs. How do you run to the bank and withdraw your money fearing the bank will fail? How will a robber rob a bank if there is no paper money? In both cases, do you run to the banks and say put it on this CD-ROM or USB stick?

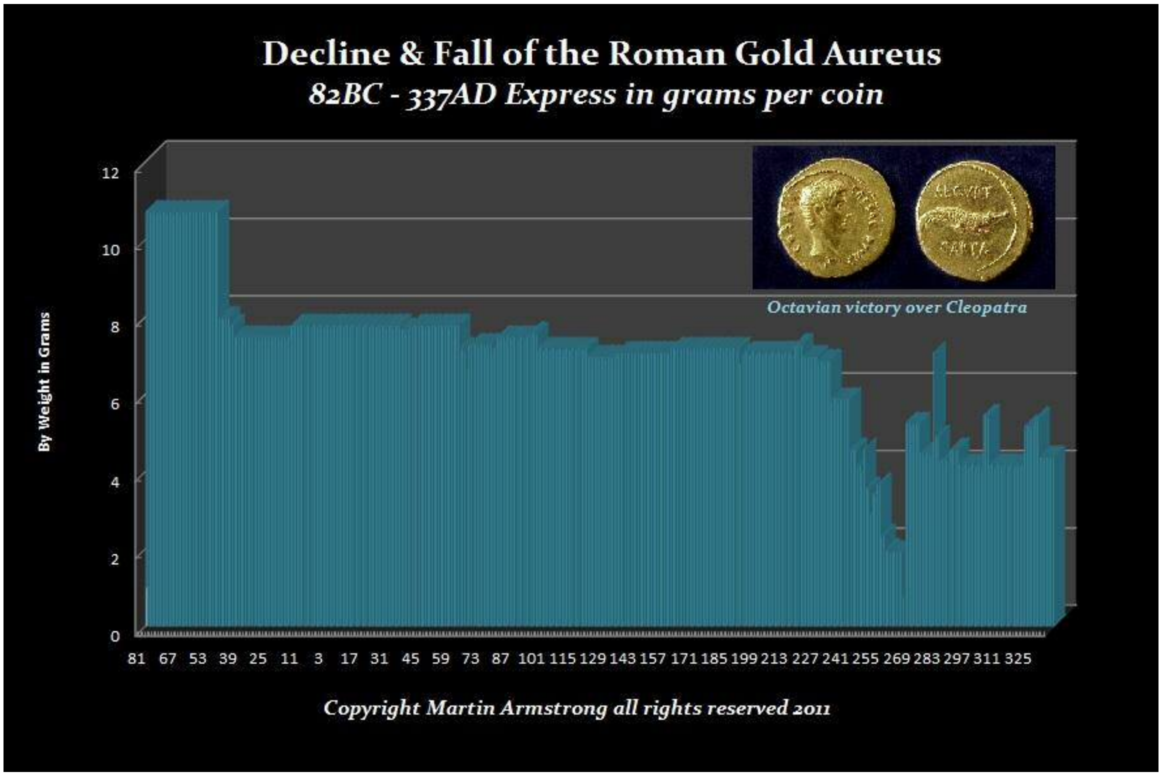
Electronic money will change everything. Ever since the first coins appeared in Lydia during the 6th century BC, there was a sort of privacy to money and what you possessed. Moving to electronic will wipe-out all privacy and what use to be economic freedom will vanish for us and our children's children. Crime will move from the street to the educated cyber-criminals. Those who drop out of school will not be able to earn money illegally – it will now require an education. Those incapable of education will simply end-up on the welfare rolls assuming they still even exist.

Gold's real role in this new age of electronic money may be the means to restore the economic freedom of those seeking the underground economy. Gold and silver coins will most likely emerge as the medium of exchange in a world of electronic money. What you must consider is that the gold and silver must be in a common recognizable form. That implies old common circulated coins. Look for the common silver coinage of pre-1965 insofar as silver is concerned. Where gold is being considered, you may also want to stick to common circulated coins such as $5, $10, and $20 coins of the United States or gold Sovereign of Britain for example.



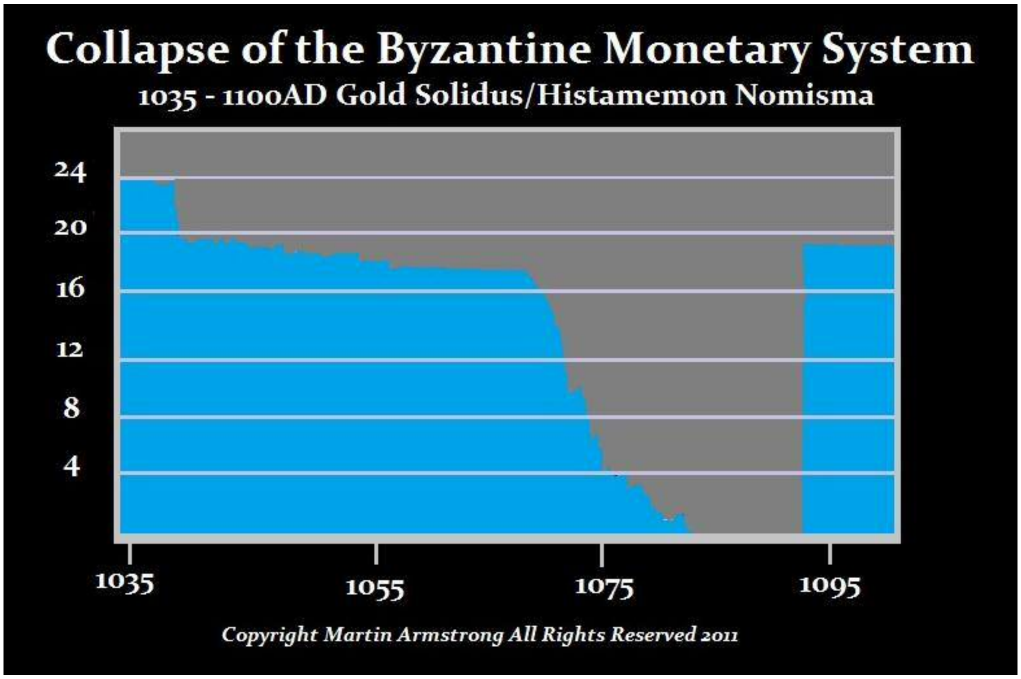
It is clear that instruments such as bonds will present a monumental risk to our financial survival. We have municipal governments heading lower into the default abyss like Detroit and the rising prospects of war that will turn federal issues into a new breed of political risk. In this context, the precious metals may find their *niche* in the years ahead yet it will not be inflation risk – political-economic risk.

The Myth of Gold is the Savior

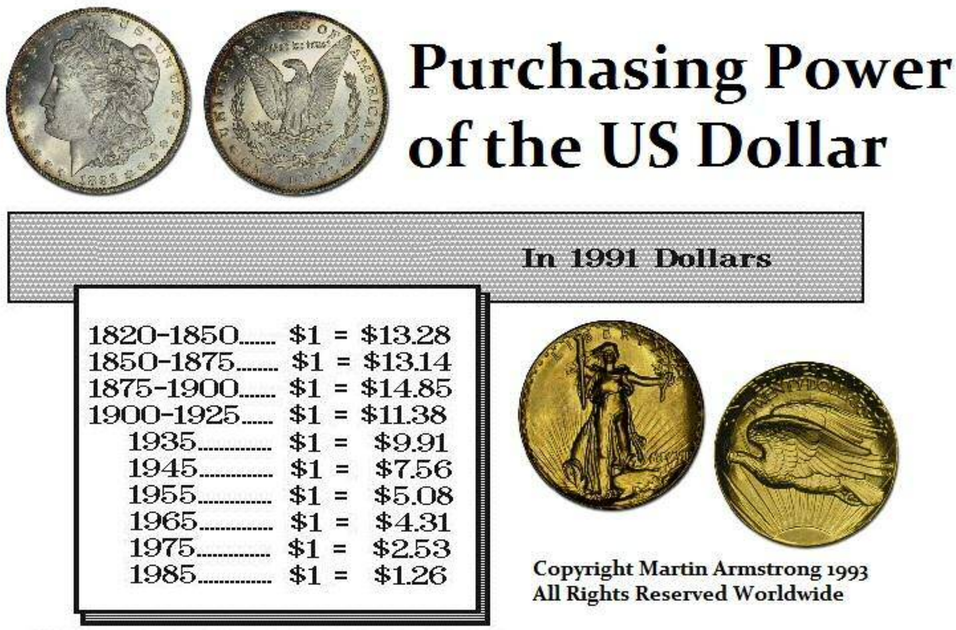


For gold to reenter a bull market, we do not need hyperinflation which is entirely very primitive domestic perspective. Gold has **NEVER** formed an exception to everything within the economy nor has gold ever been a store of wealth. When gold is money, it rises and falls in purchasing power indistinguishable from paper money or else nothing can rise in terms of money if money were constant. Here is a chart of the Roman gold Aureus plotting the weight of this coin for its entire issue from 82BC to 337AD. We can see that as inflation rose, to increase the money supply Rome reduced the weight of the Aureus. This clearly demonstrates that just because gold may be money, it does not result in some magical role of becoming the solution to everything and thereby emerges as some impregnable fortress of value.

Julius Caesar & Octavian
Roman Gold Aureus



While Rome reduced the weight of the gold coinage to increase the money supply, when Constantine moved the capitol from Rome in Italy to Constantinople in Turkey in 337AD, we eventually see that with the rise of Islam and cutting the supply to gold mines in Northern Africa, gold became scares. Instead of reducing the weight, from 1035 onward, we begin to see that the gold coinage was debased. One can visually observe the golden color of the coinage fade into virtually white silver until the Great Monetary Reform of 1092 when gold was restored.



1820-1850	$1 =	$13.28
1850-1875	$1 =	$13.14
1875-1900	$1 =	$14.85
1900-1925	$1 =	$11.38
1935	$1 =	$9.91
1945	$1 =	$7.56
1955	$1 =	$5.08
1965	$1 =	$4.31
1975	$1 =	$2.53
1985	$1 =	$1.26

The Goldbugs try to claim I hate gold and therefore nobody should listen to me and go on losing money. This simply boils down to the fact that they want to lie to people to sell gold for when you do not like the message and cannot dispute the facts, you attack the messenger. This hostility merely establishes that their claims about gold are false and misleading. They have become merely promotional gimmicks that like politicians enrage people's passions so they abandon all logic. Yes the value of money has always, and without exception, declined in purchasing power. Nevertheless, declaring money to be gold will not reverse that trend nor prevent it from unfolding. The same pattern has existed when precious metals were money as we see when money is paper.

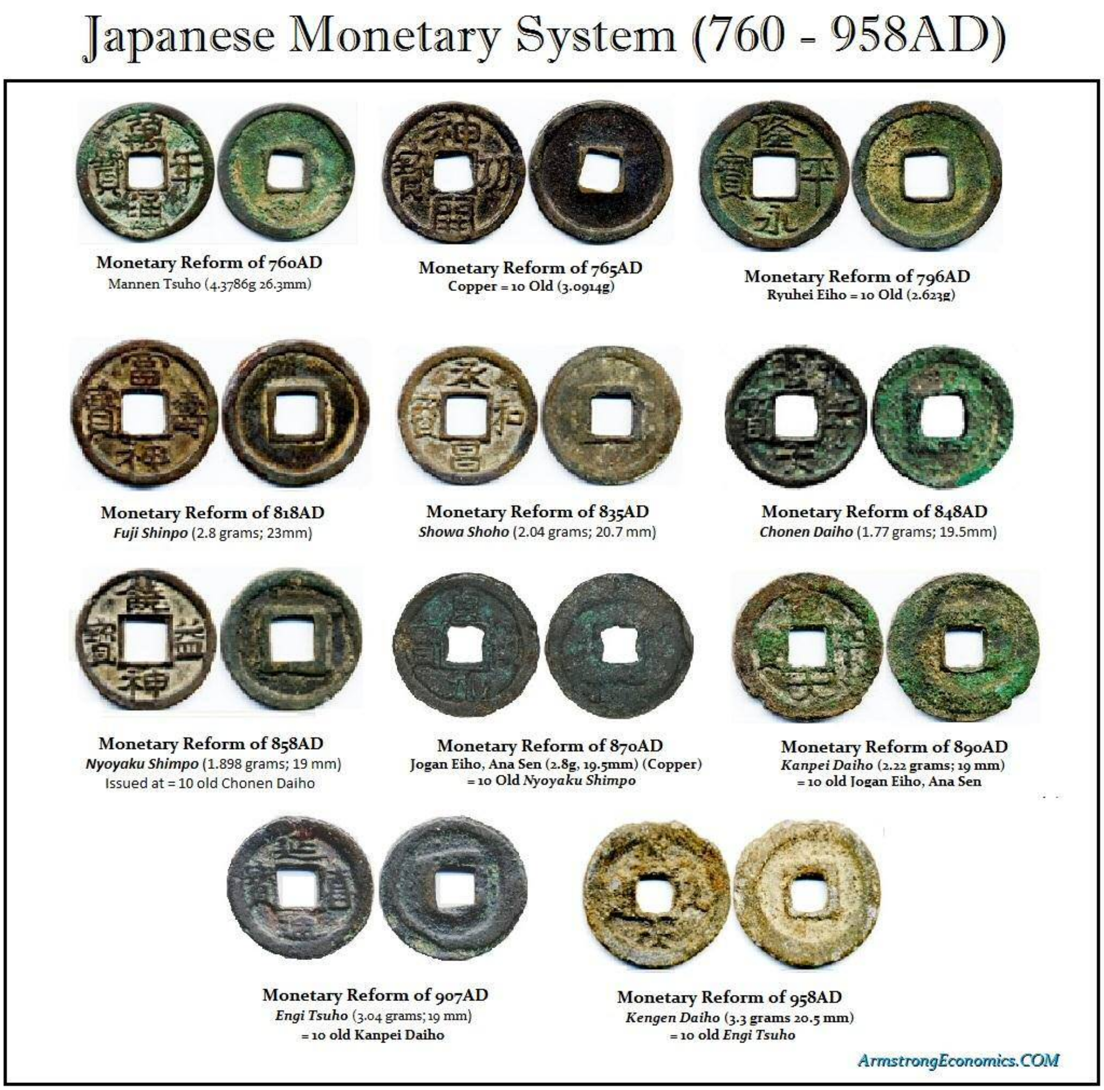
Nevertheless, there have been many attempts to create standards and each and every one has failed. You cannot fix the value of money for it must always float based upon supply and demand that contributes to confidence or mistrust.

The Welfare State of the West
V
the Former Communist States

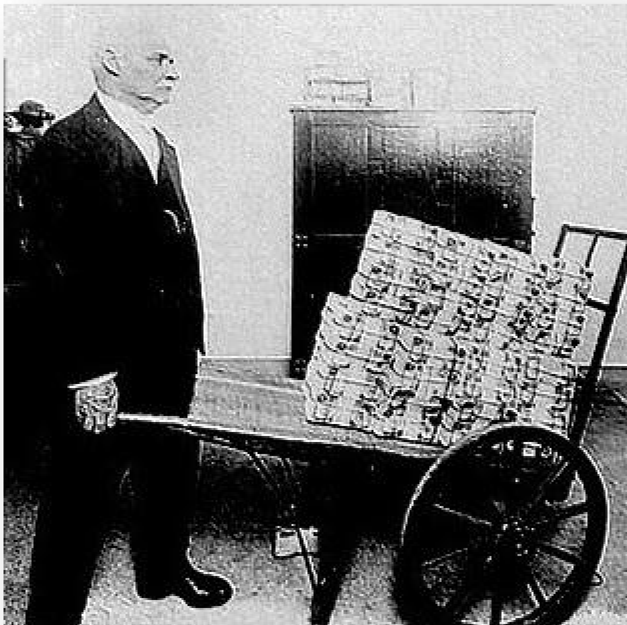
There is a stark difference between the belief system of those residing within former communist states compared to the residents in Europe and America. This core difference is accountable for the disparity in buying precious metals. The greatest problem people create in analysis has been judging others by themselves. The precious metal pundits point to the buying of gold in China and Russia and say see, gold has to rise because of their demand. That view has fallen flat on its face because once again it is far too superficial and ignores my definition of a bull market – something that rises in terms of all currencies.

If you go to any former communist state in Eastern Europe and actually talk to the people you will come away with a completely different understanding. Most people in Ukraine pay and deal in cash – typically using dollars or euros. Why? They do not **TRUST** their own government.

This was the same backdrop to the German hyperinflation that has been so misrepresented. People relied upon foreign currencies and distrusted the new Revolutionary Government of 1918. It was that distrust than led to people not accepting the new German mark and thus the currency went into hyperinflation. It was **NOT** that the currency went into hyperinflation **FIRST** – it moved into that position as a result of people abandoning the banks and the local currency because of the 1918 Communist Revolution in Germany. People relied upon the currencies of surrounding states before they would ever store wealth for 5 minutes in German currency.



The very same trend emerged in Japan where the people rejected the currency of their own country. In Japan, it was not the idea of printing or creating more money in a fiat situation but precisely the opposite. Each new coinage was issued by devaluing the outstanding money



supply so each new issue became worth 10 times the coins currently in circulation. The net result of this practice was the same as simply printing tons of paper that was done in Germany. In both cases, this clearly established that money was **NOT A STORE OF VALUE**. It did not matter if you pointed endlessly or you simply devalued the previous money supply relative to the new issue. Either way, money was not a store of value and tangible commodities proved to be the hedge including real estate. In Japan, the people would not accept coinage of the government anymore and thus the Japanese monetary system used either Chinese coins or mainly bags of rice. The Japanese emperors could no longer issue coinage and that lasted for 600 years.

In Zimbabwe the official currency was the Zimbabwean dollar (Z$) from 1980 to April 12, 2009, with three periods of inflation. It began as the highest-valued currency units in the region when it was introduced in 1980 replacing the Rhodesian dollar at par. However, soon political turmoil unfolded and the **CONFIDENCE** in the government collapsed. This became manifest in hyperinflation. The Z$ underwent three very major redenominations, with high face value paper denominations, including a $100 trillion banknote. The third redenomination produced the “fourth dollar” (ZWL), which was worth 1 trillion ZWR (third dollar), or 1025 ZWD (first dollar).

Despite attempts to control inflation by legislation, **CONFIDENCE** in the government was nonexistent. Three redenominations (in 2006, 2008 and 2009), failed and the end result, the power of the government simply collapsed insofar as its authority to even issue money much like Japan. Effectively, the Z$ was abandoned on April 12, 2009 in the midst of the global financial crisis due to the lack of confidence and skyrocketing inflation. This end result of the Reserve Bank of Zimbabwe was forced to legalize the use of foreign currencies for transactions in January 2009. In other words, they function only using the currency of other governments.

The people I have spoken with in Ukraine have expressed their uprising as rather straight forward. Nobody really relies upon government for nobody trusted government. The corruption of the police combined with the attempt to impose Russian style oligarchy was really the last straw. This inspired the revolution that involved so many people that proved it was no CIA plot as the conspiracy crowd tried to blame. Such CIA plots are more at the level of coups and do not involve the entire population. Yes, the West seized the moment and installed their favorite politicians telling the people shut up and accept this or they would not be supported.

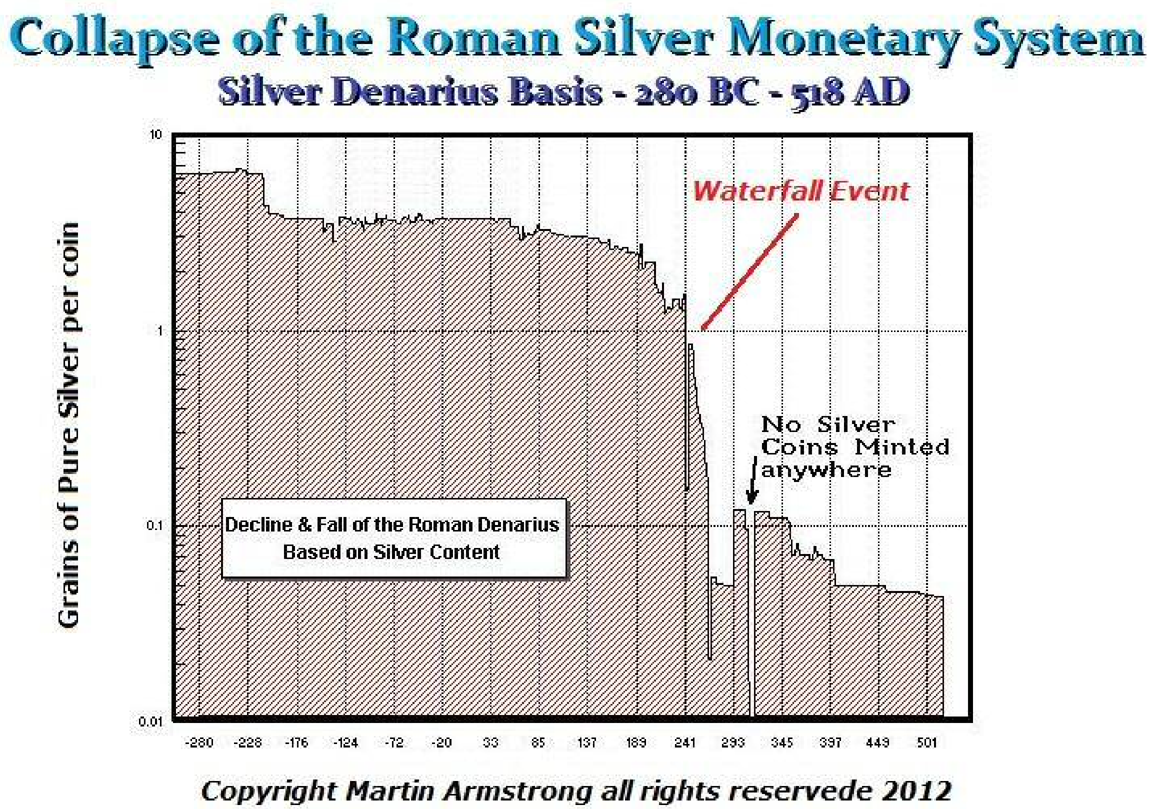
Maidan in Kyiv remained even after the change in government because this was a real grass-roots uprising. The last of the hardcore protesters on Kyiv's Independence Square were forcefully removed on Sunday, August 12th, 2014. The last remaining canvas tents following scuffles with the police on orders of the new government with burning tires came to an end. The protesters were compelled with force to leave with ill-feelings towards Ukraine's new, post-revolution government and serious doubts. The government claims it is at war and the people will have their honest government with reforms only after the war has ended. Consequently, the spirit of the revolution was a grass-roots uprising while the politics seized the moment to install its favored sons. The people are sadly left in the same position of distrust of a government they have yet to see become for the people.

This is the stark difference between the West and former Communist nations. The people of the West still believe that government is there to take care of them whereas the people of former Communist states expect nothing from government. Many of the pro-Russians in Eastern Ukraine wrongly think that Russia will restore the Soviet Union and they can go back to the good-old days of state welfare. Russia will not restore such a system and in the West, we have yet to comprehend this same lesson.

As a result, the buying of gold in China and Russia is totally different from the concepts of investors in the West. They buy gold not for expectations of inflation or hyperinflation but as a hedge against government. They do not see this as an investment so much as a hedge for independence. Gold has not performed well at all in terms of Japanese yen for here too we have a very high expectation of state welfare. The Japanese as a whole have tended to believe in government as if it were the good-old days of the Emperor where he was once seen as the representative of God on earth. Under such a concept, then government is good and not evil. The Japanese are slowly awakening to the reality that this vision of government is seriously misplaced.

The Chicken or the Egg

What Comes First – Inflation or Deflation



The assumption made by those who tout hyperinflation, only focuses on Germany, Zimbabwe, and governments that have gone into revolution like France after 1789. This assumption is seriously wrong even aside from the fact that the governments in question are not established entities that we have today. The assumption claims the inflation is the culprit when in fact it is the symptom and not the catalyst. The first step in the process is the collapse in PUBLIC CONFIDENCE. This is the very critical component to the collapse of Empires, Nations, and City States. We now have polls showing that pessimism is at record highs. The middle class as a majority no longer believe that their children will have it better than they did. This is the first step in the decline in PUBLIC CONFIDENCE.

Empires, Nations, and City States that are established die from DEFLATION not INFLATION. The process is they keep taking higher proportions of taxes to sustain their existence. The inflation

comes only as tax revenues decline while costs rise. Yet this is at the federal or national level. Keep in mind that the local level of government lacks the capacity to create money. We have found the rise of local money during economic declines when there has arisen severe shortages of money as was the case in the United States during the Great Depression. The first appearance of Depression Scrip (local money issues) took place only when there was the Sovereign Debt Default of 1931. Only in late 1931 was there any large scale issuance of this scrip. By February 1933, there were more than 400 communities using some form of emergency local currency even prior to the Roosevelt Bank Holiday of March 6th, 1933.

United States Civil War Tokens

Indeed, emergency forms of money have appeared numerous times during modern financial panics such as the Panic of 1837, Civil War years, Panics of 1873, 1893, and especially during the Panic of 1907. Such types of private and local money are very common historically.

Civil War Encased Postage Stamps

We also see during the Civil War private forms of money backed by postage stamps. These were very interesting no doubt. However, even the US government issued postage currency because confidence was low and metal was in short supply. Therefore, money became utilitarian insofar as it had to be worth something usable. Even the normal paper currency became known as a "greenback", nit because there was no gold backing, but also because there was no interest payment schedule printed on the reverse. Effectively, when the US government abandoned the gold standard during the Civil War, they paid interest to instill confidence in the paper money. In reality, the currency became circulating bearer bonds. This was the way the government sought to create confidence to accept the paper money.

Civil War Small Change Currency
backed by Postage Stamps

Historically, inflation is the net result of fiscal mismanagement. But government first will always try to tax people to death. The inflation comes only when the taxing power begins to produce nothing. This is why government is now seeking to eliminate even paper money and move to electronic to gather every loose dime of tax they claim to be entitled to in order to sustain their power. This is how all **ESTABLISHED** governments collapse. Hyperinflation unfolds only in states without power. That is why it has unfolded linked to revolution more so than any other reason.

The 1864 $10
Compound Interest Note

Greenbacks were the absence of redeemable in gold and interest

Correlations

When we look at gold in this report two vital questions are answered. Will gold still rise to $5,000 level? YES! When? When gold rallies in terms of all currencies! You will notice that gold has **NOT** exceeded the 1980 high in terms of Japanese yen. Moreover, the claims that China is buying gold must be understood in terms of East v West. Chinese citizens are buying gold as a hedge against government – not for the reasons purported by the Goldbugs in America. On the yearly level, in terms of dollars, we may see the major turning point coming in 2016. In most other currencies, this seems to be 2015 and 2017. If we see a decline for gold in currencies into 2015, then this might prove to be a leading indicator for gold in dollars. January is showing up as an important turning point for gold because this is showing up in terms of all currencies. Hence, it should be a real move in gold prices.

Quarterly NY Gold Nearest Futures
Composite
Quarterly Gold Expressed in Euros
Composite
Quarterly Gold Expressed in Swiss Fr
Composite
Quarterly Gold Expressed in Pounds
Composite
Quarterly Gold Expressed in Yen
Composite
Quarterly Gold in Chinese Yuan
Composite
Quarterly Gold Expressed in A$
Composite
Quarterly Gold Expressed in C$
Composite
Quarterly Gold in Basket of Currencies
Composite
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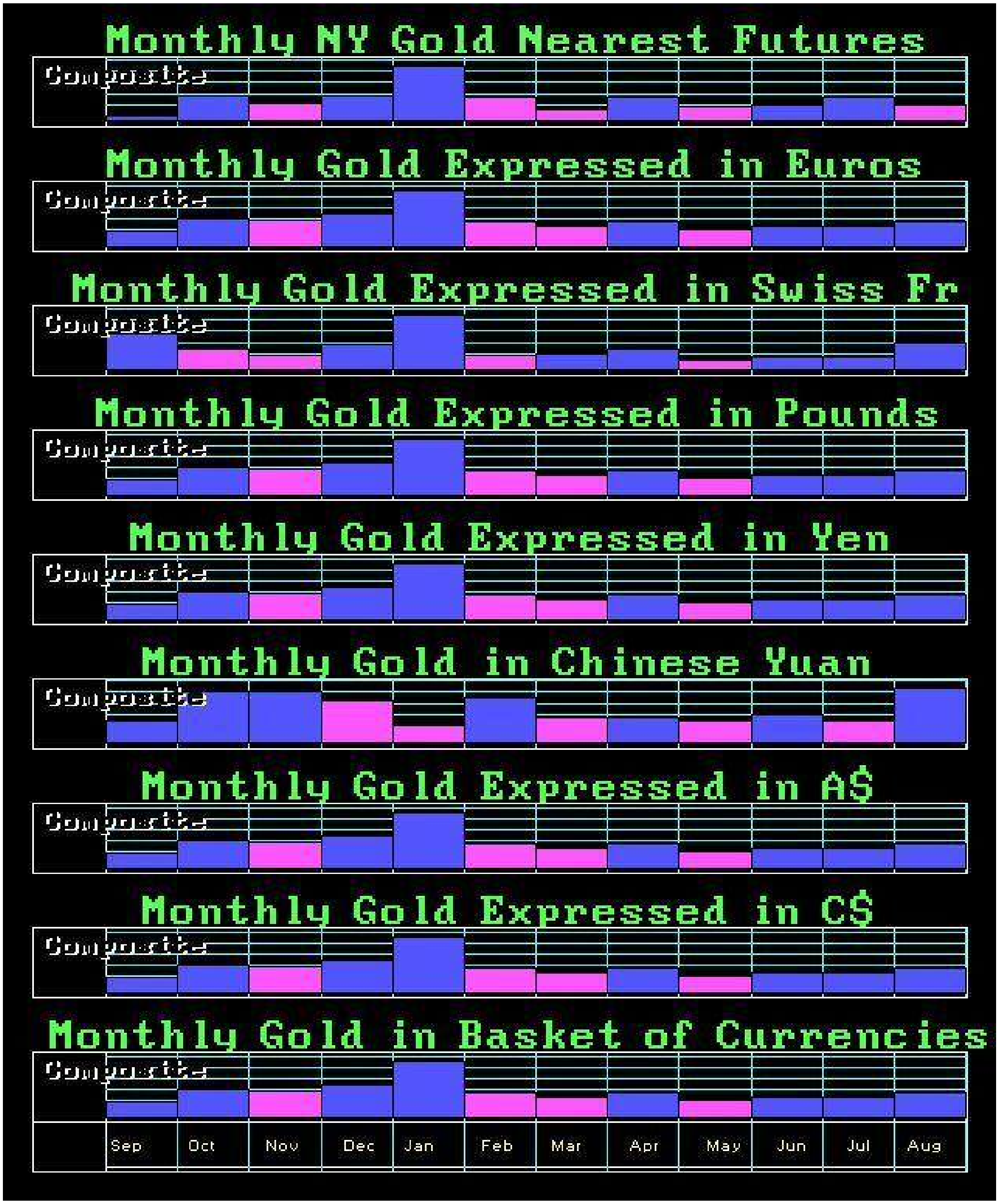
Monthly NY Gold Nearest Futures
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Monthly Gold Expressed in Euros
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Monthly Gold Expressed in Swiss Fr
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Monthly Gold in Chinese Yuan
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Monthly Gold Expressed in A$
Composite
Monthly Gold Expressed in C$
Composite
Monthly Gold in Basket of Currencies
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Weekly NY Gold Nearest Futures
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Weekly Gold Expressed in Euros
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Weekly Gold Expressed in Swiss Fr
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Weekly Gold in Chinese Yuan
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Weekly Gold Expressed in A$
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Weekly Gold Expressed in C$
Composite
Weekly Gold in Basket of Currencies
Composite
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Yearly NY Silver Nearest Futures
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Yearly Silver Expressed in Euros
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Yearly Silver Expressed in Swiss
Composite
Yearly Silver Expressed in Pounds
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Yearly Silver Expressed in Yen
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Yearly Silver in Chinese Yuan
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Yearly Silver Expressed in A$
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Yearly Silver Expressed in C$
Composite
Yearly Silver in Basket of Currencies
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2024
2025


Quarterly NY Silver Nearest Futures
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Quarterly Silver Expressed in Euros
Composite
Quarterly Silver Expressed in Swiss
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Quarterly Silver Expressed in Pounds
Composite
Quarterly Silver Expressed in Yen
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Quarterly Silver in Chinese Yuan
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Quarterly Silver Expressed in A$
Composite
Quarterly Silver Expressed in C$
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Quarterly Silver in Basket of Currencies
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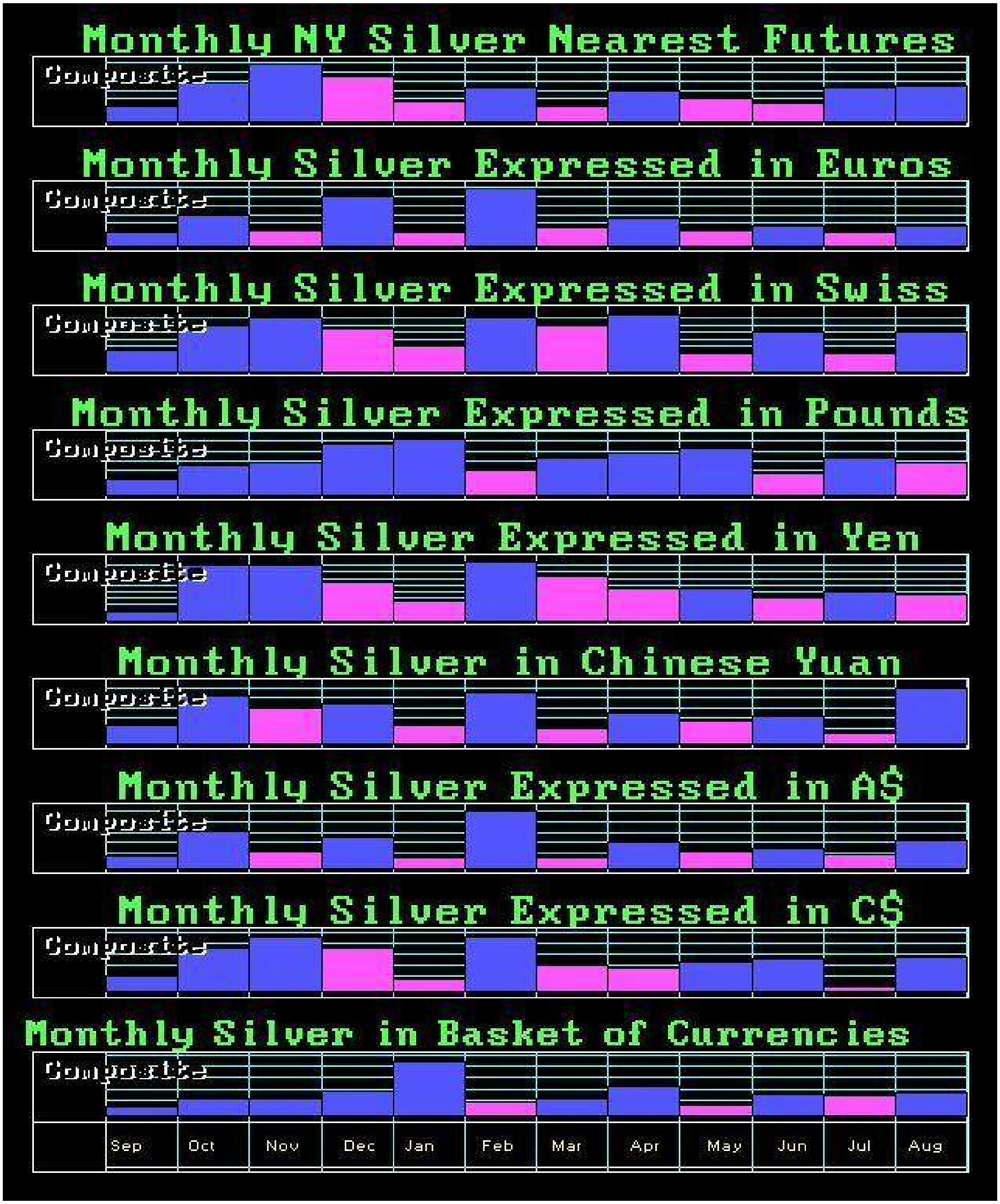

Monthly NY Silver Nearest Futures
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Weekly NY Silver Nearest Futures
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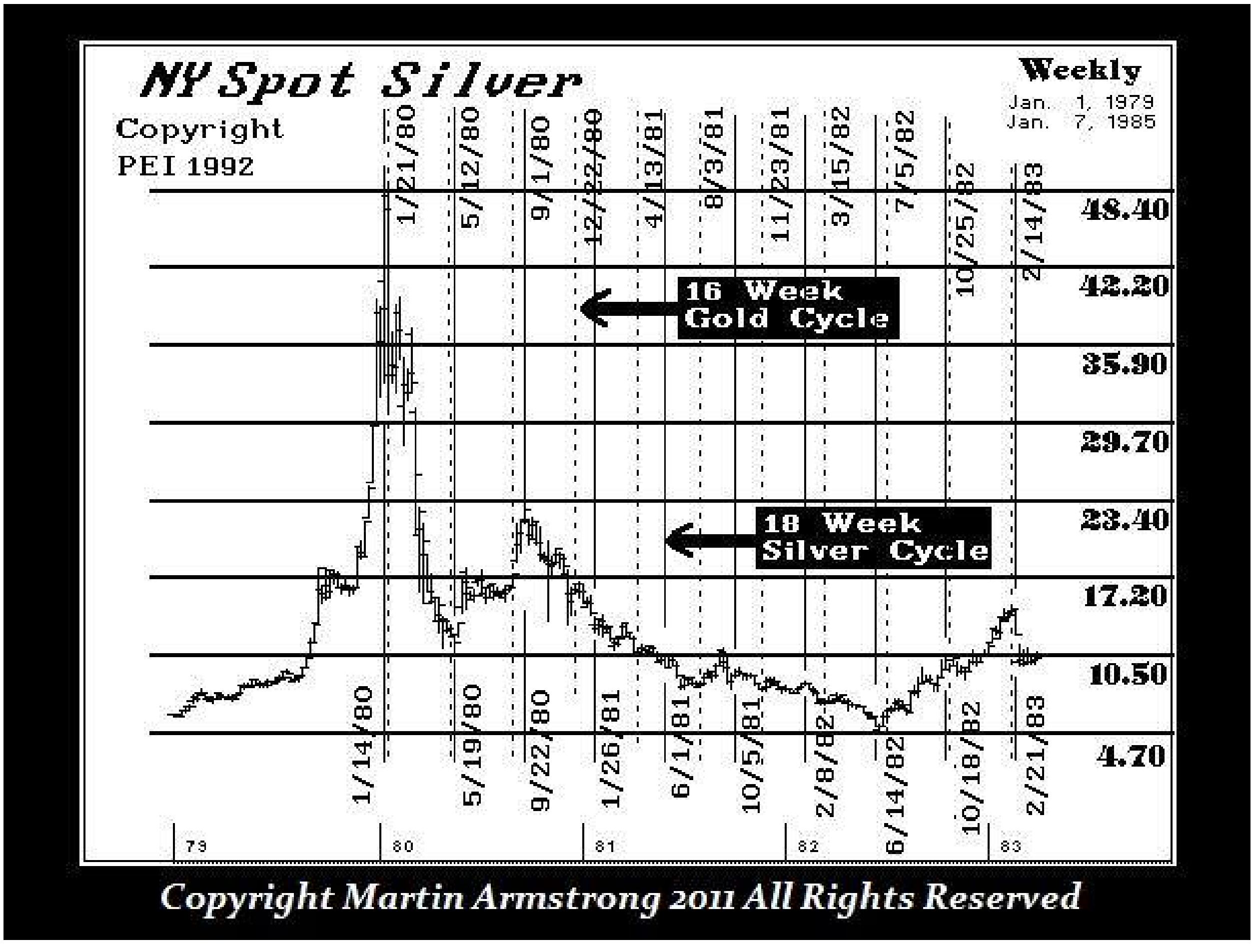
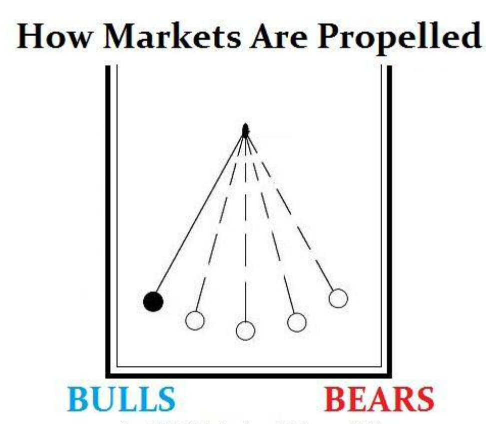
When Gold & Silver Converge



Understanding how cycles actually function is critical. They are turning points – not specific highs or lows. It is not totally as random as that might sound. They are indicative of the trend. The Benchmark Cycle in gold is 16 weeks whereas in silver it is 18 weeks. Not absolutely every target produces a major turning point. These are benchmarks insofar as they are lines of demarcation indicating trend.

Traditionally, these two cycles converge and become back-to-back weeks during period of important changes in trend. They have more often than not produced highs during a bull market and lows during a bear market. This is part of the Cycle Inversion process. In 1980, silver peaked on Friday January 18th, and gold opened Monday January 21st up-limit producing the high and that was it. Silver did not make new highs beyond its benchmark and that was a major sell signal. Both metals then collapsed and moved into the next back-to-back target in March 1980. That produced the major low in international terms. From there on, not much changed. The metals churned back and forth grinding into eventually a 19 year low.

The 1999 low took place during the week of 08/23/1999 in gold. These two benchmark cycles converged for the weeks of 09/06 and 09/13. While that convergence did not produce the final low, it marked the sideways base for 3 weeks and then the entire bull market began the very next week 09/20 with gold move from a low of $255.50 to $272.40 by the end of that week. The rally peaked on short-covering 2 weeks later 10/04 at $338.00. That was a sharp and swift 33% advance in just 6 weeks. This is what we need – not fresh buying, too many shorts that are forced into buying back their positions. This is the opposite from the high. There everyone is optimistic and see nothing but straight up forever. They buy the high every time and the crash comes forcing them to sell. It is never a huge short player that makes the top nor is it a huge buyer at the bottom. This is simply how markets function by moving to extremes on both ends like a pendulum.



Benchmark Dates 1980 - 2016

GOLD	SILVER
19800121	19800114
19800512	19800519
19800901	19800922
19801222	19810126
19810413	19810601
19810803	19811005
19811123	19820208
19820315	19820614
19820705	
19821025	19821018
19830214	19830221
19830606	19830627
19830926	19831031
19840116	19840305
19840507	19840709
19840827	19841112
19841217	19850318
19850408	
19850729	19850722
19851118	19851125
19860310	19860331
19860630	19860804
19861020	19861208
19870209	19870413
19870601	19870817
19870921	19871221
19880111	
19880502	19880425
19880822	19880829
19881212	19890102
19890403	19890508
19890724	19890911
19891113	19900115
19900305	19900521
19900625	19900924
19901015	
19910204	19910128
19910527	19910603
19910916	19911007
19920106	19920210
19920427	19920615
19920817	19921019
19921207	19930222
19930329	19930628
19930719	
19931108	19931101
19940228	19940307

GOLD	SILVER
19940620	19940711
19941010	19941114
19950130	19950320
19950522	19950724
19950911	19951127
19960101	19960401
19960422	
19960812	19960805
19961202	19961209
19970324	19970414
19970714	19970818
19971103	19971222
19980223	19980427
19980615	19980831
19981005	19990104
19990125	
19990517	19990510
19990906	19990913
19991227	20000117
20000417	20000522
20000807	20000925
20001127	20010129
20010319	20010604
20010709	20011008
20011029	
20020218	20020211
20020610	20020617
20020930	20021021
20030120	20030224
20030512	20030630
20030901	20031103
20031222	20040308
20040412	20040712
20040802	
20041122	20041115
20050314	20050321
20050704	20050725
20051024	20051128
20060213	20060403
20060605	20060807

GOLD	SILVER
20070115	20070416
20070507	
20070827	20070820
20071217	20071224
20080407	20080428
20080728	20080901
20081117	20090105
20090309	20090511
20090629	20090914
20091019	20100118
20100208	
20100531	20100524
20100920	20100927
20110110	20110131
20110502	20110606
20110822	20111010
20111212	20120213
20120402	20120618
20120723	20121022
20121112	
20130304	20130225
20130624	20130701
20131014	20131104
20140203	20140310
20140526	20140714
20140915	20141117
20150105	20150323
20150427	20150727
20150817	
20151207	20151130
20160328	20160404
20160718	

Looking at this Benchmark, the next convergence will be in November/December 2015 and March/April 2016. These targets are likely to signal the return of an uptrend for gold. They may produce the actual low, but then again, they may merely produce the target for the breakout. What is important is that the metals are really a hedge against government – not inflation. Those who portray the stock market must crash for gold to rally completely mix up the facts. They then typically cite the hyperinflations yet fail to grasp that everything rises including stocks when we are looking at the problem being government.

The classic scenario these people paint is to sell everything and buy gold. But big capital cannot do that. Not everyone would buy gold anyhow. Far too many people lost money on gold and will not return to a market that they no longer trust. People do not immediately return to anything once they lost money.

This will be the trend that finally helps the metals to rally on a sustained basis. You will not hear about manipulations when metals rise. They forget all about those scenarios. Yet the paradox is to claim the metals are manipulated, yet then they argue they will rise. If there is some giant dark sinister plot to keep metals down, then just forget them and buy stocks. They mix up manipulating settlements or running stops with systemic manipulation that controls markets. No market can ever be manipulated perfectly. Even Communism fails to the free markets.

Therefore, the weeks to pay attention will be November 30th/December 7th, 2015 in silver and gold respectively. The potential to extend into 2016 exists leaving 2015 the lowest annual closing. If that is the case, then pay attention to the weeks of March 28th/April 4th, 2016. If we have a 2016 low, this should be the extent of any decline.

The future role of gold may very well end up as something you entirely did not expect. Within this report you will discover a detailed look at gold and silver from a truly global perspective. Nothing but nothing can enter a real bull market until it is rising in terms of all currencies. Otherwise, that object will merely rise in one currency due to local conditions, yet decline in other currencies causing them to become net sellers.

This report provides a unique international perspective that we must take into serious consideration BEFORE you decide to invest in any precious metal. The world is not poised for hyperinflation. Instead, we are in a political deadlock where government will simply default upon most of its social obligations either outright, or incrementally.

The future of money is not a return to a gold standard - it is a move toward electionic currency. Governments have no incentive to reform and lose power. This is all about expanding power and holding on to what they have. Moving toward electronic currency will be justified as going against terrorism and crime when in fact it is about collecting taxes. All the legislation such as FATCA is targeted to collect taxes and the IMF is quietly demanding access to all accounding in former tax heavens or suffer the pains of isolation. This is the global hunt for money and if precious metals will survive, it certainly will not be as a monetary standard.

Forecasting the World™