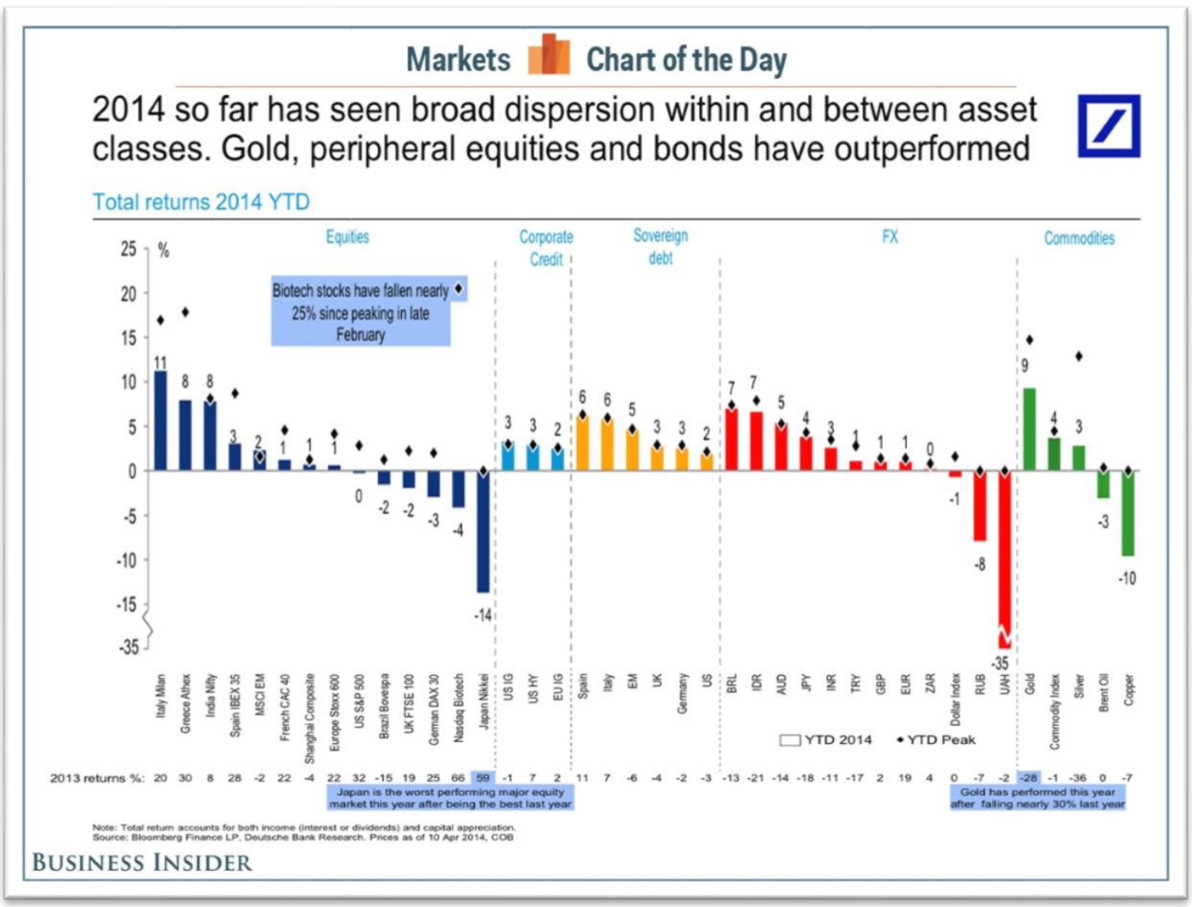
Issue 12 | April 22, 2014

In This Week's Report:

CHARTS OF THE WEEK, QUOTES & QUICK HITS

-CHART OF THE WEEK: In 2014 Gold Has Outperformed. Read more here- http://read.bi/1hMeZsu



-U.S. mined silver output continues to fall USGS. Monthly silver production for last year has continued on a downward trend, according to the latest U.S. Geological Survey Mineral Industry Survey. Read more here-http://bit.ly/1eQq9Xg

-“**So investors have a simple choice: They can either hold paper money or paper assets, with virtually no intrinsic value, or they hold gold. This is such an easy choice. Investors should also realize that they can buy gold at ridiculously low prices. But investors must not believe that gold and silver are just for the rich. Ordinary people should also put some savings into gold and silver. Last week I wrote an article for KWN called Trade Of The Decade, which is short the Dow and long gold. This spread has already gained 5% since last week, with weaker stocks and stronger gold. But I want to point out that this position should not be seen as a trade. Instead, it should be seen as a strategic position for coming years. Stocks and other assets financed by the massive credit bubble will collapse in coming years. So, to preserve purchasing power during the coming historic wealth destruction, investors must hold physical gold and store it outside of the banking system." Egon von Greyerz**

-"The bottom line is that in this type of environment, any significant dips in gold and other commodities should be bought. Any major decline in prices will be a huge opportunity to buy gold, and especially silver as well as other commodities. I say that because I firmly believe the Chinese have things under control and they are in a hurry to integrate their economy with the rest of the world. Again, with $4 trillion of reserves and the massive movement of gold we continue to see from West to East, I think the writing is on the wall. Yes, gold, silver and other commodities may temporarily be hit, but don't be shaken by this because they will be headed into the stratosphere before this is over." ***Stephen Leeb***

-"What I am saying is that there is a need for protection against potentially extreme outcomes, and that is exactly the type of protection that gold offers." ***Jean-Marie Eveillard***

-"I've told you many times, the Fed can print all the money it wants to buy bonds and keep interest rates low, but it cannot print money to buy dollars. And there is some limit as to how much it can prevail on its puppet states (in Europe) to supply money to buy dollars. At some point these puppet states will realize that the consequences for them may mean a very high domestic inflation. The West may not be

in a position to prevent an explosion in the gold price if Russia and other countries drop out of the SWIFT system." Dr. Paul Craig Roberts

-"I think gold has the potential, when it unhinges itself from the grips of the authorities, to put the dollar in great jeopardy. The likelihood is that gold would be reset much, much higher and would likely go bid-only. This would have the effect of causing a great panic as to the credibility of the U.S. dollar and Western central bank policies. In other words, the entire global financial system would be at risk of becoming unglued. So the point Chris Powell made is backed up by the fact that the authorities are terrified at the prospect of skyrocketing gold prices. As Powell said, 'Controlling gold is the primary mechanism of controlling the world.' It therefore stands to reason that the loss of control of the gold market could ultimately lead to the end of U.S. global dominance. So that is what's at stake here, and standing at the center of all of this is gold." William Kaye

-"My advice, as it has been, is to move to the sidelines while holding large positions in physical silver and gold. Regardless of what the markets do, silver and gold represent eternal wealth, and the bid to sleep undisturbed at night. No amount of money is worth the loss of peace of mind. The power of gold opened the American West and populated Alaska. Men have spent their lives searching for gold. You can own gold by the simple action of swapping Federal Reserve notes for the yellow metal. I advise you to do it." *Richard Russell*

-"What is really interesting to us is that the price of gold has held up relatively well and is creeping higher once again. There will come a time when fear translates not only to purchasing fixed income, but the historical asset of choice, precious metals." *Robert Fitzwilson*

- "So there is a move away from the dollar and toward gold and the renminbi in terms of central bank reserves, and this will continue for a long time." John Ing

-CME Sued on Claims High-Frequency Traders Bought Access. CME Group Inc., owner of the world's largest futures market, was sued by three of its users who alleged the company sold access to order information to high-frequency traders ahead of other market participants. Read more here- http://bloom.bg/Qe34Im

-"Indian households control an estimated $600 to $800 billion worth of gold. That's four times the U.S. reserves in Fort Knox." NPR.org

GOLD

-Gerald Celente: The Vampire Squid, Gold & The Global Ponzi Scheme. If you look at what is going on in Ukraine, liquidity is simply non-existent. Ukraine is also raising their interest rates as their economy collapses. For example, the overnight loan rate went from 7.5 to 14.5 percent. This is making an already bad situation in Ukraine much worse. But I believe the gold market is being pushed down to support these fiat currencies. I also believe this pressure on gold will be short-term. This is all being done to defend the weakening global currencies. The latest World Gold Council report stated that gold demand in China should increase 20 percent by 2017.

China is already the largest gold-consuming nation, so this trend is only going to continue. What we are seeing is an attack on gold coming out of the United States because they want to pretend that there is a recovery. So they keep bringing out this Goldman Sachs guy every couple of months and he keeps repeating the same bogus propaganda. I'm sick of hearing from this guy. It's the beginning of the week and this shill from Goldman Sachs sends out this notice that Goldman is still looking for gold to hit $1,050. He is basing this bogus call on a strong recovery in the United States and China.

He writes: "While further escalation of tensions could support gold prices, we expect a sequential acceleration in both U.S. and Chinese activity, and hence for gold prices to decline." "Hey, Junior, get this in your head: If there was an acceleration of the economy in China, the Chinese would be buying more physical gold! That's what's keeping the market up to a great extent the physical demand. Second, whose research are you looking at? If you look at China, they are holding their breath as the property bubble is starting to deflate and import/export numbers continue to decline.

And if you look at the United States, has anybody looked at the earnings coming in from banks and how new mortgage applications are plummeting? So what kind of growth is this Goldman shill talking about? Is he talking about consumer growth? Real incomes have only increased about 2 percent since the Great Recession began about 75 months ago. So what is this guy talking about? I'll tell you what he's talking about: Keeping this Ponzi scheme going. They want to make unsuspecting investors go into the equity markets as record numbers of insiders are dumping their own stock. So they are downplaying gold to keep the Ponzi scheme going, and to keep the equity markets from collapsing." Read more here-http://bit.ly/1eJSt32

-John Embry: The End Game Will Be Disastrous For The U.S. & The West. If I were in charge I would not constantly be conducting market operations for the sole purpose of artificially depressing gold and silver prices. All this has done is allow our adversaries to acquire these key metals at bargain prices. But this is exactly what is going on. Turning back to the dollar, if the demand for the dollar is lessened, this will be a tremendous problem for the dollar. But at the same time, the financial condition of the United States is not good. The U.S. has north of $17 trillion in funded debt, and several trillion dollars more in off balance sheet obligations. Read more here- http://bit.ly/1mdFqGY

-TF Metals Report: Plunging GOFO rates. Read more here-http://bit.ly/1jLXx5U

-China Gold Demand Rising 25% by 2017 as Buyers Get Wealthier. Gold demand in China, which overtook India as the largest user last year, will rise about 25 percent in the next four years as an increasing population gets wealthier, according to the World Gold Council. Consumer demand will expand to at least 1,350 metric tons by 2017, the London-based council said in a report today. Growth may be limited this year after 2013's price decline spurred consumers to do more buying last year, it said. China accounted for about 28 percent of global usage last year, the council estimated in February. Read more here- http://bloom.bg/1nqTCfL and http://read.bi/1hLyxwf

-Lawrence Williams: Hugely outnumbered Western gold bears by Asian gold enthusiasts. Western citizenry is hugely outnumbered by a rapidly growing Eastern middle class with gold purchasing aspirations which has to be having a strong cumulative effect on the long term gold price. Read more here-http://bit.ly/1h3niKx

SILVER

Gold to silver ratio at 60 to 1 with gold at $2,000 the silver price would be $33.33
Gold to silver ratio at 40 to 1 with gold at $2,000 the silver price would be $50.00
Gold to silver ratio at 20 to 1 with gold at $2,000 the silver price would be $100.00

-James Turk: Silver Skyrocketing To New All-Time High. "I would like to focus on Silver today. We haven't done that for a while, and it is important to correct some

silly things that are being said about silver these days, particularly with regard to the huge explosion in Comex open interest. While gold's open interest has fallen recently, silver's open interest is doing the exact opposite. It has grown to levels not seen for some time. Some reports have tried to explain this surge in open interest by saying that banks are using the futures market to finance their holding of physical silver. This is a common procedure, but only works when silver is in contango, i.e., the futures price is above the spot price.

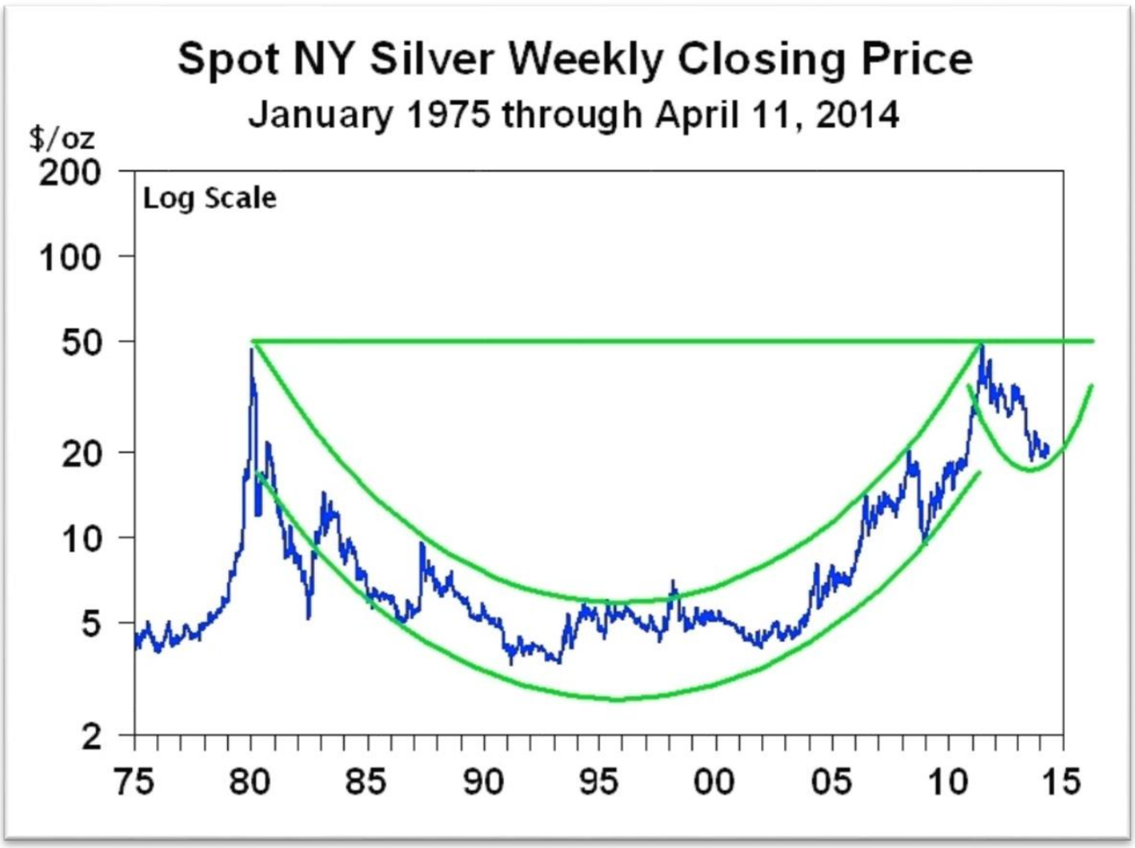
But silver is in backwardation in the front month and for large trades it appears to be in backwardation up to three months forward which is the interesting part that I think is misleading so many investors. This front-month backwardation is not reflected in Comex settlement prices. The backwardation is only clear when you get quotes to trade physical metal from the bullion banks one quote for spot and the other one for a month in the future. The price traded on the Comex front month is totally divorced from what is happening in the physical market for silver, which is actually in tight supply. I follow intraday silver and gold prices closely.

I focus principally on spot and the near months because that is where most activity takes place. Even when open interest in a distant contract rises, say December 2014, it usually is not an outright purchase or sale of a position for that distant month, but rather, entered into a spread with spot or perhaps the front month. We know that there has been a lot of corrupt activity going on in silver over the years. For example, you and I discussed back in November 2012 here's the link to that blog the implications of when the LBMA stopped reporting SIFO, the silver forward rate. What was being reported back then was totally fictitious because no bank was willing to actually deal at the rate being quoted, so the LBMA stopped reporting SIFO rather than mislead the market.

Unfortunately, the market is nevertheless being misled. There are shenanigans in silver's futures price for the Comex front month. The price looks totally fictitious when compared to the spot price of physical metal, but most individual traders of Comex futures are unaware of what is happening in the spot market. The reason for this is because relatively little physical metal actually trades in New York. Consequently most futures traders are unaware of the real relationship between spot, where physical is traded, and front-month futures, which of course is the paper market. The major markets for physical silver are in Europe. That's where the ETFs trade and store the metal they are supposedly holding.

It was in Europe where Warren Buffett bought his 130 million ounces years ago. The upshot of this is that Comex futures traders are far from the kitchen when the silver shorts are cooking the books. As a result, individual Comex future traders are getting ripped off

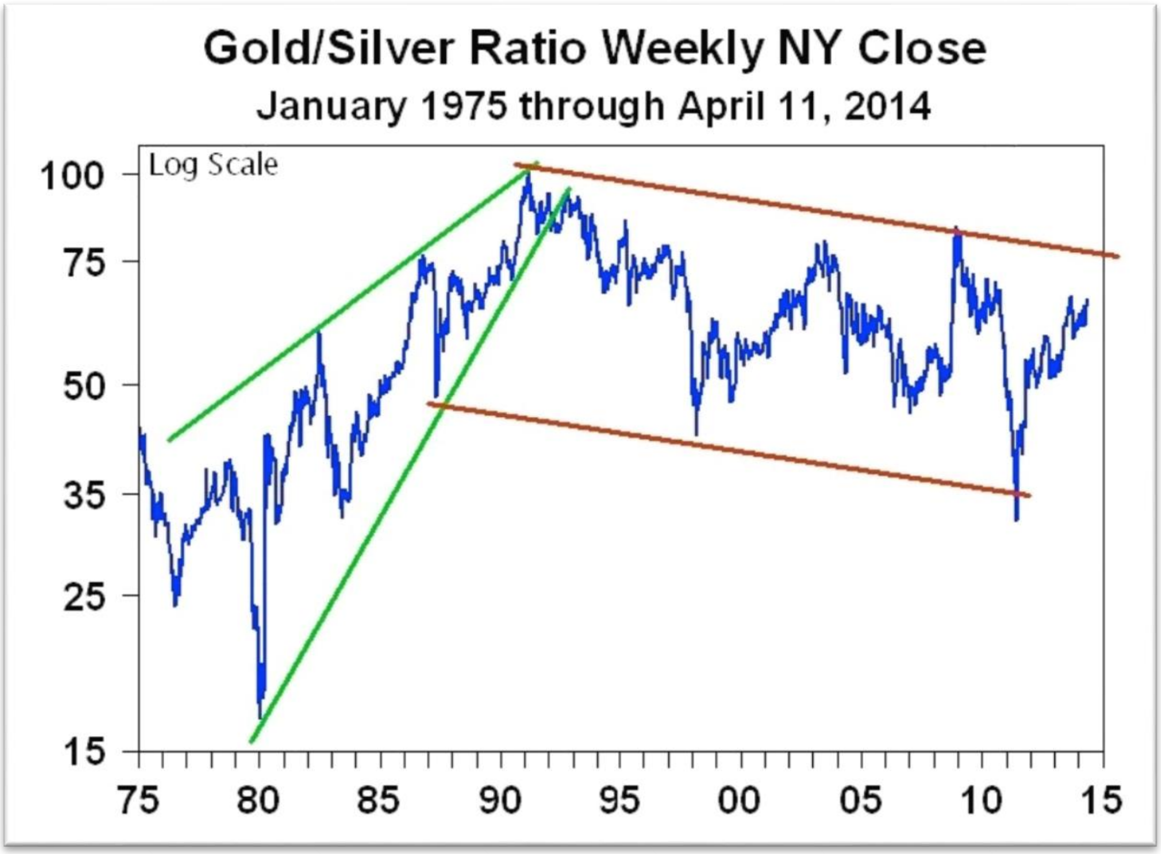
and don't realize it. The banks can buy front month futures in London at a discount to spot, and then sell the same position on the Comex at a premium to spot, generating for them an extraordinary profit because of overpriced futures sold on the Comex. It is just another reason to avoid the paper market for silver and buy physical metal instead. I would like to wrap up with two silver charts. The first one is my favorite. It is a long-term chart showing the closing price each week back to the old 1980 high (see below).



Silver is forming a multi-decade "cup & handle" pattern. It is a huge accumulation pattern where physical metal has moved into strong hands over the last 15 years. The dip in silver prices that is forming the "handle" is the last shake-out of weak hands before silver starts climbing again and eventually hurdles its old $50-per-ounce record high, which leaves one unanswered question: When will silver finally take off? Nobody can predict the future, of course, but we can use charts to spot patterns like the bullish pattern above.

We can also use fundamental analysis to determine value, and silver is cheap. Based on the current spot price of physical metal, it now takes more than 66 ounces of silver to equal 1 ounce of gold. This ratio has not been that high since the aftermath of the 2008 financial

crisis, when over-leveraged traders dumped their silver along with other liquid assets to repay debts and get their heads above water, as we can see on the following chart.



The bottom line is that as we move toward the end of the year, I expect silver to finally begin outperforming gold. It will be another key signal that the three-year correction in silver prices has ended, and more importantly, that the bull market in the precious metals has indeed resumed. Read more here-http://bit.ly/1m7LP93

-Richard Russell: Silver is now dirt cheap and is beginning to trend up.

Personally I have been buying US silver Eagles for myself. If it can reach 21, silver will have hurdled both of its moving averages.

Below, the gold to silver ratio, silver is now dirt cheap compared with gold. One ounce of gold now buys 66 ounces of silver. When the market finally loves silver, the ratio can drop to around 16 when one ounce of gold buys only 16 ounces of silver.

My advice, as it has been, is to move to the sidelines while holding large positions in physical silver and gold. Regardless of what the markets do, silver and gold represent eternal wealth, and the bid to sleep undisturbed at night. No amount of money is worth the loss of peace of mind. The power of gold opened the American West and populated Alaska. Men have spent their lives searching for gold. You can own gold by the simple action of swapping Federal Reserve notes for the yellow metal. I advise you to do it. Read more here- http://bit.ly/1taBcnE

-Hubert Moolman: Silver's Ultimate Rally: When Paper Assets Collapse.

However, over the period from the silver bottom to the peak in April 2011, The Dow actually went sideways. This is just one of the reasons why I know that the April 2011 high in silver is not the peak for this bull market. Why? Silver stands in direct opposition to paper assets like stocks that are part of the Dow. Therefore, when silver has a "real deal" rally, then paper assets like the Dow will lose significant value over the same time. This is because the debt-based monetary system does what I call a "mirror-effect", whereby, silver (and gold) is pushed down in value, to a similar extent as to which paper assets such as

general stocks are pushed up in value. When the rally of the paper assets eventually runs out of steam, then there is a big push for silver and gold. Silver's real deal rally will happen when people run to silver for its monetary benefits. That is not really happening yet, in a big way, but it is about to – very soon. Money is what silver is, and it is this that will drive the coming spectacular silver rally. Read more here-http://bit.ly/1h5BWAJ

-**Fabrice Drouin Ristori: David Morgan Interview on Silver Market, Silver Price Manipulation and the Coming Global Monetary Reset. Read more here-http://bit.ly/1hWP8bf**

U.S. & CANADIAN ECONOMY

-Food Stamp Recipients Outnumber Women Who Work Full-Time. People participating in the food stamp program outnumbered the women who worked full-time, year-round in the United States in 2012, according to data from the Department of Agriculture and the Census Bureau. Read more here-http://bit.ly/Qe1UfV

-Tax Revenues Hit Record for First Half of FY 2014. Inflation-adjusted federal tax revenues hit a record $1,320,793,000,000 in the first half of fiscal 2014, but the federal government still ran a $413,264,000,000 deficit during that time, according to the Monthly Treasury Statement for March. Read more here-http://bit.ly/1r0GyOa

-U.S. Deficit Cut by Almost One-Third to $492 Billion: CBO. The U.S. government's deficit will fall to $492 billion this year, according to the Congressional Budget Office, a steeper drop than originally predicted from $680 billion in fiscal year 2013. The 2014 deficit will be 2.8 percent of the economy, according to CBO, almost 32 percent below fiscal year 2013, when it was 4.1 percent. The deficit will shrink again in fiscal 2015 to $469 billion, before rising to about $1 trillion in fiscal years 2022 to 2024, CBO said. Read more here-http://bloom.bg/1j1RckI

-US budget deficit falls in March to $37 billion. The U.S. government's budget deficit shrank to just $37 billion in March from $107 billion in the same month last year, the latest sign of improvement in the nation's finances. The deficit was the lowest for the month of March in 14 years. The deficit fell partly because revenue jumped 16 percent to $216

billion, the Treasury Department said in its monthly budget report Thursday. Read more here-http://buswk.co/1m8eSt9

-Canada Keeps Key Lending Rate 1% With Neutral Bias. Bank of Canada Governor Stephen Poloz remained neutral on the direction of his next interest-rate move, saying he will look through a quickening of inflation this year with companies still slow to invest. Policy makers held their benchmark rate on overnight loans between commercial banks at 1 percent, where it's been since September 2010. Read more here-http://bloom.bg/1paO7X4