Certified Gold Exchange, Inc.

Views and Analysis on the Economy and Precious Metals

# ORE-VISION

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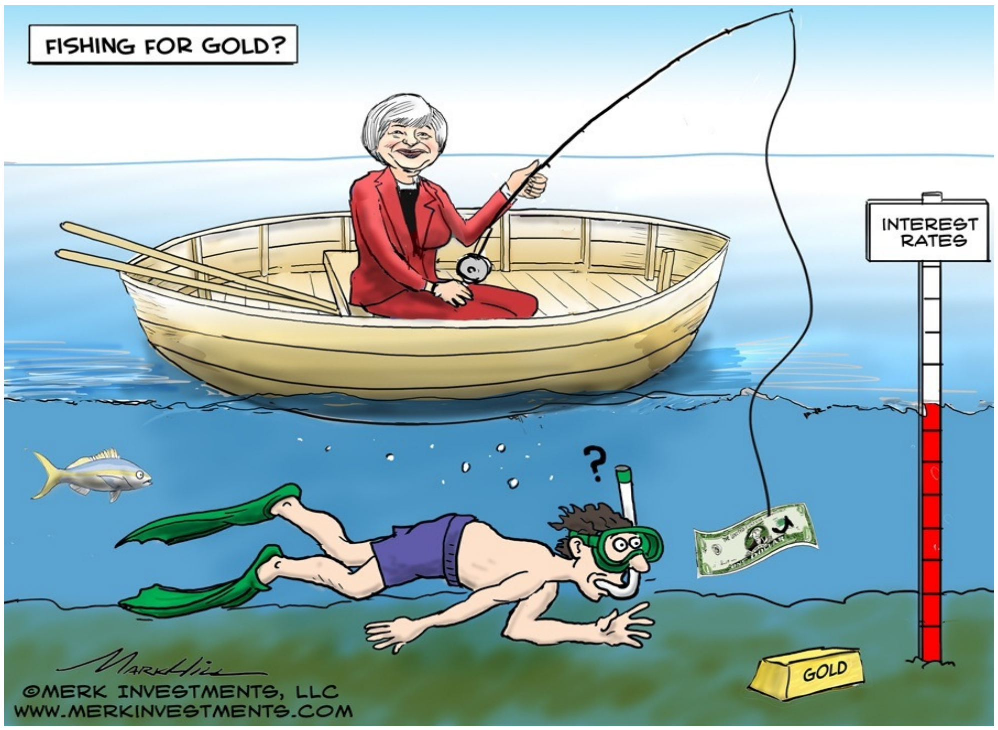
## Fishing for Gold?

### By Axel Merk

If interest rates are supposed to be on the rise, why has the price of gold gone up so much this year? Is it merely because it is bouncing back after a sharp decline in 2013? We have a closer look at the link between gold and interest rates to gauge how investors may want to approach the bait provided by the Fed.




A gold bar does not pay interest. Some conclude that it must be more lucrative to hold the greenback. Except that a hundred-dollar bill under your mattress also pays no interest. To earn interest on the hundred-dollars, you have to deposit it in a bank account. That is, you are lending $100 to the bank and expect to be compensated. To earn interest, you need to accept counterparty risk, even if such risk is substantially reduced for FDIC insured deposits. Similarly, if you wanted to, you could lease your gold to potentially earn interest, however, typically individuals don't lease their gold as they specifically own gold to avoid taking on counterparty risk, but central banks and other institutional players are active participants in the Gold Forward market.

When the Federal Reserve moves interest rates up or down, gold doesn't change. It's one of the reasons why investors are well served measuring their gold holdings in ounces rather than in dollar value. What may change at any point is how many dollars the market is willing to pay for an ounce of gold, and that is in part influenced by other opportunities available to investors, including interest bearing savings accounts. A key reason why investing in gold is a point of contention is because an investor buying gold signals that he or she would rather

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## The Theory of the Big Lie

It has been said that if you tell a lie large enough and often enough it will eventually become true. This "Theory of the Big Lie" has been tested more often during the last few years than any other time in U.S. history. We're talking, of course, about the alleged economic recovery.

The mainstream news is constantly organizing data in a way that leads people to think the United States is financially healthy. If we take a closer look at the most commonly quoted data, however, what do we learn?

**4.5 million jobs have been created in the last 6 years** - Wikipedia says Obama has created just *1.2 million jobs*. A CNN study found that *only 300,000 non-farm jobs have been created since 2008*, and if you include all of the recently lost government jobs *there are 400,000 fewer workers today than at the end of 2008*. By the way, the Economic Collapse Blog has reported *that 7 out of 8 jobs created since 2008 have been part-time positions*.

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## Also Inside This Issue:

# Are There Any Chumps Still Holding GLD?

### By Jeff Nielson

In 2013; we saw a series of momentous and unprecedented events. It started in March with "the Cyprus Steal", as the Western banking crime syndicate pushed our Puppet Governments to introduce (and rubber-stamp) a new form of financial crime – the "bail-in".

This then triggered a series of unprecedented events in the gold market. First, the Cyprus Steal alerted big-money players in our markets that no holdings of any form of paper, financial asset were safe, any longer. This caused the Smart Money to commence the largest exodus ever from the Banksters' paper-called-gold market.

The biggest of the "bullion-ETF" fraud-funds, the infamous SPDR Gold Trust (or "GLD") saw the greatest collapse, with total holdings of this dubious paper plunging by roughly 40% from its peak. This unprecedented collapse in ETF-holdings came despite reports that the Banksters themselves had bought millions of units of their own fraud-funds – forced to do so in order to stave-off the total collapse of the entire paper-called-gold market.

Naturally, with the One Bank's fraud-funds collapsing at the same time that demand for real gold was skyrocketing around the world; this has created some awkward moments for the Corporate media propaganda machine. It responded as it usually does in such situations: by telling much bigger lies.

As global demand for real gold spiked to its highest level on record; the Liars in the Corporate Media were calling this "a bear market" for gold. It pretended that the massive sell-off of paper in the paper-called-market was actually a sell-off of "gold" – despite the fact that Comex inventory numbers proved there was no gold being sold in the New York fraud markets.

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# Fishing for Gold?

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own something paying nothing than put that money at risk, for example, by putting it in interest bearing accounts, coupon paying bonds, or dividend paying stocks. It's silly, of course, to discredit gold because of this, as embracing investments with varying risk profiles, including cash, has long been a lauded practice to achieve a diversified portfolio.

We are not suggesting gold, or any investment for that matter, is risk free. When your daily living expenses are in U.S. dollars, your gold holdings fluctuate in value. Even if you only hold cash, your purchasing power is at risk, as the chart below shows:


Source: Merk Investments, Bureau of Labor Statistics © Merk Investments LLC
Calculation based on consumer price index; August 1913 = 100%. Data as of August 2013.

investors holding cash have lost over 95% of their purchasing power since 1913. To derive this number, we debase the dollar's purchasing power annually by the Consumer Price Index (CPI). It's this gradual debasement that is supposed to encourage us to take risks, to preserve our purchasing power. Think of being put into a mouse wheel: even as you run fast, you are not advancing.

In 1913, the price of an ounce of gold was $18.92. As of February 28, 2014, the price of gold had risen to $1,326.50; this corresponds to an annualized rise in the price of gold of 4.33%. Clearly this rise did not happen in a straight line, but for an investment that doesn't pay any interest, it doesn't appear to be such a bad competitor to cash.

We believe gold is a competitor to cash when investors don't get properly compensated for holding cash. Economists have developed the notions of nominal versus real interest rates. Nominal interest is the interest you receive (or pay); real interest, however, is interest net of inflation. When real interest rates are high, as can happen when the Federal Reserve is raising rates to cool down an overheating economy, the price of gold might suffer. Economists say we can measure real interest rates as the yields on Treasury Inflation Protected Securities (TIPS). TIPS are Treasury securities where payments increase with the CPI. There are many ways to look at these numbers; below is a chart supporting the view that the lower real interest rates are, the higher the price of gold; the real interest rate shown is calculated as the yields on10 year TIPS:

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# Bernanke Exit, Yellen Entry - Federal Reserve Continuity of Committing Fraud

### By Jas Jain

There has been lot of commentary about the transition at the head of the Federal Reserve. During the past four months, Janet Yellen has appeared for confirmation hearing, testimony to the Congress, and a Q&A session following her first meeting as the Chairperson of the Fed.

Yellen, Bernanke and Greenspan on the Current Stock Market Valuation (Bubble or Not)

During her confirmation hearing, Yellen was asked about stock market being in bubble territory and her answer was that the market was fairly valued and was not a bubble. In a Q&A session following the meeting of American Economic Association in Philadelphia in January 2014, two weeks before his last FOMC meeting as the Chairman, Ben Bernanke was also asked about the stock market bubble and he said that the stock market valuation was within a historical norm. In early March, Greenspan appeared on CNBC and he was also asked about stock market being a bubble and he also said that the market was not over valued and was fairly valued.

Have any of the three most recent Chairpersons of the Federal Reserve looked at any of the data that assess market valuation in the historical context? Highly unlikely, because the best methods of market valuation clearly indicate that the stock market is grossly over-valued, historically, with valuation levels above 90 percentile. I will mention two of the best methods of market valuation, one of which, the Shiller Cyclically Adjusted P/E ratio (CAPE), was the basis of Greenspan's "irrational exuberance," comment in 1996 when CAPE reached the level above 25 that it has been during the past 4 months.

Greenspan and the Stock Market Bubbles

From the transcripts of a 1994 FOMC meeting we learn that back then Greenspan did believe in stock market bubbles and he commented that by raising the rates in 1994 the Fed might have burst the bubble in the stock market, towards the end of 1993, when the CAPE was just above 21, fueled by low Fed Funds rates. The stock market spent 1994 in a correction. After the "irrational exuberance" comment in late 1996, Greenspan stopped commenting on the market bubble and in 1999 even try to justify the valuation. He was correctly called the bubblemeister back then and he remains one today. After 1996, Greenspan learned that Wall Street doesn't look kindly at any Fed Chairperson who would confirm that there could probably be a bubble in the two most important asset markets, the stock market and the housing market. Since then asset bubbles have become a preferred mechanism of keep the economy growing and Federal Reserve has chosen to look the other way and allow the bubble to continue.

Congressional Testimonies of Fed Chairs and Questions About Bubbles

In March 2007, Bernanke was asked about the housing market being a bubble and not only he denied that there was any nationwide bubble he said that housing price rise would slowdown to 3-5% a year. Few short months later the historical housing bubble burst with a vengeance. I don't remember Congresspersons asking the Fed Chair a question about a bubble, in the stock market or the housing market, unless there was a real bubble. The same applies when there is lot of talk about a bubble on Bloomberg and CNBC. Both these indicators have confirmed that there must be a bubble in the stock market.

The "Buffet Indicator," i.e., the Stock Market to GDP Ratio

Another very good indicator of a bubble in the stock market is the stock market capitalization to the GDP ratio that some have labeled the "Buffet Indicator," because Buffet had mentioned that long-term there is a relationship between the GDP and its growth rate and the stock market and its growth rate. Below is the latest graph of this ratio. Both, this indicator and Shiller's CAPE, clearly indicate that the stock market over the past 3 months has been above 90th percentile and if we were to exclude the supper bubble period of 1998-2000, we are at 98th percentile.

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# China Starts To Make A Power Move Against The U.S. Dollar

### By Michael T. Snyder

In order for our current level of debt-fueled prosperity to continue, the rest of the world must continue to use our dollars to trade with one another and must continue to buy our debt at ridiculously low interest rates. Of course the number one foreign nation that we depend on to participate in our system is China. China accounts for more global trade **than anyone else on the planet** (including the United States), and most of that trade is conducted in U.S. dollars.

This keeps demand for our dollars very high, and it ensures that we can import massive quantities of goods from overseas at very low cost. As a major exporting nation, China ends up with gigantic piles of our dollars. They lend many of those dollars back to us at ridiculously low interest rates. At this point, China owns more of our national debt than any other country does.

But if China was to decide to quit playing our game and started moving away from U.S. dollars and U.S. debt, our economic prosperity could disappear very rapidly. Demand for the U.S. dollar would fall and prices would go up. And interest rates on our debt and everything else in our financial system would go up to crippling levels. So it is absolutely critical to our financial future that China continues to play our game.

Unfortunately, there are signs that China has now decided to start looking for a smooth exit from the game. **In November**, I wrote about how the central bank of China has announced that it is "no longer in China's favor to accumulate foreign-exchange reserves". That means that the pile of U.S. dollars that China is sitting on is not going to get any higher.

In addition, China has signed a whole host of international currency agreements with other nations during the past couple of years which are going to result in less

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U.S. dollars being used in international trade.

This week, we learned that China **started to dump U.S. debt** during the month of December.  Many have imagined that China would try to dump a flood of our debt on to the market all of a sudden once they decided to exit, but that simply does not make sense.  Instead, it makes sense for China to dump a bit of debt at a time so that the market will not panic and so that they can get close to full value for the paper that they are holding.

As **Bloomberg** reported the other day, China dumped **nearly 50 billion dollars** of U.S. debt during the month of December…

China, the largest foreign U.S. creditor, reduced holdings of U.S. Treasury debt in December **by the most in two years** as the Federal Reserve announced plans to slow asset purchases.

The nation pared its position in U.S. government bonds **by $47.8 billion**, or 3.6 percent, to $1.27 trillion, the largest decline since December 2011, according to U.S. Treasury Department data released yesterday.

This is how I would do it if I was China.  I would try to dump 30, 40 or 50 billion dollars a month.  I would try to make a smooth exit and try to get as much for my U.S. debt paper as I could.

So if China is not going to stockpile U.S. dollars or U.S. debt any longer, what is it going to stockpile?

It is going to stockpile **gold** of course.  In fact, China has been voraciously stockpiling gold for quite some time, and their hunger for gold appears to be growing.

According to **Bloomberg**, more than 80

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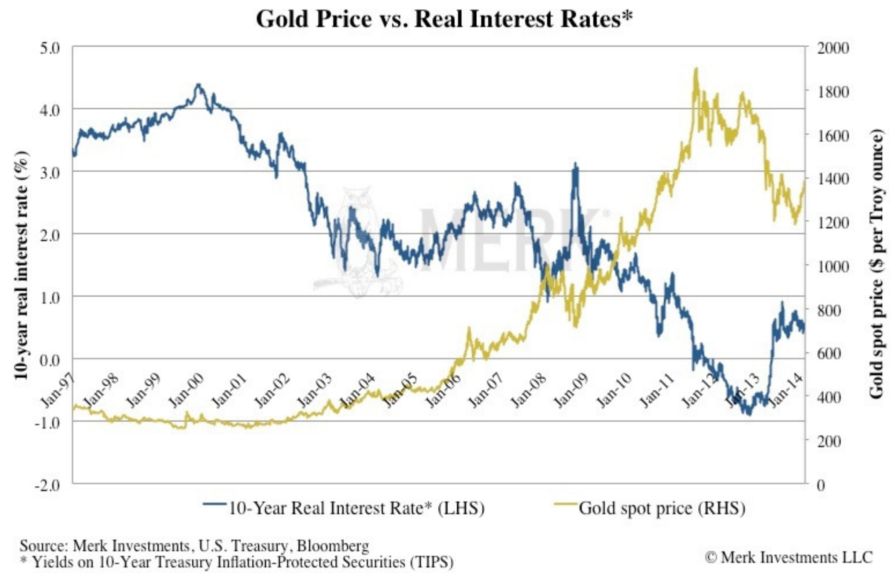


In recent years, real interest rates according to this measure have been low and indeed negative for periods of late. This gives rise to at least two questions: even as gold has done particularly well when real rates were negative, why are there periods when gold still does comparatively well when real interest rates appear to be higher? And should real rates rise, will it exert downward pressure on the price of gold? (By the way, our chart starts in 1997 because that's when TIPS were first introduced)

With regard to the question why the price of gold appears to have done just fine when real rates were low, but positive, one should wonder whether the CPI under-estimates inflation (and therefore shows a distorted picture of what real interest rates really are). We won't dive into the shortcomings of CPI in too much detail here, but have pointed out many times over the years that if investors believe they get properly compensated for inflation by buying TIPS, i.e. Treasuries adjusted by the CPI, they need to look no further if all they want to do is hedge for inflation. Rather than criticizing all the changes that have gone into the CPI calculation over the years, we take a different approach here. Let's consider socio-economic trends to corroborate the view that inflation is much higher (and with real interest rates much lower) than reflected in the official statistics. When real wages don't rise for over a decade, people get squeezed due to a higher cost of living, we think they are increasingly dissatisfied. We believe that in such an environment, populism is on the rise as people and policy makers are looking for someone to blame for their own plight. The rise of the Occupy Wall Street movement, as well as that of the Tea Party, in our assessment, are a strong indication that inflation, as experienced by many, is higher than reported. The government statistics may be technically accurate, yet utterly missing how people feel. It's not a problem that's unique to the U.S. while Americans may be increasingly electing politicians at opposite ends of the political spectrum, and that may in turn make it ever more difficult to come to a grand bargain on entitlement reform (which in our assessment is urgently necessary to make our deficits sustainable), the rest of the world has even bigger challenges. In the Middle East, where food and energy are bigger portions of their citizens' expenses, revolutions are started. In Japan, the Prime Minister is deploying populist policies to fix the country's woes. And in Ukraine, a country that has major challenges ahead no matter who is running the country, an armed conflict with Russia is openly discussed. In brief, decreased political stability throughout the world suggests to us inflation is higher than reflected in government statistics.

What about rising rates? Can rising rates derail the gold price? If former Fed Chair Paul Volcker were in charge at the Fed today and thinking of imposing the sort of policies he imposed in the early 1980s, there would be a lot of chatter about positive real interest rates. Except that, in our assessment, we would risk a revolution if we introduced Volcker style interest rate policies today. In the early 1980s, high interest rates were painful, but in today's environment with consumers no longer merely financing their homes, but buying just about everything on credit, higher rates may well have a crippling impact on the economy much sooner. Notably, government debt would also need to be financed at a higher rate. Currently, the U.S. government spends less than 2% on its

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# Are There Any Chumps Still Holding GLD?

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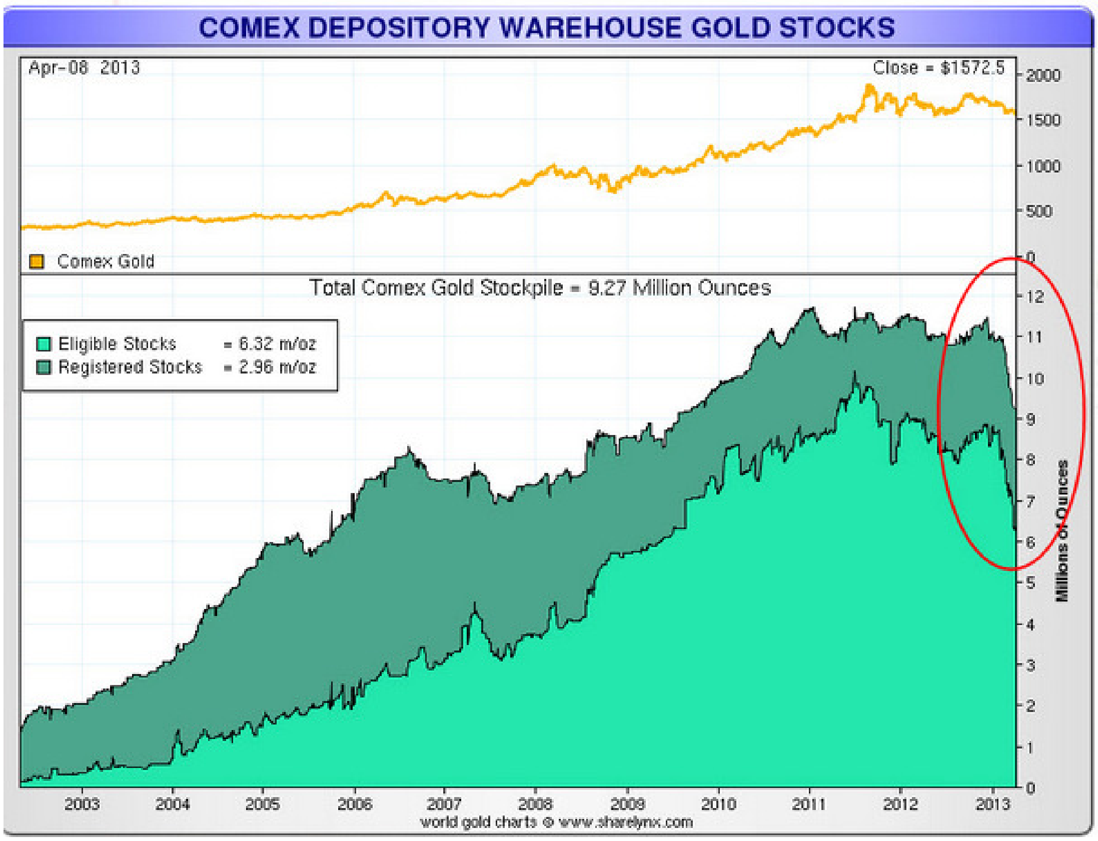
As even the drones of the mainstream media can comprehend; if gold-holders were selling their gold (on a net basis), then gold inventories would have (must have) gone up. In fact; Comex inventories collapsed last spring, and at the fastest pace on record. Ipso facto; with inventories falling rapidly, then people were buying gold (and selling paper) – on a net basis – and in huge quantities.




In hilarious fashion; the Corporate media even attempted to depict the forced accumulation (by the Banksters) of millions of units of their own, fraudulent paper-called-gold as going "net long on gold". This silly lie fooled most (other) analysts in the sector, mainstream and non-mainstream alike.

This mass-exodus out of the One Bank's gold fraud-funds suited its own agenda of price-suppression in many respects. Because the paper-called-gold market is (at least) one hundred times as large as the legitimate "gold market"; the flight out of paper dominated the sharp spike in the purchase of the metal itself, causing gold prices to fall even without any further push from the Banksters.

However, whatever temporary advantage which the One Bank derived from the flight out of paper in the Spring of 2013 was more than negated by the many, nasty consequences. Most of these repercussions have been dealt with in previous commentaries. They start with the massive spike in (real) demand, as the flight out of paper created a global "sale" in the gold market. This explosion in demand was so extreme that the One Bank was quickly forced to act – before global inventories completely disappeared.

Through destroying the value of India's currency, it blackmailed India's government into a near-total ban on official gold imports, into the market of the nation which has historically imported more gold than any other. But this draconian act of desperation, itself, had further repercussions.

The suppression of legitimate imports into India caused two, extremely worrisome developments (for the One Bank). First it led to an explosion of gold-smuggling, a large blackmarket for gold, and the beginnings of price-decoupling, in the world's largest gold market.

On top of this; frustrated gold-buyers in India turned to silver, as India broke its own previous record for annual silver imports last year. But all of these serious, banker-negative developments in the gold and silver markets are over-shadowed by an even potentially more devastating problem: the continuing disintegration of the One Bank's paper-called-gold fraud market.

Thus going all the way back to the summer of last year; we have seen the Corporate media staging a new

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To call this level of historical over-valuation, "historical norm," or "fairly valued," is a deliberate lie, intended to mislead the Congress and the public and constitutes fraud. They could have given a non-committal answer as to "we don't know," or even a more honest answer that Fed Chairs have a horrible record at identifying bubbles and that the Fed policy might have even contributed to them with artificially low rates.

Periodic Fraud by Wall Street and Economists, Including the Fed Chairs

As I had concluded earlier with the supporting evidence that Economists and Wall Street commit "periodic," or cyclical fraud, very predictably. At cyclical peaks they flat out lie about impending recessions. Their horrible record during 2007 speaks volumes. The same would prove to be the case in near future.

Lying about bubbles has become a required qualification for the job for the Federal Reserve Chairperson since 1997, after Greenspan uttered the famous phrase irrational exuberance. Had Greenspan continued to talk about the stock market bubble he would have lost his job by no reappointment after his 4-year term at that time.

The Fed chairs, like most politicians, must serve their real masters -- Wall Street, large corporations and the super rich. The periodic fraud by Wall Street and the Fed has been largely responsible for the income and wealth inequality in America. Many other countries have followed the example set by the US.

Article by:
Jas Jain , Ph.D.
March 24, 2014
the Prophet of Doom and Gloom

# China Starts To Make A Power Move Against The U.S. Dollar

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percent of the gold that was exported from Switzerland last month went to Asia...

Switzerland sent more than 80 percent of its gold and silver bullion and coin exports to Asia last month, the Swiss Federal Customs Administration said today in an e-mailed report. It imported most from the U.K.

**Hong Kong** was the top destination at 44 percent on a value basis, with India at 14 percent, the Bern-based customs agency said in its first breakdown of the gold trade data since 1980. Singapore accounted for 8.6 percent of exports, the United Arab Emirates 7.9 percent and China 6.3 percent.

When China imports gold, most of it goes through Hong Kong. We know that imports of gold from Hong Kong into China are at an all-time record high, but we don't know exactly how much gold China has accumulated at this point because they quit reporting that to the rest of the world a number of years ago.

When it comes to global finance, China is playing chess and the United States is playing checkers. China knows that gold is a universal currency that will hold value over the long-term. As the paper currencies of the world race toward collapse, China could end up holding most of the real money and that would **be a huge game changer** when they finally reveal that fact...

The announcement of China's new gold hoard will send shockwaves through the financial markets, and make China and the Chinese yuan (their national currency) even bigger players at the international table.

International banking expert James Rickards compared it to a game of Texas Hold 'Em poker:

"You want a big pile of chips. The U.S. has a big pile of chips, Europe has a big pile of chips. The U.S. has 8,000 tonnes [metric tons] of gold, 17 members of the euro system have 10,000 tonnes. China at 1,000 tonnes is not a player, but at 5,000 tonnes, they are a player."

There are some really good points made in the quote above, but I do take exception with a couple of things. First of all, I believe that China now has far more than 5,000 tons of gold. Secondly, I seriously doubt that the U.S. still actually has 8,000 tons of gold or that Europe still actually has 10,000 tons of gold.

As China (and eventually the rest of the world) moves away from a U.S.-based financial system, the consequences are going to be dramatic.

For instance, right now the average rate of interest that the U.S. government pays on debt is just **2.477 percent**. That is ridiculously low and it is way below **the real rate of inflation**. It is simply **not rational** for anyone to lend the U.S. government money so cheaply, and at some point we are going to see a dramatic shift.

When that day arrives, interest rates are going to rise dramatically. And if the average rate of interest on U.S. government debt rises to just 6 percent (and it has been much higher than that in the past), we will be paying out more than a trillion dollars a year just in interest on the national debt.

Even more frightening is what a rapidly changing interest rate environment would mean for our banking system. There are four large U.S. banks that **each** have exposure to derivatives in excess of 40 **trillion** dollars. You can find the identity of those banks **right here**. Interest rate derivatives make up the biggest chunk of those derivatives contracts. As John Embry **told King World News** just the other day, when that bubble bursts the carnage is going to be unprecedented...

"Stockman brought up a brilliant point, the fact that we have **hundreds of trillions of dollars of interest rate swaps**, which are polluting the world's banking system. If we see **growing volatility in interest rates**, and I think that's inevitable with what's going on, that would cause spasms in the financial system. And if something goes wrong in the derivatives market, Heaven help us because

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propaganda campaign. It has been continually calling a "bottom" in the collapse of these fraud funds, in the hope that it would lure new Chumps into that market. However, each time the propaganda machine has crowed about a tiny up-tick in holdings (over a span of a few days, or a week), it has been forced to back-track.

By the end of each month (and despite massive buying by the Banksters, themselves), net holdings continued to decline – until February. While recent media-hype was projecting a large jump in holdings of paper-called-gold; by the time the dust settled at the end of last month, total holdings had risen by a microscopic 4.5 tons.

This amounts to little more than 0.5% of what was sold during the massive purge, a statistically insignificant amount. Furthermore, that tiny increase in total ETF-holdings came despite a 10.5 ton increase in holdings in the SPDR Gold Trust, itself.

With this particular fund being one of the primary tools in the Banksters fraudulent manipulation of the gold market, and given recent reports of the Banksters' massive accumulation of paper-called-gold; one must suspect that most (all?) of this purchasing came from either the bankers or their surrogates. Without that still-modest surge in holdings; total gold-ETF holdings would have fallen by another 6 tons last month – the 14th consecutive, monthly decline.

Even with the continued, relentless buying by the bankers of millions of units of their own paper-scams in the gold market; the bankers themselves remain unconvinced that the blood-bath is over with respect to paper-called-gold. According to Deutsche Bank (one of the tentacles of the One Bank):

Based on some calculations based on past data and estimates, SPDR Gold Trust may shed 67 tons in holdings over the coming year…

This helps to answer the question posed in the title to this piece, assuming this "prediction" has any validity to it. Are there any Chumps still holding units of GLD? According to Deutsche Bank; yes. At least 67 tons (roughly 10% of what is left) belongs to Chumps who may/will bail-out of this scam, some time during 2014.

Apart from their central role as a tool of manipulation by the bankers; these paper-called-gold funds are the core of the entire, fraudulent, paper bullion market. Even if the One Bank can stave-off its complete annihilation; there are several (banker) negative implications here:

1. Greater difficulty manipulating prices. The Banksters manipulate markets via leverage. The principal source of gold upon which they leverage their illegal bets and crooked algorithms has been the millions of ounces purchased by the Chumps – and then handed to the One Bank's tentacles which act as "custodians" for these funds.
2. Much greater pressure on (dwindling) inventories. The flip-side of so-called "leverage" is that it represents dilution: people who think they are buying "gold", but who have really just bought more of the bankers' paper. If gold-buyers are now choosing real gold (in much greater numbers) versus phony/fraudulent paper; this means larger, direct draw-downs from inventories (as we have seen in the Comex).
3. Price-decoupling. Arguably this is the greatest fear of the One Bank in bullion markets. If the phony paper market keeps shrinking; this means the real gold market will grow in size relative to the One Bank's world of paper-fraud. At some point; the "tail" will cease to be able to "wag the dog" – and real/legitimate prices for metal will emerge.

Actions have consequences. While regular readers may be sick of hearing this tautology; one must suspect that the One Bank (and its minions) find this truism much more annoying. Will the last Chump to leave GLD please turn out the lights?

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March 1, 2014
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# China Starts To Make A Power Move Against The U.S. Dollar

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the leverage that is imparted to the banking system through these derivatives **is unholy**."

Unfortunately, very few of the "experts" will ever see this crash coming.

Very few of them saw it coming in 2000.

Very few of them saw it coming in 2008.

And very few of them will see it coming this time.

I really like what **Paul B. Farrell** had to say about this...

Early warnings of a crash are dismissed over and over ("just a temporary correction"). They gradually numb us about the inevitable. Time after time we forget history's lessons. Until finally a big surprise catches us totally off-guard. Financial historian Niall Ferguson put it this way: Before the crash, our world seems almost stationary, deceptively so, balanced, at a set point. So that when the crash finally hits — as inevitably it will — everyone seems surprised. And our brains keep telling us it's not time for a crash.

Till then, life just goes along quietly, hypnotizing us, making us vulnerable, till a shocker like Lehman Brothers upsets the balance. Then, says Ferguson, the crash is "accelerating suddenly, like a sports car ... like a thief in the night." It hits. Shocks us wide awake.

Don't let the upcoming crash take you by surprise.

The warning signs are very clear.

Get ready while you still can.

Article by:
Michael T. Snyder
February 24, 2014
http://theeconomiccollapseblog.com

# The Theory of the Big Lie

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**Real estate values are rebounding nationwide** - More than 50,000 properties go into foreclosure *each month*, and in January (the most recent month for which data is available) foreclosures rose 8% from the previous month. A total of 10.8 million people – *21% of American homeowners* – have underwater mortgages. With mortgage and interest rates expected to rise in 2014 things could get much worse.

**Consumer confidence is at the highest level in 6 years** - Do you know anyone who feels optimistic about the U.S. economy? Probably not. It is tax refund season and the start of a new year always creates cash-flow but consumers are not confident. Even Democratic strategist Geoff Garin admitted, "There is an underlying reality that most Americans feel they are not benefiting from the recovery and still feel hard pressed in terms of their ability to keep up with the cost of living, save for their future or find a better job."

How could consumer confidence be on the rise? After all, *40% of U.S. workers earn less than did a full-time minimum wage worker in 1968*.

**Recovery or Death Throes?** The factors that caused the Great Recession are still in place, and some parts of our economy are in worse condition now than in 2007. We can, however, break free from our government's "Big Lie" by storing our wealth in non dollar-based assets like precious metals.

**The Outstanding Public Debt**

National Debt:
**17,543,926,861,304.52**
The estimated population of the United States is **317,932,672**
US citizen's share of this debt is
**$55,181.26**
The National Debt has continued to increase an average of
**$2.70 billion per day**
Business, Government, Financial and Unfunded Liabilities Debt exceeds
**$100 Trillion**

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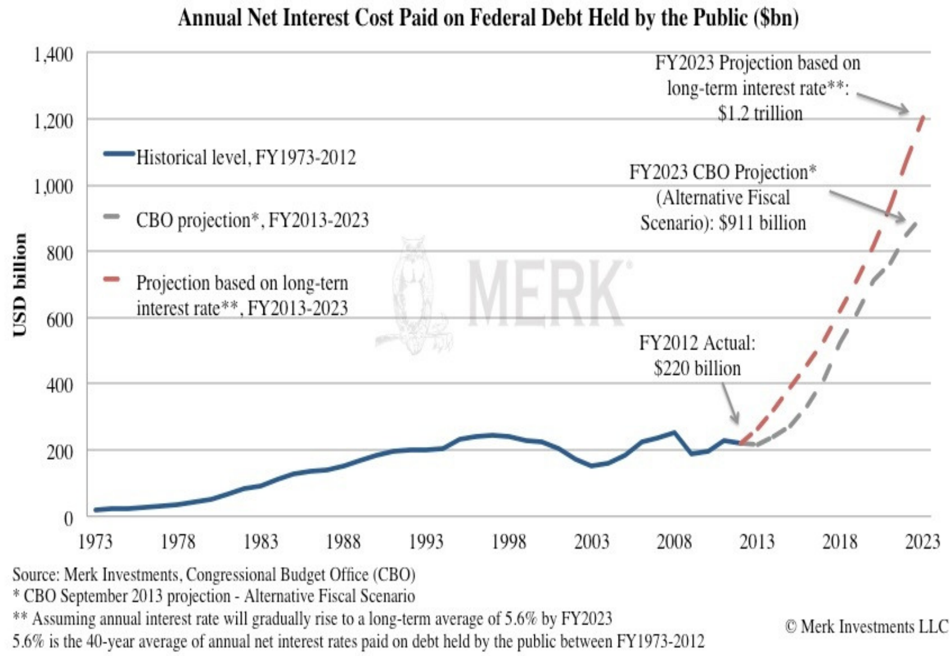
(marketable) debt, or about $200 billion a year. Using the projections of the Congressional Budget Office, if the average cost of borrowing were to go back up to its historical average, the government would pay over $1 trillion more in interest expense in a decade from now:




We conclude it is rather unlikely that we will be facing truly positive real interest rates for an extended period, as we (consumers and government alike) simply cannot afford them. Of course the Fed is said to be independent from Congress and might prove us wrong, but given the focus of Fed Chair Janet Yellen on employment rather than inflation, we don't see the price of gold threatened by positive real interest rates anytime soon. The recent bounce back in the price of gold appears to support our view. Said differently, while we don't know what the price of gold will be tomorrow, we have little reason to think that the long-term track record of gold as a portfolio diversifier will be broken, even if there are quite likely going to be setbacks along the way. Our analysis suggests that the Fed will have a hard time talking tough, let alone acting tough.

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