



**HIGHLIGHTS in "Global Watch – The Gold Forecaster"**

- Silver – COT, Gold : Silver Ratio EDR.V, SSRI, PAAS, SIL, HL, CDE / Platinum.
- Win-Eldrich (WEX.V) Ashdown Update - Terrific Opportunity to Buy! SHARES: HUI, NEM, FCX, GFI, HMY, DROOY, NG, VGZ, GSS

**Features: -**

- Market Action / Short-term forecasts across the Board!
- Comex positions/ Commercial Shorts Help Indicate Price Movements
- The CBGA signatories have agreed to stop selling until September 26
- Country risk when investing - Zimbabwe
- Commodity diversification paves the way for gold
- De-Hedging
- An Oil price above \$60 is here to stay!
- Prospects for the U.S. \$/ Prospects for the US \$ Short & Long-Term
- DJIA / 10-Year Bond / CRB / Gold : Oil Ratio – Record Lows.
- Summary: The present Gold Price Drivers.
- Technical Analysis of the Gold Price: Long/Short term in the U.S. \$
- International Gold Markets / Focus on Euro, Euro Gold Price.

***Special Offer!*** - **Trial Subscription 3 months for \$99 – go to [www.goldforecaster.com](http://www.goldforecaster.com)**  
***FREE on Subscription – "The Yuan Revaluation; A small step for China - a massive one for global exchanges"***

**Do you want to receive your own copy of "Excerpts from *Global Watch – The Gold Forecaster*" ?**  
**Then Send your e-mail address to: [gold-authenticmoney@iafrica.com](mailto:gold-authenticmoney@iafrica.com)**

**Gold production in South Africa could decline by up to 20% this year**

Restructuring at S.A.'s gold mines, together with a continually strong Rand forcing the prices received by the mines to loss levels for many mines and a one-day strike, hammered South African gold output down 18% in the June quarter against the same quarter last year, according to Chamber of Mines figures just released. In April the chamber reported that S.A.'s gold production fell 8.8% to 342.7 tonnes last year, the lowest level since 1931. Now take this figure, down 2.4% on the first quarter and to date the years 's gold production is dropping below the 400 tonne level, if the second half rises back to last year's levels. This is most unlikely.

What is more likely is that the fall off will continue to take annual production this year from South Africa to 360± tonnes, a far more than projected drop, than expected. This is even more significant when one considers that a weakening Rand is moving off the screens to be replaced by a steady to stronger Rand. So there is little short to medium term prospect that gold production will improve. With the prospects of a "Royalty" still on the screen, it is more likely that these figures will continue to fall as the South African mining environment continues to discourage new investment in gold mining.

**India – Gold situation Report.**

The Monsoon rains have calmed, pre-monsoon confidence in the economy has moved from scepticism to confidence. Gold imports are on the rise thanks to the slight price correction and the persistence of the current price levels.

The biggest problem in the Indian Gold market is the different levels of the Value Added Tax to be found in the different Provinces. In Jaipur and Ahmedabad gold is free of such a tax, so imports are flooding through there and spilling over into the Provinces like Chennai. So Chennai dealers are doing "precious little".

This is not a happy situation and one the government is looking at. In Delhi, the government is contemplating dropping the tax too, but keep delaying the decision, leaving markets like Chennai firmly in the hands of out of town dealers from Jaipur and Ahmedabad where they pay less tax. But in their hometowns the volumes are still lower than usual.

We watch and see if the market learns to accept these levels and returns to the market. What must be mentioned is that the overall volumes of Indian gold importing are rising annually. They will have a greater and greater impact on the gold market in the coming years.

## The U.S. mint confiscates 10 Double Eagles from 1933.

Gold Coins are sent to the Mint for Authentication and seized by them, because they should never have left there in the first place. Well, that's their story, but the owners [?] dispute that and are headed to court.

What makes this story so dramatic is the value of these coins. The last coin of this type sold for \$7.59 million in 2002, again under contention, with the Mint taking half the proceeds. It looks like the same path could be followed here.

But the historical side is fascinating, because 1933 was the time the U.S. government ordered all U.S. citizens to hand over all their gold to them at \$20 an ounce. Two years later the government revalued gold to \$35 an ounce [whilst the rest of the world was dealing at \$20 an ounce] allowing the U.S. government to suck in the bulk of the rest of the world's gold until they had over 25,000 tonnes of it, ready for the second world war.

The underlying principal behind this thinking is that he who holds gold is relatively independent of government [as we see in India today] and governments don't like that, because it makes them culpable and takes away control of money from them. At that time [1933] trust in government bonds and other financial instruments was dissipating and government credibility fast waning. What better road to take than to acquire as much of the real money the populace respected as they could, dominate it and so restore that trust in them as owning the only money alternative to paper. It worked!

In the last quarter of a century, faced with a global currency problem, this was not so easy so the U.S. tried to discredit gold as an alternative to the \$ by holding public auctions of it. Few were convinced and as many as could, bought that gold, forcing the U.S. to terminate their sales. Then it used its clout to press the I.M.F. into selling some of its gold too, hoping that the world monetary authority's action would be more convincing. It wasn't, so they terminated their sales too. [Hard to convince someone not to respect gold when you hang onto it as hard as you can.

After that, as the \$ was in the ascendancy and imperially becoming the global reserve currency, a new tactic was tried that did work. Gold was lent out to gold mines cheaply to sell in the market place so as to finance new mines and expand gold production. This gold was then repaid to the bullion banks, from the mine's production subsequently. The price of gold naturally fell and over a long period [20 years]. As the gold price fell, so different Central Banks, including the U.K. sold their gold on public auction, giving the impression that gold was not a sound basis for money.



On top of that the gold mines, then and rightly, sold gold forward [hedged], earning from future deliveries not only the higher current gold price but a good parcel of interest from the 'contango' [A market situation where the price for future [forward] delivery is greater than the 'spot' [immediate, plus one day] price of gold]. This ensured mining gold was profitable even when the gold price was falling and in over supply. This was great for the mines and for the U.S. \$, while the gold price was falling and seemingly being discredited.

But in 1999, when it seemed that all the world's Central Banks were going to sell all their gold, the Central Banks of Europe said hang on a bit, we're making our own gold reserves worthless at this rate. Then we saw the birth of the "Washington Agreement" and a limit placed on gold sales so as to stop the price from falling. This was followed by the 2004 Central Bank Gold Agreement, which is now completing its first year of operation at the moment. This had the mines tumbling over themselves as they saw the Hedges they had in place securing a lower price than market price, so began the de-hedging process. At the moment it seems clear to all that de-hedging itself has stopped, because they are simply reinforcing failure, by achieving a loss on this process of de-hedging. Now the Shareholders accept that deliveries into hedges [allowing the hedged sale to be completed] are far lower profile than the actual process of de-hedging, whilst permitting these deliveries to be called de-hedging still!

But why and what are the Europeans trying to achieve with further gold sales? Selling for either the U.S.\$ in their reserves, or even the €? The public reason given is to achieve an income on their reserves. With capital losses sprinting ahead of income achieved, this reason is not worthy of a Bank Teller on his first day, let alone the guardians the nation's savings! A far more likely reason is to maintain the value of gold round about a chosen level and controlling this level through public sales in sufficient quantities. But not to the extent that it causes harm to market confidence in gold. This is why a survey was done amongst the Bullion Banks to see what quantity could the market bear without causing the price to fall. 500 tonnes was decided upon.

This does keep the gold price controlled, so long as demand does not rise up above this level. Right now, not only is demand rising above that level, but supplies of newly mined gold are falling. The Central Bank Gold Agreement signatories have already sold this year's 500 tonne 'ceiling' and there is still one month to go until the beginning of the next year's allotment comes to the market. Clearly they are hoping that demand does not rise now, or the price will shoot up. We suspect that they are selling from next year's quota already, but cannot validate this.

Why sell at all? This question has not been answered sensibly, by those party to the gold agreement, but the likely true answer is to keep gold in its place and low priced, while the € is in the ascendancy on its way to become the global reserve currency. But gold is now a global market and no account of China has been factored in. They are on the receiving end of these paper currencies and are missing out on gold. If there were any solid reason to selling gold the Central Banks only have to approach Russia and China and sell direct off market, but they don't and they won't. The Chinese don't mind this so long as they can spend the currencies they receive on developing their economy. With the Chinese now revaluing their currency in terms of a "basket of Currencies" [made up from their chief trading partners], the \$ and the € are not the constant focal point of global reserves, as allowance for other currencies has now been made. This is a warning to the West, which they would do well, not to ignore. It is likely that appreciation of the true value of gold is now growing, for the symptoms of the global economy are that nations may well pay too high a price for depreciating currencies by selling appreciating gold!

### **Country risk when Investing – Zimbabwe**

More on the disintegrating Zimbabwe scene occurred since our last report.



The Zimbabwe government has imposed a 10% withholding Tax on any sales of shares through their Stock Exchange. Since then all trading has stopped. It is now a week since trading stopped. The net result has been the cessation of all Stamp Duty payable to the government, an important source of funding for them.

It is sad to see respected Institutions in South Africa still recommending the shares of Impala, on the basis of its Platinum reserves inside Zimbabwe. Here is the wording used by them: -

**"...Implats remained attractive not only because of its exposure to platinum mining, but as it has certain assets that are not fully appreciated by the market. One of these is its investment in Zimplats. Zimbabwe accounts for 60% of Implats' reserves and resources but only 5% of group profit.....As soon as the socio-political turmoil in Zimbabwe normalised, the disparity between Implats' assets and profit contribution would be addressed...."**

For ourselves, we would only look at Impala on a basis that valued the Zimbabwe assets at zero, until the government, not just Mugabe was not on Zimbabwe's scene. The remark, **"as soon as the socio-political turmoil in Zimbabwe normalised"** implies that this prospect is impending. Who's kidding who? Mugabe retains power because of his backers, who will live on after he dies, with the present Vice-President set to take his place, thus giving continuation to the policies of Zanu-PF, which have to date devastated the country and left a full third of them headed to starvation and 70% + without employment. Hence the concept of "normalisation" appears to be a pipe dream and certainly not one worth paying for. By the time Mugabe and the boys have finished, who can know whether Implats will still own Zimplats? So far they have targeted 30% over 10 years, but is this the end of the claim?



What will they pay with? All they have is the Zimbabwe \$, or maybe government bonds? Perhaps then the Zimbabwe banknote shown here, will be worth more than a share in Zimplats? [U.S.\$1]. Do your sums without Zimbabwe investments for now, for sure!

To Subscribe to *"Global Watch – The Gold Forecaster"*, please go to:

[www.goldforecaster.com](http://www.goldforecaster.com)

**Legal Notice / Disclaimer**

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Gold-Authentic Money / Julian D. W. Phillips, have based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Gold-Authentic Money / Julian D. W. Phillips make no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Gold-Authentic Money / Julian D. W. Phillips only and are subject to change without notice. Gold-Authentic Money / Julian D. W. Phillips assume no warranty, liability or guarantee for the current relevance, correctness or completeness of any information provided within this Report and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. Furthermore, we assume no liability for any direct or indirect loss or damage or, in particular, for lost profit, which you may incur as a result of the use and existence of the information, provided within this Report. You should be aware that the Internet is not a completely reliable transmission medium. Neither Gold-Authentic Money / Julian D.W. Phillips nor any of our associates accept any liability for any loss or damage, including without limitation loss of profit, which may arise directly or indirectly from your inability to access the website for any reason or for any delay in or failure of the transmission or the receipt of any instructions or notification sent through this website. You agree not to reproduce, re-transmit or distribute the contents herein.