Millennium Diggers Club

Having fun finding gold and treasure!

Secretary: Marlea Sheridan **Editor: Penny Esplin**

DATE: October 25, 2012

SHORT AND SWEET FROM THE PREZ: This year we have really jelled as a club. We all get together so well and care about each other making each meeting a joy and true visit fest with our friends. Hearing the stories they bring of their adventures is what it is all about and seeing the delight in the telling. We have also steadily added new members this year and with each new addition to our Diggers family the diversity of skills and knowledge also grow and life is good.

I am writing this column the night before the national elections which brings with it serious matters that leave us in sober thought. I can't lie... the outcome will no doubt have significant effects on whether we will be able to continue to enjoy the outdoor activities that are a part of our being. Some of us depend on prospecting to supplement your incomes others to supplement the quality of their lives. Either way no matter how the election turns out we cannot afford to live the peaceful complacent lives we have enjoyed in the past.

Everywhere you look there are those that are looking to take away from us our right to use our public lands. Even with the possibility of more friendly government support I have learned not to turn my back on those single minded individuals and agencies wanting to limit our access because our activities don't fit the utopia they are trying to create.

During my employment with the USEPA I had the opportunity to go back to school for a year to supplement my education. I was considering switching gears from lab rat to renowned scientist... actually I had a supervisor that was all about seeing the paper...so that first term I took a course in environmental science titled “Science and Society”. At that time I was fairly naïve about how the universities were being used to change the mindsets of the young people. Their goals were to make them more in line with the aggressive environmental agenda the fledgling eco industry envisioned. This industry wanted a way to get the agencies to force folks into shutting down any activity they felt was sideways with the pristine natural environmental goals they thought was the only hope for saving our planet.

That term we read a dozen or so utopias created by others exploring the perfect combination of science, government and social development. Only thing is their stories seemed to always end in disaster and the taking of individual rights and lives. That said the discussions were always directed toward the need to manage the environment in a way that would eventually pull societies thinking toward that elusive pristine natural environment all should want. I guess it was here at this point in the class that I missed the lesson focused on giving into the Greater Good which excluded humans as being part of our planets ecosystem needs.

Apparently, even at that time 20 some years ago I knew I couldn't endorse in my sole the philosophy being encouraged in the environmental science field. I ended up shifting to a pure science field concentrating on plant science.

There is a point here somewhere...the fact is that while we were living our lives, raising a family, teaching them right from wrong another culture was out there planning ways to brainwash and recruit our children to the dark side. They strive to make our children an integral part of this idealistic environmental community, a character in their utopia, playing a watchdog of the worlds soil, air and water users, and the agencies. Even better yet the leaders of the same government agencies they need to advance the perfect society.

The only thing they did not present in class was that a utopia is a fictional story that always falls apart. We need imperfection to grow as individuals and a free society to move forward. Instead of creating a society where man has never tread they are creating the PERFECT STORM!

I love the fact that the Millennium Diggers, are an association of individuals that will have each other to stand with and weather the storm. I hope to see you all at the Christmas potluck.

Claudia Wise

Call to Order: Claudia called the meeting to order. Twelve members were present. Guest, Dan Roberts was introduced and he shared his metal detecting interests with the club.

Meeting Minutes: September's Meeting minutes read and approved.

Treasury Report: Joe was not present so Claudia reported on the Treasury.

Claims Committee Report: Our Claim paperwork was filed on time however there seems to be a problem according to the BLM LR 2000 website. One of the papers appears to be unacceptable for our waiver. We will continue to investigate and wait for a return letter from BLM. We will have 30 days to respond again.

New Business: November's meeting will be changed to **November 29th at 6:30** due to the Thanksgiving holiday. We will meet here at fellowship hall for a **Potluck Dinner** and fun! Feel free to bring salads, casseroles and/or desserts to share. This will combine our November and December meetings, a sort of early-**Christmas Dinner and Party!**

Elections for new officers are coming up soon. Please consider if any of you would be interested in running for office. Let Claudia know soon.

The Eastern Oregon Mining Association will be having a new raffle where they will be raffling off another **1/2 pound of gold** next year with two preliminary raffles leading up the grand prize raffle at the Spring 2014 GPAA Gold Show. Tickets will be on sale soon.

Outing Sharing: On October 20th, Delmon, Ken, Walt and Penny traveled 51 miles south east out of Prineville, OR. to search for pink limb casts, agates and petrified wood. They brought back some great finds. In order to find some of the larger limb casts, they had been informed they would need to dig down at least 18 inches, and then possibly even chisel out these hard to find treasures. It was much easier to look for the "float" scattered all around from previous diggings. They had a good time and saw some beautiful country.

Here is a summary of the trip, as experienced from Walt and Penny: We met Ken and Delmon as planned at 9:00 am in Prineville, we then followed Ken to the "Paulina digs". The weather was crisp and the skies were bright blue and the scenery was awe inspiring. We arrived at the site just raring to go, and each of us kind of went our own way, scouting the area out. We met up again at the top of the hill, and found some pretty good pieces down the other side sloping down into a ravine. A few hours flew by, and we met up again on the top. Ken showed us a real special piece of petrified wood he found, but he couldn't quite remember exactly which ravine he had found it in. He said he knew there was another bigger piece there, but got turned around when he went back for it. Then he said he had to leave! Well, Walt and Delmon and I spread out hoping to find this ravine he told us about, then next thing I know, Delmon is leaving too! Walt and I had planned to do some camping, so we stayed in that basic area for 2 days.

The second night it was spitting snow and the following day most of the ground was white. Brrr! It was a cold time for camping, but we were prepared and enjoyed every minute of it. Fortunately, the ground was cold enough to not be saturated and mucky, ‘cause if that had been the case we would have had a heck of a time driving out of there! Later, while on another road west of there, the snow had turned to rain and we found out what a sticky, mucky mess that mud was. It stuck so bad to our tires, then our feet! 4 to 5 inches of sticky clay like mud stuck on our shoes, I felt like Frankenstein as I attempted to make my way across this field! But! Stuck in the very midst of that stuff, I found probably my best piece of petrified wood ever! I thought it was a piece of an old fence post at first. I was so excited; I really didn’t care about all that stuck muck on my shoes!

We traveled onward up through the snow in the Maury Mountains, and spent another night and a day at Antelope Flat Reservoir, where Walt caught a 15 lb rainbow trout! It was the size of a FAT steelhead! That day in particular, the weather was changing every half an hour; dark clouds, snow flurries, clear skies and sun, then black skies and snow again, then here comes the sun! But the blustering, biting, cold ***wind*** was with us ***entire*** time! So invigorating! It makes me feel *alive!* (Fortunately, we didn’t and *don’t* have to endure that kind of weather on a day to day basis. I probably wouldn’t make it, or else I would have to become one of those stone cold hard ass bitch’s swinging an axe!) And thank God we were past the fire danger season; there is NO WAY I would have tried to attempt camping in that cold weather without a campfire! We had fun and made some good memories to reflect back on. We only wish we could have shared some of the camping memories with our fellow Diggers! Maybe next time!

Petrified wood found in Paulina area

Some scenery from the trip:

Rocks/Treasures shared Letter "G": Penny shared the piece of Jasperized Petrified wood she found during the camp trip, along with Augite, and some of the little pink limb casts they found, and Garnets. Delmon shared a whole box of petrified wood and some great specimens of pink limb casts he found while there at the Paulina digs. He also brought a beautiful Geode lined with crystals that he found.

Old Business: The New 49's vs. Karuk Supreme Court Case continues. The North Western Mining Association (NWMA) has signed on as a party to the court case spearheaded by the New 49's who are represented by the Pacific Legal Foundation (PLF). The NWMA will be represented by Mountain States Legal Foundation. This is good news to have two such highly regarded nationally recognized legal foundations representing mining rights. NWMA's brief presents supporting arguments (to our brief) why the Supreme Court must overturn the misguided decision of the Ninth Circuit Court of Appeals, or there will be dire consequences to America's mining industry, and also nothing to prevent extremist environmental organizations from challenging private enterprise in any area where the federal government has an oversight interest---which is just about everywhere these days.

Don't forget to come to our Potluck Dinner on November 29th at 6:30!! Think Christmas fun!!!

Please RSVP to Penny at (503) 588-9251 or pennysn2rox@yahoo.com

Visit our website at http://www.millenniumdiggers.com/

The Millennium Diggers Club is a group based in Keizer, Oregon, which is near Salem, Oregon. The club is for people that share an interest in searching for things of value. The club's charter is to provide members with a club that will help promote the hobbies of metal detecting, prospecting, rock hounding, and treasure hunting. Part of our yearly dues pay for mining claims that are available for all club members to use. We use club meetings to share information about locating gold, silver, coins, jewelry, gemstones, fossils and metal detecting. We plan club outings each month where we can help each other learn all aspects of our hobbies. This is a great family activity, bring the kids! Please feel free to drop in on one of the monthly meetings or outings.

We meet the **4th** Thursday of each month, 7:00 p.m, at:
Clear Lake United Methodist Church
920 Marks Drive
Keizer, OR 97303

We meet in the church's Fellowship Hall; a real a nice meeting place complete with tables, chairs and a kitchen. The church is located across the street from the Clear Lake Fire Station. There's plenty of parking in the church's parking lot.

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Oregon News

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The EOMA Suction Dredge Case

By Guy Michael, October 24, 2012

In a couple of days we should receive the results of our latest battle whether our second amended complaint gets accepted by the Judge. As a result of DEQ stepping outside a previous order to allow the miners to complete to trial whether the environmental organization has standing, DEQ decided to settle with NEDC.

EOMA's complaint is that the settlement agreement ignores the legislative mandate for public involvement as the settlement agreement sets up a structure for reviewing the next permit, which gives to NEDC representatives a stakeholder status. The funny part is that the miners' represented by EOMA was not allowed to participate in the agreement to protect their interests under the mining laws. Even though the settlement agreement is directed at the miners because they engage in the activity the permit review is about.

On the second front, we decided to approach the problems from the legislature, as well as this court case. Two miners, Tom Kitchar, President Waldo Mining District and I have submitted two Bills which are currently being rewritten for statute quality. Tom and I just completed our first edit of one of the Bills.

We are asking the legislature to require state agencies to consult with the "affected parties". In our notes we explained that this means that any future rules or if permitting is by order that the party which engage in the activity of recreational or small scale mining must be consulted 30 days before notice of any new rule or changes to any orders by state agencies. Otherwise, the proposed rules and orders become void.

Our second Bill asks the legislature to not allow any budget money to be spent by the Department of Environmental Quality for new suction dredge permitting until the miners get to make their case before the Oregon Supreme Court. The last time we had our case before the high court; DEQ completed the new permit and got the Court to accept the fact that the old 2005 permit was no longer any good therefore the miners are moot. This was in spite of the fact that the legislature recently passed a Bill that allowed a case against state agency to continue if they could show issues in the case that this would be repeated and essentially bypass judicial review.

This is the very reason EOMA had to file in this case again and because the new permit was issued as an order, EOMA had to file in the Circuit Court. ("Rules" start in the Court of Appeals for judicial review). This made EOMA's starting position further from the Supreme Court with the same issues in this case as was in the 2005 permit case and really less time to complete the court processes before DEQ issues a renewed or new permit.

So, our second Bill is really asking the legislature to rein in DEQ and give us a chance to have our issues heard by the high court once and for all. Otherwise, not only us, but the State of Oregon will be spending tons of money over what we believe to be illegal permitting.

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Metal Detecting

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New Rules for Meteorite Hunters Unveiled

It's official! A fishing license for the sky.

By Leonard David | SPACE.com

http://news.yahoo.com/rules-meteorite-hunters-unveiled-113812622.html

The Bureau of Land Management, under the U.S. Department of the Interior, has issued Instruction Memorandum No. 2012-182. It establishes policy governing the collection of meteorites found on public lands.

The policy, issued Sept. 10, provides guidance to the BLM's field office managers for administering the collection of meteorites on public lands in three "use categories," said Derrick Henry, a public affairs specialist for BLM in Washington, D.C.

They are:

- Casual collection of small quantities without a permit
- Scientific and educational use by permit under the authority of the Antiquities Act
- Commercial collection of meteorites through the issuance of land-use permits

"The policy recognizes that there is interest in collecting meteorites by hobbyists … but it also is recognition that there are science and commercial interests as well," Henry told SPACE.com.
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Henry said the new policy builds upon the guiding authority of the 1976 Federal Lands Policy and Management Act. It is the first time the BLM has formally addressed rules regarding collection of meteorites on public lands, he added. [Video: Hunters Search for Meteorites in Sierra Nevada Mountains]

Casual and commercial collection

As noted in the new policy, the extraterrestrial origin of meteorites, as well as their relative rarity, "has made them highly desirable to casual collectors, commercial collectors and scientific researchers."

The document goes on to note that "recent media attention has increased … confusion about the legality of and limits to casual and commercial collection. Courts have long established that meteorites belong to the owner of the surface estate. Therefore, meteorites found on public lands are part of the BLM's surface estate, belong to the federal government, and must be managed as natural resources in accordance with the FLPMA of 1976."

Henry said the only other option under the Federal Lands Policy and Management Act would be to prohibit meteorite collection on federal land except for scientific inquiry. "This policy ensures that the three listed types of collection on BLM-managed land are allowed, and each of those has guidance under FLPMA," he said. [Photos: Fireball Drops Meteorites on California]

Fair market value

"We tried to account for every kind of occurrence out there," said Lucia Kuizon, national paleontologist at the BLM in Washington, D.C. "We felt the policy helps the public understand the issues, as well as for our own resource specialists out in the field when they get inquiries."

The policy for commercial collecting is new, Kuizon told SPACE.com.

"Prior to the instruction memorandum, we did not allow commercial collection of meteorites," she said. "The details of how to go about obtaining a permit and what it will cost can only be determined by submitting a proposal to the field office where the activity will take place, and then fees and other costs are calculated.

"Most collectors are probably 'small businesses,' and because the activity is more surface collection after a fall, the application fees should be reasonable," Kuizon added. "The fair market value would be calculated by the appraisers in the state office."

Mixed feelings

In the world of meteorite collecting, the new rules have sparked a flurry of comment on the Internet and on a special mailing list dedicated to the topic.

"I have mixed feelings about the new BLM guidelines," said Michael Gilmer of Galactic Stone and Ironworks, in Lutz, Fla. "I think this is all about money. Meteorites flew under the regulatory radar for a long time."

"I think it is good that BLM is trying to preserve the land, but they are schizophrenic in how they preserve the lands," Gilmer told SPACE.com. "They want to discourage meteorite hunters, but at the same time they allow large commercial mining interests to lease the land for exploration and exploitation. I think the mining companies do more damage than any meteorite hunter."

Gilmer said that if the BLM decides to rigorously enforce these guidelines, "then it will negatively impact the recovery rate of all meteorites … old finds and new falls alike."

The general consensus around the meteorite world of dealers and hunters, Gilmer added, is that the new rules are worrisome. However, "it varies from office to office, and a lot depends on the director of that particular BLM area. Some of them are more lenient than others. So I expect enforcement of the regulations to be spotty and inconsistent," he said.

What is needed is increased cooperation between private hunters and officially sanctioned hunters, Gilmer emphasized. "Ideally, the BLM should encourage meteorite hunting … but this is what happens when bureaucrats pass down new regulations without having any knowledge of how the meteorite market operates."

Freshly fallen meteorites

According to Arizona-based meteorite hunter Jim Wooddell, the BLM's new rules clarify much of what the meteorite hunting community already knew.

"However, I want to point out that local policy for any specific area could be different based on the local land-use plan, which I think is the ultimate policy for a given area," he told SPACE.com.

Wooddell said two things are imperative: "First, the local authorized officers need to be educated in the collection of meteorites and, of critical importance, the need to recover fresh fallen meteorites as soon as possible."

Second, based on conversations with BLM representatives, Wooddell said institutions – such as those that [study and curate meteorites] – can and should proactively file permit applications that cover an entire state. Doing so would allow them, or their volunteers, to collect meteorites immediately after a fall. Still, this is up to the authorized officer for the state, he said.

"The bottom line is that no one has any rights to collect meteorites on federal lands for profit or for science without permission from the BLM in the form of a permit," Wooddell said. "Science and profit seekers are those affected the most. It was made apparent the BLM knows who many of them are. Time will tell how this works out."

Check out the BLM memorandum on meteorites at:
http://www.blm.gov/wo/st/en/info/regulations/Instruction_Memos_and_Bulletins/national_instruction/2012/IM_2012-182.html

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First Time Treasure Hunter Discovers Trove of Roman-Era Gold Coins

Suzan Clarke | ABC News Blogs

http://gma.yahoo.com/blogs/abc-blogs/first-time-treasure-hunter-discovers-trove-roman-era-123747420--abc-news-topstories.html

Armed with a basic metal detector, a first-time treasure hunter in Britain reportedly has uncovered a trove of Roman-era gold coins that experts believe represents one of the largest such finds in England's history.

The cache of coins - Roman solidi dating back to the 4 th century - is estimated to be worth £100,000, or about $160,000 in U.S. dollars.
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According to the Helmel Gazette newspaper, the man - whose name has not been made public - reportedly bought a beginner's metal detector from a shop in the Berkhamsted, Hertfordshire, area. A few weeks later, the man returned to the shop, showed the shopkeepers 40 gold coins, and asked them: "What do I do with this?"

The shop's owners, David Sewell and Mark Becher, were stunned. They told the novice treasure hunter to notify authorities of his discovery, the paper added. When he obtained the required permits, Sewell, Becher and others returned with the man to the discovery site.

"We went with them and took with us a couple of slightly more potent machines and we pulled 119 more coins out of the ground," Sewell told the Daily Mail newspaper. "These are 22 carat gold, they haven't got any damage and they came out of the ground looking like the day they were made."

He added: "I've found bits and pieces but nothing like this. I've got immense satisfaction that the guy came to us and bought the machine from us, but I would be lying if I said I didn't wish it had been me."

The solidus coin dates to the closing years of the fourth century. They typically were buried as a sacrifice to gods when the owner was going on a journey or in times of war, said David Thorold, a curator at the St. Albans' Verulamium Museum, the Associated Press reported.

The local government said the coins were found on private land. Experts at the British Museum will examine the haul to determine its final value. Depending on their opinion, the amateur treasure hunter could get at least a share of the proceeds, reports said.

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Western States Mining News

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NWMA Files Amicus in Support of NWMA Member The New 49'ers Inc.

NWMA has filed an *amicus* brief in support of The NEW 49'ers Inc.'s petition for writ of certiorari to the US Supreme Court asking the Court to review and reverse a 9th Circuit's divided en banc decision in Karuk Tribe v USFS, 6813d1006(2012), holding that the USFS's mere receipt and review of a Notice of Intent to exercise rights granted by the Mining Law constitutes "agency action" triggering the
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consultation requirement under the Endangered Species Act(ESA). The Mountain States Legal Foundation filed the *amicus* brief on behalf of NWMA.

At issue is a Notice of Intent filed to conduct suction dredging activities. The divided *en banc* decision overturned the federal district court and a 9th circuit 3-judge panel holding that the mere receipt of a NOI did not trigger ESA consultation requirements. The divided *en banc* decision represents a significant departure from established law, 9th Circuit precedent for what constitutes "discretionary agency action" and for the first time holds that an agency "inaction" can trigger ESA consultation requirements.

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More Support for us at the U.S. Supreme Court!

http://www.goldgold.com/alan-mash-does-it-again-oct-2012.html

Many of you will be aware that we have been engaged in litigation with anti-mining activists that have been attacking us through the Karuk Tribe of California since 2003. It all started with their lawsuit against the U.S. Forest Service (USFS), challenging that District Rangers do not have the authority to allow small-scale mining activities under a Notice of Intent (NOI) when the Ranger concludes that the mining activity is not likely to create a substantial surface disturbance.

Several months ago, after years and years of litigation, the Ninth Circuit Court of Appeals sided with the Karuk Tribe. USFS declined to appeal that Decision. As the last remaining party in the case, The New 49'ers were the only organization that had standing to file a Petition to the Supreme Court. I talked more about the important ramifications of this case to America's mining industry in our September newsletter, so I won't repeat most of that here.

Our Petition for the U.S. Supreme Court to overturn the misguided Ninth Circuit Decision was filed on August 29, 2012.

The good news this month is that a supporting brief was just filed with the U.S. Supreme Court by the Northwest Mining Association (NWMA). This organization is a 117-year-old, 2,000 member trade association based in Spokane, Washington. Representing many larger mining interests along with small-scale miners throughout America and Canada, NWMA is recognized as an innovative and proactive leader in addressing the needs of an increasingly global mining industry. Their influence is quite substantial. NWMA's supporting brief was largely written by Mountain States Legal Foundation (MSLF), a nonprofit, public interest legal foundation dedicated to individual liberty, the right to own and use property, limited and ethical government and free enterprise system. MSLF is one of the most influential property rights legal foundations in America.
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NWMA's brief presents supporting arguments (to our brief) why the Supreme Court must overturn the misguided Decision of the Ninth Circuit, or there will be dire consequences to America's mining industry, and also nothing to prevent extremist environmental organizations from challenging private enterprise in any area where the federal government has an oversight interest – which is just about everywhere these days.

As far as I know, we are the only organization solely representing small-scale miners that has taken a case all the way to the U.S. Supreme Court, at least during the past 35 years that I have been involved with mining.. The final result of this case will have very important consequences upon America for the foreseeable future. All of you who support the effort should feel some pride that we are standing up to do the right thing for the future of our country. We should also be gratified that the bigger players, Northwest Mining Association and Mountain States Legal Foundation, have joined in our cause.

Winning this case is so important that I have consented to allow three ounces of my own beautiful gold nuggets to be given away in a prize drawing. I am hoping you guys will join in and help.

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Silver News

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Mining's Prosperity Has Spread South

EDITORIAL 09-*27-12*

Las Vegas Review Journal Promotes Economic Benefits of Mining

LAS VEGAS
REVIEW-JOURNAL

Let's smash a myth that perfectly plays into Nevada's parochial politics: Mining is not a rural, Northern Nevada industry. It's a Nevada industry with increasing ties to Clark County.

On Sunday, the Review-Journal published Jennifer Robison's special report on the growth of Nevada's gold trade. The price of gold has shot up 517.4 percent since 2000, to nearly $1,800 per ounce, as a result of the devalued dollar. This decade-long run on gold futures has brought an economic boom to mineral-rich Northern Nevada.
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Nevada is the world's third-largest producer of gold, with some 5.5 million ounces coming out of state mines in 2011, Ms. Robison reports. Gold made up 90 percent of the gross proceeds of mined Nevada commodities in 2011, about $8 billion worth. Gaming's impact, by comparison, was $10.7 billion.

The Silver State? Can we make a motion to rename Nevada the Gold State?

The Great Recession has taken a terrible toll on the state's population centers, sending property tax collections plummeting as mining revenues have exploded. But Northern Nevada's need for resources, equipment and labor have created opportunities for Southern Nevadans hurt by the evaporation of construction jobs.

The population of Elko, more than 400 miles north of Las Vegas, has grown to about 40,000, making it "a hive of economic activity for Las Vegas business operators looking for work," Ms. Robison reports. Construction workers, electricians, plumbers and other tradesmen are busy. Bus companies run dozens of shuttles to move workers around the state.

Mike Pack, president and chief operating officer of Cashman Equipment Co., has doubled his office space and equipment yard in Elko and now does 500 percent more business there than he does in Southern Nevada. "We wouldn't be here today if it weren't for mining," Mr. Pack said. "Construction crashed that badly."

Don Ahern, president and chief executive officer of Las Vegas-based Ahern Rentals, is building an office park in the Elko area and has increased his staff there from five to 25 in just two years. "Elko is providing jobs for people in Las Vegas who would otherwise be out of work," he said.
Not to mention a lot of tax revenue. Remember the great tax debate of the 2003 Legislature? Back then, the state collected about $30 million per year in net proceeds taxes. Last year and this year, however, that figure will top $250 million, with tens of millions of those dollars flowing to Clark County.

"As much as we like to think that what happens in Clark County affects the balance of the state, the same thing can be true of rural areas," said Jeremy Aguero, a principal in the Las Vegas consulting firm Applied Analysis.

As expected, however, Nevada's small army of education and welfare advocates see Big Mining as a big target for more tax revenue. The Progressive Leadership Alliance of Nevada supports a resolution that would remove the constitutional caps on mining taxes and allow the Legislature to set the rates. "Mining companies, because of their sweetheart deals in the constitution, are exporting all they money they dig out of Nevada and sending it to Canada, South Africa or other states," PLAN Executive Director Bob Fulkerson said. "They're not using it to build schools in Nevada, and that's just wrong."

That's just not true. National and international companies provide more than 10,000 of the state's highest-paying jobs - people who pay taxes - and directly support many thousands of jobs at retailers, restaurants and other businesses that pay taxes. They've invested billions of dollars in research, construction and permitting over many years to extract minerals from our soil.

Arguments for higher taxes on a volatile industry remind us of last decade's campaign to smack gaming with ever-higher levies. Those demands were based on the belief that Nevada operations were subsidizing the expansion of gaming into other states and countries with higher tax rates, depriving the state of revenue. Gaming's growth outside Nevada helped the state's casinos keep their doors open on the Strip when the U.S. economy tanked in 2008 and 2009.

If Southern Nevada lawmakers decide to vote as a bloc to single out mining for punishment during the 2013 Legislature, it would have direct consequences on Southern Nevada businesses and residents as well. However the Legislature goes about balancing the state's budget, it must be a statewide solution, not one based on a parochial myth.

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Federal Government News

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US Supreme Court Affirms Roadless Rule

The Supreme Court said it would not review a Clinton Administration rule that prohibits most roads and logging across roughly 45 million acres of national forests, effectively ending more than a decade of legal wrangling.

The Court denied petitions from the State of Wyoming and the Colorado Mining Association to overturn the 2001 Roadless Rule, which initially sought protection for 58.5 million acres, or nearly one-third of Forest Service lands. NWMA joined other mining associations in an *amicus* brief supporting the petition for certiorari.

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Department of the Interior Hint at Wildlands 2

Bureau of Land Management guidance manuals recently discovered by Congressman Rob Bishop (UT-01) and Senator Orrin Hatch (R-UT) show that the

U.S. Department of Interior (DOI) has resurrected the controversial Wild Lands policy killed by Congress in April 2011. Included in the manuals is language directly lifted from Secretarial order 3310 and its supporting documents, known as the DOI's Wild Lands memo, illustrating how BLM employees are to identify and manage lands with wilderness characteristics. Congressman Rob Bishop and Senator Orrin Hatch, along with other Senators and Representatives from the West, issued a letter to Secretary Ken Salazar outlining concerns and questions about the DOI's efforts to re-establish Wild Lands through the new guidance manuals

Despite far reaching opposition to previous attempts to establish *de-facto* wilderness areas, the DOI is yet again looking for ways to apply strict land management practices to federal lands without Congress officially designating the lands as wilderness through regular order. In the new guidance manuals, the DOI has carefully outlined how BLM employees should apply new land management practices that essentially create *de-facto* wilderness areas. Many of the directives use language taken directly from the controversial and widely opposed Wild Lands initiative and unfairly stack the deck against multiple-use management.

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Gold News

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Nugget Photo Excites Goldfields Prospectors

Oct 19, 2012

http://www.abc.net.au/news/2012-10-19/nugget-photo-excites-goldfields/4322912?section=wa


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This photo of what is being touted as a 20 to 30 kilogram gold nugget found in the Goldfields has caused excitement in the prospecting community. (Supplied) Map: Perth 6000

A photo of a large gold nugget believed to have been found near Kalgoorlie-Boulder is creating much excitement in the gold mining community.

The nugget is said to weigh up to 60 kilograms, with an estimated value of around $1.6 million.

No-one has claimed ownership and the photograph's origin is unknown.

Rumours of big gold finds in the area are not uncommon but rarely verified.

However, in 2010 the Ausrox Gold Nugget, weighing more than 23 kilograms, was discovered with a metal detector in the Eastern Goldfields.

Acting Superintendent of Goldfields Police Darren Seivwright says police are yet to confirm the report.

"It's enormous and you hear rumours of weights from anywhere between 27 kilos to 60 kilos," he said.

"If that is a 60 kilo chunk of gold, that is a significant find.

"If it is, I wish it were mine."

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$2,300 Gold, Here We Come

By Jeff Clark, Senior Precious Metals Analyst, Big Gold

While many of us don't like making price predictions, and certainly ones accompanied by a specific date, it's hard to ignore the correlation between the US monetary base and the gold price.

That correlation says we'll see $2,300 gold by January 2014.

There are plenty of long-term charts that show a connection between gold and various other forms of money (and credit). Most show that one outperforms until the other catches up. But let's zero in on our current circumstances, namely the expansion of the US monetary base since the financial crisis hit in 2008.

Here's the performance of the gold price compared to the expansion of the monetary base since January 2008.
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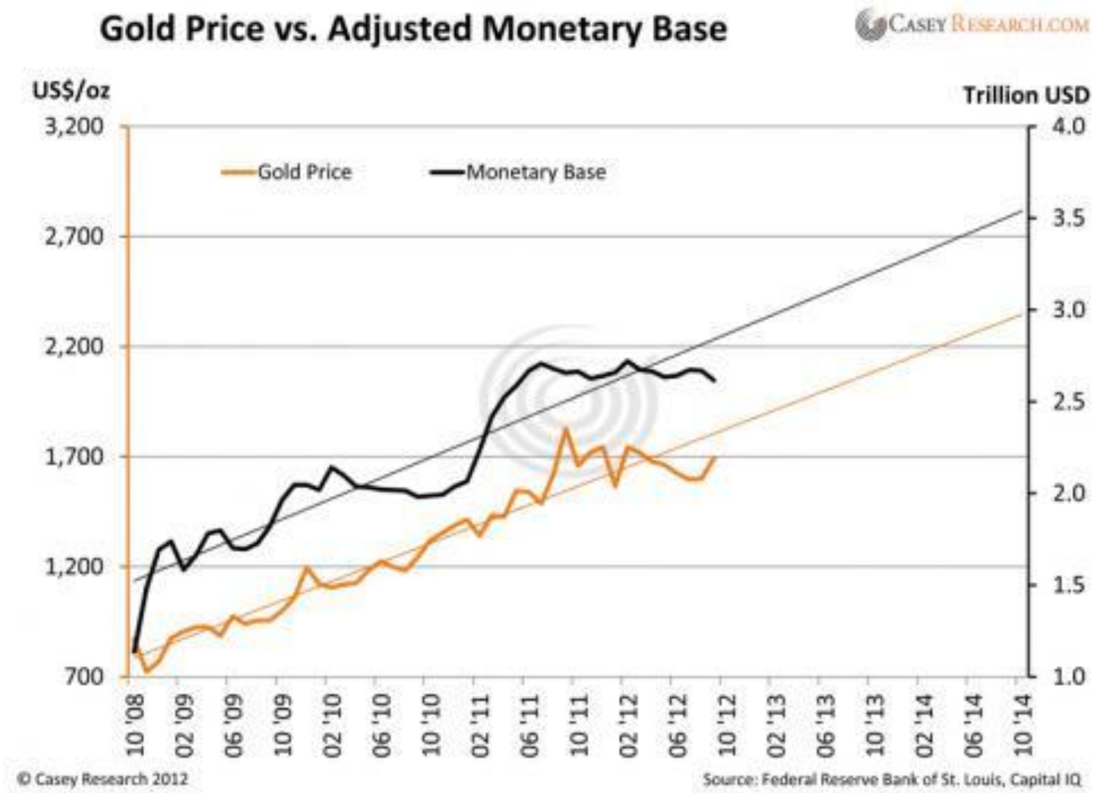

You can see the trends are very similar. In fact, the correlation coefficient is an incredible +0.94.

Since the Fed has declared "QEternity," it's logical to conclude that this expansion of the monetary base will continue. If it grows at the same pace through January 2014, there is a high likelihood the gold price will reach $2,300 at that point. That's roughly a 30% rise within 15 months.

And by year-end 2014, gold could easily be averaging $2,500 an ounce. That's 41% above current prices.

Some may argue that there's no law saying this correlation must continue. That's true. And maybe the Fed doesn't print till 2014. That's possible.

But it's not just the US central bank that's printing money...

- European Central Bank (ECB) President Mario Draghi has declared that it will buy unlimited quantities of European sovereign debt.
- Japan's central bank is expanding its current purchase program by around 10 trillion yen ($126 billion) to 80 trillion yen.
- The Chinese, British, and Swiss are all adding to their balance sheets.

The largest economies of the world are all grossly devaluing their currencies. This will not be consequence-free. Gold and silver will be direct beneficiaries - as will mining companies - starting with rising prices.

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Gold to $10,000 - Never say never

Long term gold price targets get more and more optimistic with some respected analysts seeing $10,000 gold ahead - this may seem unlikely but only a few years ago $1,000 gold seemed out of sight!

Author: Lawrence Williams, 18 Oct 2012, LONDON (MINEWEB) -
http://www.mineweb.co.za/mineweb/view/mineweb/en/page33?oid=160481&sn=Detail&pid=102055

> *A remark on another website by Mark O'Byrne caught my eye - "Longer term, respected analysts are calling for gold prices above $5,000/oz and much higher forecasted prices such as between $5,000 and $10,000 per ounce are not raising eyebrows as much as they have in the past." Indeed with even many of the ultra-conservative bank and fund analysts suggesting that gold will reach $2,000 or even higher within the next year, or even the next few months, certainly $5,000 or even $10,000 should not seem out of sight in some unspecified timeframe."* www.goldcore.com

If one tracks the price of gold during its current bull run it has risen around 600 percent in 13 years - at the same pace of increase it could thus reach $12,250 in another 13 years - or by some time in 2025! Thus is it ridiculous to suggest that this huge valuation on an ounce of gold is achievable? Never say never! When I started managing and writing for *Mineweb* back in 2006 even $1,000 looked completely out of sight and people like Rob McEwen who then were predicting that level were perhaps considered at the extreme end of the spectrum. Yet within 3 years the $1,000 level was achieved and now it is a further 75% higher than that a further three years on. Nowadays, McEwen is predicting $5,000 gold - should that still be considered over extreme?

The big question obviously is how long the bull run will continue. There are those who reckon that gold is in a bubble - perhaps it is. But bubbles can increase enormously in size before they pop and gold could still be in the early stages of this, and unlike a bubble it is never seriously likely to return to the starting point of its huge rise. The gold price has expanded in a direct relationship with money supply growth (which suggests that it is, in reality, only moving counter to the decline in currency values caused by currency printing.

Take Ben Bernake's famous quote of 2002 "*Like gold, U.S. dollars have value only to the extent that they are strictly limited in supply. But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By*
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increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation."

Even though he may have seemed to have been against it at the time, that is precisely what Bernanke has done. He has effectively devalued the dollar through QEs 1-3 so it cannot be seen as surprising to anyone that the gold price has risen against the dollar - or conversely that the dollar has fallen in value against gold. Bernanke is a good economist and he sees the only way of getting the U.S. out of its enormous debt crisis, and ward off deflation, is ultimately to inflate its way out of the problem in a controlled manner - however long it takes and regardless of any unintended consequences - or unknown unknowns as Donald Rumsfeld would have called them. The real question is can he continue to manage the downgrading of the dollar without the U.S. economy descending into hyperinflation, while at the same time pretending he isn't doing that to try and preserve some semblance of value for the greenback vis a vis the other major currencies?

Perhaps luckily for Bernanke, those Central Banks controlling most of the currencies against which the dollar is valued on the markets have followed suit and are doing precisely the same thing. So the dollar index is not falling against its peers, but the dollar has been falling against gold, perhaps the one monetary unit out there which can show the true picture (in theory as long as the gold price in dollars is itself not being manipulated to make things look better than they actually are).

Governments don't like gold because it shows up their economic policies for what they are and defines the devaluations of their currencies in a way no other measure can. There are those who believe that governments, central banks (however independent they may be in theory) and their banking allies combine to suppress the gold price to muddy the waters in this respect - and, as we have pointed out here given that governments manipulate currency parities to suit their economies (note the Chinese, Swiss and Japanese among others), if gold is viewed as a currency then there's no reason why this should not be manipulated to the presumed advantage of the Central Banks too.

But there's only so much governments can do - hence the seemingly inexorable rise in the gold price over the past decade - a rise that is likely to continue in the years ahead - so again $10,000 gold has to remain a possibility however unlikely this may seem at the moment - not in the next few years perhaps - but at some time in the future. Never say never.

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Gold price to rally regardless of who is elected President

By Emma Wall, 31 Oct 2012
http://www.telegraph.co.uk/finance/personalfinance/investing/gold/9646150/Gold-price-to-rally-regardless-of-who-is-elected-President.html

Gold is likely to go much higher in the course of the 45th President's four year term – whether there is a President Obama or a President Romney, according to analytics firm GoldCore.

In its latest newsletter, GoldCore said that the US fiscal cliff, involving steep government spending cuts and tax hikes due in January, is likely to "support gold at these levels and lead to higher gold prices in the coming weeks".

Depending on which of the candidates is elected as US President, the gold price is predicted to experience short-term weakness, but over the long term, GoldCore expected that monetary challenges facing the Fed and the White House would lead to the gold price increasing.

The external macro environment also supports an increase in the gold price, said GoldCore, which is currently valued at $1,724/ounce.

"Gold will not suffer when there is a change and a move away from ultra, ultra loose monetary policies. As was seen in 1980, gold's secular bull market is likely to end if the Federal Reserve again achieves positive real interest rates," said an analyst.

James Steel, analyst at HSBC Securities said that gold prices tend to appreciate more rapidly under Democratic presidents.
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In a report entitled *US Elections and Gold* he said: "The more satisfied the public appears to be with the direction of the nation, the less likely gold is to rally. High Presidential disapproval ratings have been likely to support gold prices, and improvements in presidential approval ratings have weighed on gold prices."

The HSBC report also found that gold tends to rally during periods of foreign entanglement and conflict, regardless of which party is in power.

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Gold investment should double on persisting economic woes - Coutts

Coutts, the private banking arm of RBS, says investors should double the amount of gold they hold as the value of paper currency diminishes along with the prospects for global economic growth.

Author: Rujun Shen, 10 Oct 2012, SINGAPORE (REUTERS)

Investors should double the amount of gold they hold as the value of paper currency diminishes along with the prospects for global economic growth, said a senior executive at Coutts, the private banking arm of Britain's Royal Bank of Scotland.

Ideally, investors should aim to have 7 to 8 percent of their assets in gold, above the wealth management industry's average of 3 percent, Gary Dugan, Coutts' chief investment officer for Asia and Middle East, told Reuters.

"What's happening in precious metals is that they are becoming more mainstream," Dugan said, adding that ten years ago investors rarely held any gold in their portfolios.

"Some of the clients ask where gold prices are going, and I say don't even think about prices. It's a store of value."

PHYSICAL VS ETFS

Spot gold perched above $1,760 an ounce on Wednesday, down from an 11-month high of $1,795.69 struck last week on support from recent stimulus measures taken up by key central banks.

Dugan expected gold prices to rise towards $2,000 in the next several months, supported by short to medium-term factors including purchases by emerging-market central banks.
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Gold's appeal is also likely to increase as the world economy has become more volatile and unstable after decades of usually steady growth, and there appears to be no swift solution to the structural problems emerging in the U.S. and European economies, Dugan said.

"We are going back to normality, and the normality is that precious metals are the core part of your portfolio," he added.

Coutts said its preferred method of gold investment is exchange-traded products, which provide low-cost and liquid ownership of physical metal secured in underground vaults.

But 15 to 20 percent of its clients prefer to hold their gold in a vault they trust, rather than putting money in gold-related financial instruments, as they have little trust in the financial system, Dugan said.

"One client literally took delivery in a van, because he did not trust any bank to store his gold for him," he said.

Holdings of gold ETPs reached a record high of 74.76 million ounces by Oct. 8, up 6 percent over the past two months.

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Why Mainstream Media, Main Street and Institutions Fail to See the Benefits of Gold

Gold Silver Worlds | October 11, 2012

http://goldsilverworlds.com/gold-silver-insights/why-mainstream-media-main-street-and-institutions-fail-to-see-the-benefits-of-gold/

This is the second article in a five part series that is based on a Q&A with Nick Barisheff, CEO of Bullion Management Group Inc. and author of the book "$10,000 Gold: Why Gold's Inevitable Rise is the Investor's Safe Haven." His book will be released later this year but is available now for pre-order on Amazon.com. The main idea behind this article: financial assets and hard assets tend to evolve in opposite directions on a very long term timeframe. Those are simply the dynamics of economic cycles.

Many of today's investors have only lived through the long term bull market of financial assets, between 1980 and 2000. Those two decades have been characterized by strong growth in bond and equity markets. At the same time, gold & silver prices experienced a slow and steady decline. Nick Barisheff remembers it was remarkable how the Central Banks, Wall Street and the media
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were exploiting every opportunity to make negative comments about precious metals.

The cycle before that started in 1968. It included US President Nixon putting an end to the Gold standard in 1971 and peaked with the gold and silver mania in 1980. And here we are again; gold and silver have outperformed every other asset class for 12 years in a row. Still, precious metals are almost off the radar in the mainstream media. There is less than 0.5% of the total portfolio invested in bullion and mining stocks globally in institutions, while less than 1% is invested by the general public.

Here is the key point: if you've only lived through one cycle, it's very difficult to change your mind. Clearly most people today aren't able to see beyond the financial asset bull market; they still tend to ignore today's spectacular gold bull market. Essentially it requires a major paradigm shift in your way of thinking. It's at this point where the psychological factors come into play. In his book, Nick Barisheff mentions 3 psychological factors that are preventing people from looking at this with an open mind:

1. Complacency, which is the "routine" behavior that prevents us being open-minded to new evolutions or trends (in this context: willing to admit that the new economic cycle)
2. Cognitive dissonance indicates the difficulty of making a choice between conflicting options
3. Normalcy bias is our natural tendency to downplay the probability of a non-regular event (in this context: a currency collapse, a long period of economic stagflation, a hyperinflation)

If you take a closer look, you will recognize these patterns constantly around you. Unless you are able to move past these mental issues, you will stay blindfolded. It doesn't matter which evidence is presented, like for example a ten-year gold price chart or the decline in value of currencies.

Main street public ignores gold's real benefits

We have strong evidence of gold's upward move, with a gold price that has gone from $ 275 in 2001 to a new 11 month high at $1,796.50 on October 10th. The economy continues to look worse with the day, as the Eurozone keeps on struggling with debts and the IMF just issued a grim warning of a weaker global economy. And yet, people keep on talking about gold being overpriced. The most common arguments you hear are that a further price increase is irrational and that it's too late to invest. Apart from the earlier discussed mental factors that are into play, here is a more fundamental reason barrier: the lack of understanding of the monetary system. It's mandatory to have a basic understanding of what money and currencies are.

Nick Barisheff often uses the following example. A lot of people still think that gold's only purpose is for jewelry. With a price of nearly $1,8000, gold is probably overpriced as far as jewelry is concerned. This point becomes perfectly clear on a day like September 13th, when Bernanke announced QE3. The price of gold went up by more than $ 25 in less than an hour. So does that mean that everyone stood up to buy jewelry right after Bernanke's speech? The central point here is that an announcement was made to debase the US dollar, without any limit, without any timeframe. Anybody with a basic understanding of how money and currencies work, could connect the dots. It's almost a sure thing that the gold price will continue to rise.

This is so important to understand: it's the currency that is being debased. The announcement of Ben Bernanke on September 13th stated that the currency was debased to infinity. The rise of the gold price is simply a natural result of that event.

Again, main street public can't connect the dots as they don't understand the dynamics of money and currency. They are not to blame in fact, as it wasn't taught in school or in economic classes. There is even no economic course or university that goes in to the fundamentals of money, how it's created, the dynamics in that market and so on. The only exception is the Austrian School of Economics.

When you start looking at the history of currencies, there isn't one example in human history where fiat currency didn't go through a hyperinflation or complete collapse. Not one! Now for the first time ever we have a reserve currency and a global fiat currency system that is one way or another tied to the US dollar. History is about to repeat once again as we are moving to the same kind of end game.

You really need to get acquainted with topics like money, how the Federal Reserve and the fractional reserve system work, how currencies are being debased and the roles of interest rates and inflation. That's quite an effort in terms of education for most people.

The primary condition for a better understanding: education

Nick Barisheff is not saying it's easy to get up to speed with monetary topics. The day-to-day pressure in our society makes it very hard to step back and educate oneself. Today in a typical family, both partners are working. They need to manage their financial and retirement issues, their daily household issues, etc. Our world is subject to a greater level of change than ever before (business, legislation, technological advances, etc). So it's a big challenge to take the education that is required.

Unfortunately that's exactly the kind of thing that will cause many people to be blindsided. Educational sites, interviews or books are going to help some people but not the entirety. Most people will jump on board when it becomes totally obvious; that's probably when hyperinflation hits. For sure it will be too late. That will be the time when gold will be a discussion topic on all cocktail parties and when you will see taxi drivers convincingly explain to people why they should own gold. However, most of them won't understand why they are investing in it even when the price of gold will probably be rising $100 a day.

We see today already a loss in confidence in traditional institutions like for example the government, banks and (traditional) media. In fact, that trend has been going on for quite some years but it has been accelerating in the past decade. It could bring us faster to the tipping point, as an increasing number of people could turn to alternative media (freely available on the internet) in order to educate themselves.

We saw it all before

You can compare today's situation with the bull market of the 80's and 90's in the high tech stocks on NASDAQ. Although the bull started its run in 1982, it was only in 1998 that 90% of investors started investing. Obviously that was just in time to totally get crushed. A similar evolution took place in the gold bull market of the 70's.

As from 1974, the US government allowed their citizens to own gold again. If you look at the newspapers back in the 70's, the main message that was given to the people was how the US dollar was declining x percent against gold. They didn't say that gold went up with x percent. That's exactly how the right perception was created. Today's focus of most media is "*how the gold price is going up … for no apparent reason*". All Western economies are accelerating the printing of money, that's enough reason on itself for gold's appreciation.

All economic forces are stronger right now compared to the previous gold bull market. Excessive money printing is taking place on a global scale. Also, the 70's bull market wasn't global in nature. It was a US phenomenon primarily because the US dollar was declining after it was removed from the gold standard. Gold went up to a lesser extent in Canada and the UK. However, it did not appreciate in German Marks or Swiss Francs.

Why mainstream media avoids talking about the real benefits of gold

There are still big entrenchments from the financial community. The wealth managers, money managers, private banks, pension funds … they are still against the rise of precious metals, perpetuating the idea that gold is a risky asset and that it's useless as it doesn't pay any interest or dividend. Those arguments are all easily refuted. But still these negative articles keep on

appearing, even now after a fantastic 12 year bull ride. You don't see something similar in other asset classes. There are considerably less negative articles about oil, potash or natural gas to name some examples. Nick Barisheff admits that he doesn't know if it's on purpose, if it's going to change or when it could change.
Coincidence or not, Forbes announced an article devoted to gold almost exactly the same time of this Q&A with Nick Barisheff: Gold can save us from disaster. The article is written by Steve Forbes himself and will appear in their magazine as well. Could this be a sign that the tide is turning? Are we right now close to the tipping point? Only time will tell, but things are worsening every day in our economy and the least we can say is that the situation is alarming. Do you own physical gold and silver?

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Billionaire Frank Giustra, Gold Is The Mother Of All Bubbles, Which Is Why You Should Buy It

Frik Els, Mining.com, editor for MINING.com in Vancouver, BC., Oct. 18, 2012,
http://www.businessinsider.com/frank-giustra-bullish-gold-2012-10

Canaccord's Global Resource Conference happening in Miami at the moment featured a lengthy lunchtime chat with billionaire investor Frank Giustra where he said "he doesn't want to sound apocalyptic," but probably ended up scaring the bejezus out of the audience anyway.

In 2002 Giustra wrote a book called *A Tarnished Dollar Will Put the Shine on Gold*.

That was back when gold was trading below $300 and quantitative easing wasn't even a glint in Ben Bernanke's eye.

A decade later he's sticking to his guns:

"I don't know when and I don't know how high. But gold is going a lot higher.

"Gold is the bubble of all bubbles. It's the mother of all bubbles. It's the bubble people will go to when they've exhausted all other bubbles.

"Here's why: It is moveable. It is easily transferable across borders in times of crisis. It's a currency. It's liquid. It's easily tradeable.

"I'm a fan of all hard assets, but particularly gold. It's the largest part of my portfolio and it will continue to be until this cycle is over."
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The reason for Giustra's confidence about the gold price – and gloom about the financial system – is all about US monetary policy.

While it started with the so-called Greenspan-put in the Nineties, Giustra said the Fed "crossed the Rubicon" when it first embarked on quantitative easing (in December 2008, when gold was worth $830 an ounce).

The Fed has already racked up close to $3 trillion and purchases of $40 billion a month for "at least the next 27 months" by the Fed's own calculations under open-ended QE3 will add another $1 trillion.

"**Everyone is frozen with fear. Everyone is in cash**," says Giustra.

"The only reason you haven't seen inflation – hyperinflation – yet" with all the cheap money flooding markets is because the velocity of money – the speed at which money changes hands in the economy – is at its lowest since 1959, when it was first measured:

"If it [velocity of money] stays that way, you won't get inflation. But the first whiff of inflation and things can pick up quickly."

Giustra says like in chess the Fed is in an "inescapable trap". It's been cornered by the queen, a rook and a bishop – a triple threat:

It cannot rein in the excess liquidity by raising interest rates because it will destroy what is only a fragile recovery.

With debt through budget deficits on its way to $20–$25 trillion, the US government will be the first in trouble if the Fed tries to normalize rates.

Thirdly, the Fed's own balance sheet is such that it could become insolvent – its debt:equity ratio is 51:1 with the bulk of its holdings in longer maturities which they won't find buyers for.

"It's the beginning of the end for the US dollar. I don't want to sound apocalyptic, but how else does this end? You have to be on the right side of this trade."

Giustra knows what he is talking about.

He made his money in a rare combination of two very different industries – gold mining and movie making. And he has a rare knack for timing the market.

Giustra started out at as mining industry dealmaker in the 1980s and got out when the market turned sour in the early nineties.

He then founded Lionsgate, today the biggest independent Hollywood studio.

By 2001 he was back in mining setting up among others Wheaton River which would morph into what is today the world's number two gold (Goldcorp) and silver (Silver Wheaton) companies with a combined market value of $48 billion.

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Why Precious Metals Will Be Best Safe Haven Assets

By Peter Cooper, October 29, 2012

http://www.resourceinvestor.com/2012/10/29/why-precious-metals-will-be-best-safe-haven-assets

Suddenly the calm is over and the storm is upon us, at least in the Northeast USA if not yet in financial markets. That said the trouble brewing in those markets looks about to turn into a once-in-100-year storm too.

US political instability is a frightening prospect but that looms large with a very close race for the White House and uncertainty over the composition of the legislature after the elections on Nov. 6. The automatic austerity of the US "fiscal cliff" on Jan. 1 is far from being automatically avoided and markets loathe this sort of uncertainty.

Debtors Prison

At the same time the crisis in the euro zone is about to blow up again with Greece once more facing default and Spain on a knife-edge. Each time the euro-zone crisis intensifies it gets bigger in size and the solutions look less realistic. But then as the US experience shows that is what borrowing more to meet problems caused by over borrowing does to an economy.

Asia is also no safe haven with Japan and China both facing economic crises, not unconnected to the downturn in global demand particularly in the euro zone. Suddenly the whole house of cards looks very vulnerable with the winds blowing hard from all angles. Hurricane Sandy is something of a metaphor for economic reality.

Now will gold and silver protect investors from this storm? Technical charts suggest extreme pressure in financial markets could drop gold to $1,620 an ounce and silver to around $28 but that is about it. Moreover, the Jim Sinclair thesis gives reason to expect a rapid recovery and then some (click here).

What Mr. Sinclair foresees, as one of the most celebrated bullion bankers of all time, is that the bullion banks will use this weakness in the gold and for that matter silver price to reverse out of their short positions and go fully long in the market. Why would they do that?
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Bond Market Crash
It is simple enough. The next stage of the financial crisis just has to be a bond market crash and much higher global interest rates, and a flight to precious metals. The bullion banks know this and want to be there holding all the gold and silver when that happens.

Gold and silver will be the best asset a bank can have on its books when the paper house of cards comes crashing down. There will have to be a global reset for money and that reset will have to include precious metals to give it any chance of working successfully, that is to say restoring confidence.

You can if you like try to be immensely clever and exactly time this reversal but to be honest you are not likely to get this right unless you happen to work for one of the bullion banks. Just to buy and hold precious metals is probably the best thing any reasonable person can do. Get your marketing timing wrong and you will miss this historic opportunity for the sake of trying to squeeze out a little extra profit.

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International Gold News

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What is China really doing in the gold markets?

Is China building its gold reserves surreptitiously? The balance of probabilities suggests it is - and perhaps at a faster rate than many would contemplate.

Lawrence Williams, 22 Oct 2012, LONDON (MINEWEB)

http://www.mineweb.com/mineweb/view/mineweb/en/page72068?oid=160593&sn=Detail&pid=92730

Perhaps the biggest conundrum facing gold investors is China. What is it really doing? Is it building gold reserves surreptitiously? Is it buying gold on the dips thus creating a floor price? The answer is that we don't know for sure as the giant Asian economy plays its cards pretty close to its chest. So all we are left with is informed speculation gleaned through trying to pick up guidance from public utterances by senior Chinese officials and, in trying to make sense of the gold import statistics via Hong Kong, believed to be the primary route for gold coming into China. However, one does not know for sure if perhaps there are other channels through which gold is imported as well. We are reliant wholly on what China actually tells us, but Chinese data is not exactly reckoned to be transparent and the general belief is that the statistics only tell the outside world what China's powers-that-be want us to believe.

So, what are the ‘facts' as we know them? First and foremost, China is believed to be the world's largest gold producer, but here again we do not know for sure
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whether the announced gold production statistics includes those from a host of small mines which fall outside the general reporting framework, or whether it includes the byproduct gold from concentrate imports for the country's huge smelting and refining sector. On gold imports we really don't know how much of this, if any, goes into government warehouses and how much is actually bought by individuals. There is plenty of anecdotal evidence of strong demand from the Chinese public, but actual figures setting out the total amount purchased by this sector are somewhat lacking. Likewise, we do not know how much of China's own gold production is taken up by government and how much enters the general markets, if any. All we know is that China does not export gold - it only imports it thus soaking up a significant element of global gold output like a sponge. What comes in doesn't come out again!

If we take Chinese statistics at face value, then all this imported and home produced gold is taken up by individuals as the country's official gold reserves, as reported, have not risen at all since 2009 and total only 1,054 tonnes - less than 2% of China's foreign reserves, a minuscule amount in relation to the gold holdings of the world's biggest global economies like the U.S. and Germany both of which hold over 70% of their reserves in gold. But, and this is indeed a big but, in April 2009 China raised its official reserve figure by over 450 tonnes (by transferring it from a non-reportable pot into its official reserve) - is it doing the same again and raising its reserves without reporting any increase to the outside world? The likelihood is that it is, and it is possible that the increase in the reserve is substantial.

So what would be the reason for China not reporting any increase in its official reserve figure? The Chinese hold a huge amount of U.S. dollar related paper in its total forex reserve - estimated at around $3 trillion. If one follows the occasional statements from senior Chinese officials they feel that these dollars are devaluing through the U.S. Quantitative Easing programmes and will continue to do so, so are keen to diversify out of dollar holdings into 'currencies' that, as they see it, maintain their value - like gold. If China announces a big gold reserve increase, the price of gold would likely rise sharply on the news, which would mean it would cost China more and more to increase its gold reserve. It thus makes sense for it to build its gold reserves at reasonable prices rather than have to buy at far higher price levels which would prevail if it was officially announced that its gold reserves had doubled, trebled, or even more.

If this is indeed the case, what level of gold in its reserve is China seeking to reach, and how quickly can it get there? There have been pointers to this in various statements by senior officials and it is thought there could be an initial target of around 5,000 tonnes - which would still only bring them up to around 8% of its forex holdings. And, perhaps a long term target of double this which would at least bring the figure up to around the same level as a country like

Switzerland as a percentage of forex reserves. With its own annual gold output at around 350 tonnes, assuming all this is taken into reserves, it would take ten years or more to achieve the initial target alone. But there is a feeling that its gold reserves may, in fact, be growing faster than that by taking in some of the imported gold as well. But how much?

Another factor which demonstrates China's gold thirst is the number of Chinese companies moving into buying offshore gold producers - and given that, in effect, all these companies are state-owned or controlled (as is virtually any significant company) it does also demonstrate the overall official policy on gold. Some feel that China is building its reserves far faster than many think with a long term aim to allow the yuan eventually become the world's reserve currency replacing the U.S. dollar, with all the trade advantages such a change would bring. And to do this, so the pundits argue, it feels that its currency needs a strong gold backing. This day may be some years ahead but China, with its autocratic political system plans for the long term, while Western democracies seem mostly to only plan for the time until the next election.

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China knows that gold is rigged

By Martin W. Hennecke

http://www.marketwatch.com/story/china-knows-that-gold-is-rigged-2012-10-24?pagenumber=1

It is an open secret among precious metals analysts and traders that the gold and silver markets are being heavily manipulated, mostly to the downside; i.e. their prices are being suppressed by various Western financial entities in what should be a scandal much bigger than the Libor rigging scheme.

Not only did a senior commissioner at the Commodity Futures Trading Commission (CFTC), Bart Chilton, reiterate recently his original statements from 26th October 2010 that "there have been fraudulent efforts to persuade and deviously control the price of silver" adding this time that " there have also been silver and gold market anomalies outside of the [current] silver investigation" , but we have also heard similar comments from former Assistant Secretary of the Treasury Paul Craig Roberts: "I suspect that the Federal Reserve is manipulating the gold and silver markets in order to prevent its low interest rate policy from undermining the value of the US dollar. It is easy to offset rising prices of bullion due to physical demand by selling shorts in the paper market."
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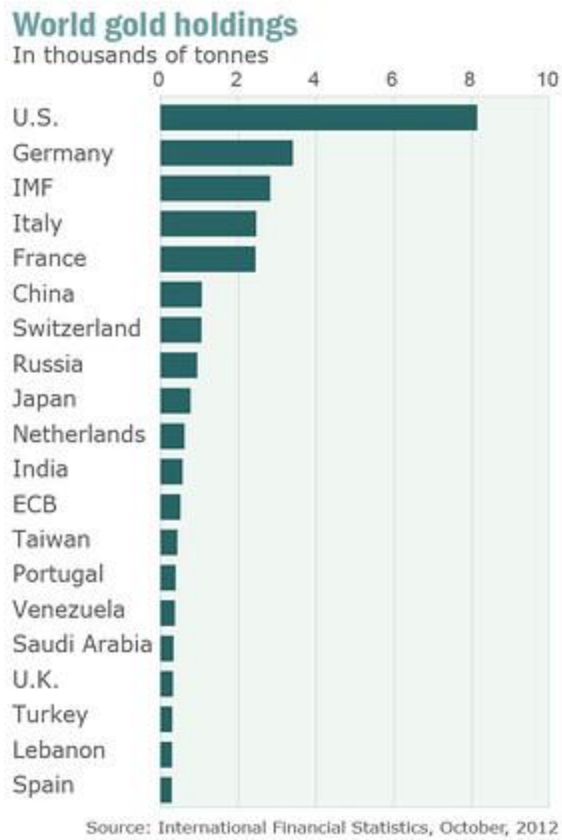
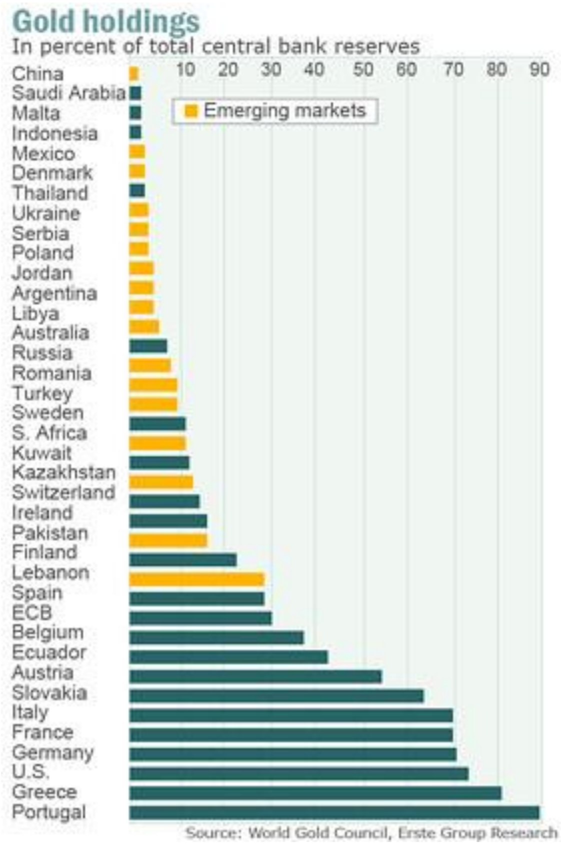


And then, of course, there is the famous, albeit much older, remark from the maestro Alan Greenspan himself, in his July 24, 1998 testimony to the Committee of Banking and Financial Services, U.S. House of Representatives that: "Central banks stand ready to lease gold in increasing quantities should the price rise".

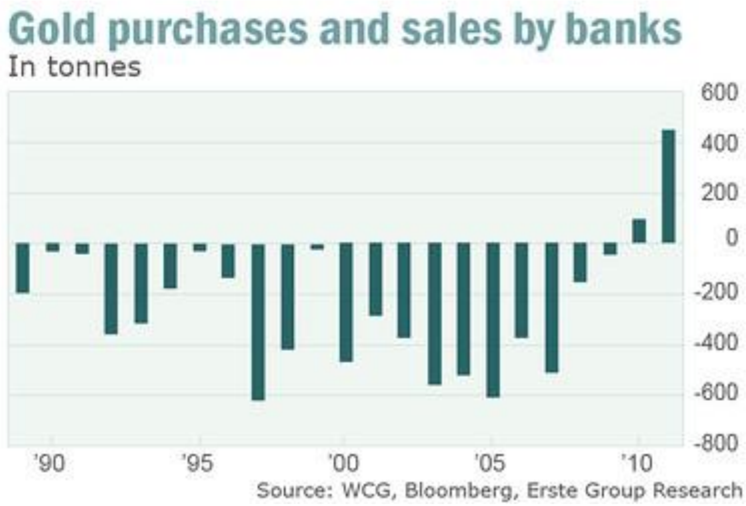
What seems to be still much less known to most of the investing public and even the better-informed metals analysts, however, is that this news also appears to have very much come to China's attention of late, and the country actually seems to have decisively entered the game on the opposite side, by taking advantage of the artificially low/suppressed prices to accumulate gold.



A cable from the U.S. embassy in Beijing on April 28, 2009 , brought to light by wikileaks, stated the following in this regard: "According to China's National Foreign Exchanges Administration China's gold reserves have recently increased. The U.S. and Europe have always suppressed the rising price of gold. They intend to weaken gold's function as an international reserve currency. They don't want to see other countries turning to gold reserves instead of the U.S. dollar or euro. Therefore, suppressing the price of gold is very beneficial for the U.S. in maintaining the U.S. dollar's role as the international reserve currency. China's increased gold reserves will thus act as a model and lead other countries toward reserving more gold. Large gold reserves are also beneficial in promoting the internationalization of the RMB.

It should come as little surprise then that recently China has been buying gold like there is no tomorrow. Gold imports through Hong Kong in only the first eight months of this year (at 512 tons year-to-date 2012) already have surpassed the entire official European Central Bank gold reserves.

Meanwhile the wikileaks-quoted strategy of ' China's increased gold reserves will thus act as a model and lead other countries toward reserving more gold' also seems to be working. Central banks globally have turned into net buyers since 2010, following 20 years of net selling.



And, mind you (short speculators watch out!), given China's huge foreign exchange reserves, there is yet a long way to go for the country if it was to bring up its gold holdings to similar percentage levels as those of most Western countries (that is, if those Western countries' gold that is shown on their books is actually still physically there. That, of course, is an issue that many are concerned about, including, as of this week, the German 'Federal Auditor's Office' that just asked the German Bundesbank to seek to inspect its gold reserves held with the New York Fed.

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Counterfeit Aussie gold sold in China

Mike Duffy, 7News Updated October 22, 2012, 7:13 pm
http://au.news.yahoo.com/latest/a/-/latest/15182799/counterfeit-aussie-gold-sold-in-china/

Evidence gold bars are being counterfeited

An Australian mint has called in the Federal Police after being shown evidence by Seven News that its gold bars are being counterfeited.
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An Australian mint has called in the Federal Police after being shown evidence by Seven News that its gold bars are being counterfeited.

The investigation uncovered Chinese 'forgery factories' that will churn out fake bullion and even Australian coins, for a fraction of their face value.

Just one of the bars (seen below) should be worth more than $1700.

Seven News reveals counterfeit gold bars being sold at a Chinese factory.

"There are some poor people out there who have gone and bought these products thinking they've got a bargain and have actually been ripped off," Ron Currie from the Perth Mint said.

At Wenzhou, in China's south east, a suspicious discovery is made after taking a tour of one factory that makes medals and badges - there are thousands of samples.

On the front is stamped "Perth Mint Australia", on the back are kangaroos - a close copy of the actual design used by the mint.

The worker doesn’t hold back when quizzed about the procedure.

"First we did the silver plating, then the gold plating," he said.

What should be valued at $510,000, is actually counterfeited gold bars that Seven News paid $300 for (300 pieces at $1 each).

Mr Currie says while the number reaching Australia is relatively small, the damage can be significant - but there are tell-tale signs.

"If it looks like a deal that's too good to refuse - you should refuse it. Secondly the quality - the quality is nowhere near as good as the real product," he said.

"We'll of course follow it through and take it up with the Australian Federal Police.

"The Australian Federal police are very helpful and are very interested in stopping counterfeits or copies coming into Australia."

China has long forged Western products, but this is altogether different because it has the potential to do so much harm.

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Russian ship with 700 tons of gold ore missing

http://news.yahoo.com/russian-ship-700-tons-gold-ore-missing-120438836--finance.html

MOSCOW (AP) — A vessel with a nine-person crew and 700 tons of gold ore onboard has gone missing in stormy seas off Russia's Pacific Coast.

The ship sent a distress call on Sunday as it was sailing from the coastal town of Neran to Feklistov Island in the Sea of Okhotsk.

The vessel, hired by mining company Polymetal, was carrying 700 tons of gold ore from one deposit to another where it was to be processed. Gold ore is the material from which gold is extracted and contains only a small percentage of the precious metal.

Polymetal's spokesman on Monday would not estimate the value of the cargo.

The company said it has shipped ore via that route before, and there was nothing unusual in shipping it by the sea.

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Ghana’s Gold Sparks Conflict with Illegal Chinese Miners

By Pauline Bax - Oct 8, 2012 7:10 AM PT

http://www.bloomberg.com/news/2012-10-08/ghana-s-gold-sparks-conflict-with-illegal-chinese-miners.html

A boy sits beside the pit of an illegal gold mine collapsed at Dunkwa on-Offin, Ghana, on June 27, 2010.

When a patch of land on the edge of Nweneso No. 1 village was bought by a Ghanaian who said he wanted to search for gold, few residents objected. Then dozens of Chinese moved in with excavators, wrecking farmland and turning the local stream into a trickle of mud.

Melted ore is poured out for testing at the Newmont Mining Corp. gold quarry mine located on the Carlin Trend west of Elko, Nevada. The biggest gold companies operating in Ghana are Greenwood Village, Colorado-based Newmont Mining Corp., which is developing its second mine in the country, and Johannesburg’s AngloGold Ashanti Ltd. and Gold Fields Ltd. Photographer: David Paul Morris/Bloomberg

“The Chinese destroyed our land and our river, they are sitting there with pick-ups and guns, plenty of guns,” Maxwell Owusu, acting chief of the village in the central Ashanti region, said last month. “They operate big machines and it makes it very difficult to reclaim the land for farming when they are done.”

As global gold prices climb amid economic uncertainty in Europe, Ghana is facing an influx of illegal small-scale miners from China using machinery villagers say they can’t afford. The operations are raising concern over environmental damage in Africa’s second-biggest gold producer and sparking anger among

Ghanaians who say they sold their farmland without knowing Chinese gold miners would move into camps nearby.

When the Chinese miners are preparing to depart to sell their gold in Ashanti regional capital, Kumasi, they fire their weapons into the air to ward off potential highway robbers, Owusu said.

The inspector-general of police set up a committee in August with the Ministry of Natural Resources and the Minerals Commission to investigate illegal mining. About 20 Chinese miners arrested without residential and work permits will be tried soon, said Frank Koffi, operations director of the Criminal Investigation Department. Thirty-eight were deported last month, China's embassy in Ghana said in a statement on its website dated Sept. 30.

'Environmental Devastation'

"The involvement of the Chinese has changed the dynamic of small-scale mining," Toni Aubynn, head of the Ghana Chamber of Mines, said in an interview in the capital, Accra. "They use bulldozers, pay loaders and really heavy machinery. They have in fact mechanized artisanal mining and as a result the level of environmental devastation is huge."

The biggest gold companies operating in Ghana are Greenwood Village, Colorado-based Newmont Mining Corp. (NEM), which is developing its second mine in the country, and Johannesburg's AngloGold Ashanti Ltd. (ANG) and Gold Fields Ltd. (GFI) The price of gold more than doubled since 2008. Gold for immediate delivery traded 0.4 percent lower at $1,774 an ounce at 3:03 p.m. in London.

Small-scale mining is reserved for Ghanaian nationals as the law allows foreigners only to provide goods and services to Ghanaian miners. Chinese-made gold mining equipment has quickly become popular in mining towns including Tarkwa, which is near Ghana's biggest gold mine, run by Gold Fields.

Small-Scale Miners

"They haven't encroached upon our mines yet, but of course we are aware of the problem because the Chinese operations are relatively big and it's clear that they cause a lot of damage," Peet van Schalkwyk, executive vice president for West African operations at Gold Fields, said in an interview in Tarkwa on Sept. 14.

About 30 percent of Ghana's total output is produced by an estimated 1 million small-scale miners who use shovels and picks, according to the Chamber of Mines, which has asked the government to tighten industry regulation. Output is expected to reach 3.9 million ounces in 2013 from 3.6 million ounces this year, said Benjamin Aryee, chief executive officer of the Ghana Minerals Commission, the industry regulator.

Often, Ghanaians secure plots of land and partner with Chinese who have funds to "bring in the bulldozers and all the other big equipment, and then they go in some sort of working arrangement with the local miners," said Aubynn.

Chinese Trade

The Chinese sell small rock-crushing machines, known as Shang Fa, at about 1,700 cedis ($897) each, and run large operations in the Ashanti and Western regions, notably on the Ankobra river, which shows signs of heavy pollution, according to Van Schalkwyk.

Ghana has a fast-growing Chinese population, with Chinese shops and restaurants cropping up in the Ashanti Kumasi. Bilateral trade between the two countries jumped to $3.47 billion last year from $2 billion in 2010, according to the website of the Chinese Embassy in the capital, Accra.

In July, Chinese men mining near the village of Manso- Nsiana fired warning shots when residents protested their presence, Koffi said. He couldn't confirm a report published in Accra's state-owned Daily Graphic newspaper in July that two Chinese nationals have been killed this year in a mining dispute.

No one answered the phone at the Chinese embassy in Accra when calls were made last month and Oct. 5. A request made in person to speak with the secretary of the ambassador was declined on Sept. 18. A written request to speak with the ambassador, delivered at the embassy on Sept. 20, wasn't answered.

Muddy Pits

In Nweneso No. 1, two separate groups of Chinese men arrived "led by Ghanaians" about three months ago, acting chief Owusu said. They set up wooden barracks on the edge of the village, barred entry with a bamboo pole and used excavators to unearth muddy pits of at least 10 acres (4 hectares) each in what used to be palm-oil and cocoa plantations.

In Nweneso No. 2, the adjacent village that's connected by a bumpy, unpaved road, young men used sticks and machetes to chase away a small group of Chinese miners who had shown interest in the area, Tony Yeboah-Asare, the head of the village assembly, said in an interview.

Enforcement Agencies

"We will do everything to protect our land from the Chinese," he said, preparing to plaster walls and electricity poles with warning notices from the Minerals

Commission explaining that land is not to be bought or sold without government approval.

Better checks on visa applications and cooperation by local residents with law enforcement agencies is needed, Foreign Affairs Minister Alhaji Mohammed Mumuni told reporters on Sept. 20.

"In some areas, there is some kind of unholy alliance between some of these aliens and our own citizens," he said. The illegal mining "is affecting our environment in a very deleterious way and we need to work hard to stamp it out."

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BANK OF MEXICO REVEALS, WHERE ARE ITS GOLD RESERVES?

Guillermo Barba, 14 de octubre de 2012

http://inteligenciafinancieraglobal.blogspot.mx/2012/10/bank-of-mexico-reveals-where-are-its.html

Last year the story went around the world: Banco de México (Banxico) refused to reveal in what country its reserves of gold were stored. Mexico was on the world stage as regards gold, after it purchased 93 tonnes, and rose in the global ranking of gold reserves calculated by the World Gold Council.

Today, thanks to the Federal Transparency Law, Banxico has become perhaps the first central bank to reveal in writing the amounts of its gold holdings as well as the names of its custodians and the locations where it s gold holdings are **supposedly** held.

It was quite difficult to obtain this information, for the Bank refused again and again to hand over the information until compelled to do so by a ruling of its own "Department of Management for Rules Control", which is the entity in charge of dealing with appeals presented as "Appeals for Revision".
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The wrangling went on for four months, during which Banxico insisted that it was necessary to classify as "Reserved" all information refering to its gold position; it claimed that revelations might *"harm the financial, economic or monetary stability of the country*".

Once the four cases were resolved favorably, the Liaison Unit of the central bank notified this journalist through the following documents: REF.: 22.25.2012, I22.27.2012, I22.28.2012 y REF.:I22.29.2012, as follows:

- "*At month's end, April 2012, Banco de Mexico maintained a position in fine gold of 4,034,802 ounces, of which **only 194,539 ounces** are located in the territory of the United Mexican States.*" [Our emphasis]
- Banxico "*has been informed and knows the specific location of the gold position that forms part of its reserve of International assets*"
- The countries where these reserves are located are "*United States of America, England and Mexico.*" And also, "*the acquisitions of gold during March and April 2012 are under custody in England*".
- And besides, it is precisely there in "*the city of London, England, where more than 99% of the gold which the Bank of Mexico maintains outside the country is presently under custody…*"

The distribution would be: in **England** >**94.23%; México, 4.82%; United States** <**1%** Voilá.

Though the figures refer to past April, they are still current.

This is so, because from then up to the present, Banxico's gold has remained almost unchanged, but also because in its last communiqué it has advised that it is not thinking of moving its gold bars: "*The Bank of England is one of the world's most important **custodians** of gold, for which reason maintaining our gold position with this institution minimizes the costs of storage and transfer of gold.*" [Our emphasis]

Besides all this, what is worrisome is that Banxico believes that its gold is safely stored because it is in the hands of the famous Bank of England (*BofE*). Yes, London is, along with the New York Fed, one of the principal depositaries of the gold of the majority of central banks, but that is no consolation.

We find one of the reasons for concern in an analysis presented some days ago by the world expert on precious metals, Eric Sprott, "Do Western Central Banks HaveAny Gold Left?" in which he points out that given the increase in **physical demand for the metal** observed during the past decade, it is not possible to identify the source of all the supply of gold to satisfy that demand; Sprott points to the central banks who, by means of legal accounting shenanigans, are supplying it without having to report it on their balance sheets…but they are in fact, emptying their vaults. Is Banxico's gold really at *BofE*?

But let us go further. As in 2011, Banxico once again answers that *"it is not possible to specify with certainty the number of bars purchased"* (sic). This leaves the door open to only two possibilities: either Banxico is a client of the so-called "Bullion Banks" (banks who specialize in precious metals) or it has a direct arrangement with *BofE*.

The first case is the more likely, for Banxico's ignorance regarding the number of bars purchased, plus the references made last year to the London Bullion Marketing Association (*LBMA*) and its revelation that *BofE* is the **custodian,** leads us to think that it is the holder of an *Unallocated Account,* or paper gold, whicaccount only gives the holder a simple "general right" to the metal but not the ownership of specific bars. It is the *"Bullion Banks"* who handle this type of account and not the *BofE*.

We must remember that the *Bullion Banks* operate under a system of fractional reserve, which in essence allows them to sell or loan out several times one same lot of metal, leading many other investors to think that they are legitimate owners of our gold. This abundant "supply" has of course played a fundamental role in the **suppression** (manipulation) of the price of gold for years.

Now, let us suppose Banxico to be in the second case, with a direct arrangement with *BofE*. Such a situation would be quite scandalous, and we say this because at least officially, the *BofE* **is supposed** to provide only the service of administration on an *allocated basis*, that is to say, on individual bars with stamped serial numbers and stamped certifications of purity and weight . Why does Banxico not have this information, in such a way that it can state exactly how many bars of gold it purchased?

In any case, based on the information which it has twice given us, in which it states that it does not know how many bars of gold it purchased outside the country, Banxico is in fact the owner of only 100% paper gold, and **not physical gold**.

This means Banxico is trusting the corrupt system of fractional reserves; in a massive run where all are rushing to take possession of their physical gold, that system will not be able to deliver Banxico's reserves. Not for nothing has Hugo Chavez, recently re-elected president of Venezuela, repatriated the majority of the Venezuelan gold reserves to his country.

To state the matter clearly: the problem is that **more gold has been sold in the world than can be delivered**, and that means we are running a very high risk.

In the field of investment in precious metals property is defined by physical possession, for one reason: not having it, the creditor is exposed to the depositor's default, who may have loaned or even sold the metal, as we have explained.

Therefore, the majority of Mexico's reserves in gold should immediately be brought home, leaving outside the country only a minimum for operations which may be required in the future. Otherwise the gold will not fulfil its function of acting as a shield against external shocks in times of crisis.

We cannot fail to mention that in the face of a crisis in the global monetary system such as is now evolving, there are those, especially in Asia, who are acting correctly in the precious metals game: they are purchasing and taking physical delivery.

This is fundamental, for the central banks and the most powerful governments on the planet are caught up in a devastating and unstoppable race of **monetary printing** (as *QE3* of the Fed) and **public deficits** to "stimulate" their economies just as the tide of debt is up to their ears.

The final outcome of this cannot be other than disaster, and then the whole world will be seen chasing after **gold that will not be there for all claimants**.

In this light, it is clear that the reasons we have presented are more than sufficient to worry Agustin Carstens, Governor of Banxico, when he thinks about a gold which, until it is in our vaults, will not be more than a pretty but unreal golden dream.

Gold and silver are crucial to the liberation of all markets

Remarks by Chris Powell, Secretary/Treasurer Gold Anti-Trust Action Committee Inc., New Orleans Investment Conference

October 24, 2012

http://www.gata.org/node/11863

The first thing to understand when you're investing in the resource sector is that all major markets are now manipulated, mostly surreptitiously, by governments. There are a few reasons for this explosion of manipulation but the big ones are that the world economy has grown terribly unstable in recent years (in large part because of smaller manipulations by governments) and because an international currency war has broken out.

The gold and silver markets are the most manipulated of all because they involve currencies that compete with government currencies and because gold is a primary determinant not just of the value of currencies but also of interest rates and the value of government bonds. The gold market particularly is the key to all other markets.

This market rigging isn't farfetched or wild conspiracy theory stuff. For starters, in the United States it's *the law*. In 1934 the United States enacted the Gold Reserve Act specifically to create the Exchange Stabilization Fund within the Treasury Department and authorize it to trade in gold and related financial instruments. As it has been amended, the Gold Reserve Act now allows the ESF to trade not just in gold but in *any* financial instruments and to do so *entirely in secret,* exempt from answering to Congress or anyone else.

You can confirm this at the page of the Treasury Department's Internet site describing the Exchange Stabilization Fund:
http://www.treasury.gov/resource-center/international/ESF/Pages/esf-inde...

As for silver, in 1965, as he signed the legislation removing silver from United States coinage, President Johnson warned investors not to buy silver in the hope of a rising price, because, he said, the government would dishoard as much silver as necessary from its silver stockpile to keep the price down. Whether and how the government has manipulated the silver market since then is arguable, but the government's *interest* in manipulating the price of silver, a monetary metal, is a matter of longstanding public record.

President Johnson's statement committing the government to rigging the price of silver even after its demonetization is posted at the presidential archives section of the Internet site of the University of California at Santa Barbara:
http://www.presidency.ucsb.edu/ws/?pid=27108

In fact, documentation of the manipulation of the gold and silver markets is all over the place.

For many years GATA has been compiling and publishing it in the "documentation" section of our Internet site:
http://www.gata.org/taxonomy/term/21

Indeed, more documentation of it came out just Monday this week when the German government's auditors office issued a report criticizing the German central bank, the Bundesbank, for negligence in its custodianship of Germany's national gold reserves:

http://www.gata.org/node/11851

http://www.gata.org/node/11855

http://www.gata.org/node/11853

http://www.gata.org/node/11854

http://www.gata.org/node/11856

The auditors report disclosed that the Bundesbank had secretly sold some of the German gold reserves vaulted at the Bank of England in London. But since the sale of Germany's gold in London apparently did not reduce the total official holdings in Germany's gold reserve, the sale was probably part of a gold swap with another central bank. That is, it probably was a transaction in which Germany sold its gold in London on behalf of that other central bank and in exchange took title to gold owned by the other central bank and vaulted elsewhere.

This would fit exactly what GATA learned when, in 2009, it sued the Federal Reserve in U.S. District Court for the District of Columbia to gain access to the Fed's records involving gold swaps.

Last year GATA more or less won that lawsuit. While most of the Fed's records involving gold swaps were still denied to us by the court, one very telling record was ordered disclosed, the minutes of the April 1997 meeting of the G-10 Gold and Foreign Exchange Committee. And, as a result of all the questioning of Fed officials we did during the court case, we extracted a spectacular admission from a member of the Fed's Board of Governors, Kevin M. Warsh. Fed Governor Warsh admitted in writing that the Fed has secret gold swap arrangements with foreign banks.: http://www.gata.org/files/GATAFedResponse-09-17-2009.pdf

The only purpose of secret gold swap arrangements is secret intervention in the gold market.

Emboldened by the success of our informational lawsuit against the Fed, a few weeks ago GATA undertook an amazing new method of learning what *other* Western central banks are doing in the gold market, a method never attempted before by academic scholarship or mainstream financial journalism:

That is, *we asked them.* One by one, we put some very specific questions to a few of them.

Questioning central banks about gold has never been attempted by financial market academics, analysts, and newsletter writers, nor by mainstream financial journalists because they simply take for granted that central banks operate in secret. Central banks control the value of all capital, labor, goods, and services in the world -- that is, central banks exercise nearly absolute power -- but financial market academics, analysts, and newsletter writers and mainstream financial journalists seem to believe that central banks are somehow exempt from the ancient principle that power corrupts and absolute power corrupts absolutely.

GATA's questions were posed through the German freelance journalist Lars Schall to the Bank of England, the Bundesbank, and the Bank for International Settlements, as well as to the Fed and Treasury Department and JPMorganChase & Co., that investment bank being in effect an agency of the U.S. government.

The Fed, Treasury Department, Bank of England, and JPMorganChase refused to answer our questions about involvement in the gold market.

The Bank for International Settlements, headquartered in Basel, Switzerland, also refused to answer but did acknowledge that it trades secretly in the gold market on behalf of its member central banks. Of course the BIS refused to explain the purposes of that trading, but then in 2006 GATA obtained and published a speech delivered in 2005 by the head of the monetary and economic department of the BIS, William White, who said that a primary purpose of international central bank cooperation is to influence asset prices, especially the price of gold: http://www.gata.org/node/4279

Lars Schall's account of his attempt to question the central banks and JPMorganChase & Co., including their evasions, has been published today at GATA's Internet site here: http://www.gata.org/node/11862

Evasive as it was with Schall, the BIS remains a wonderful source of documentation of central bank manipulation of the gold market.

In April this year the Internet site Zero Hedge disclosed that a trader for the BIS, Mikael Charoze, identified himself in his Internet biography as the BIS' "foreign exchange and gold senior dealer" handling "management of liquidity for big amounts," including "interventions," and adding that he "holds and manages proprietary positions on all currencies including gold." A few days after Zero Hedge called attention to his biography, Charoze removed the references to interventions and gold: http://www.gata.org/node/11257

In February this year one of GATA's European researchers discovered and we published the PowerPoint presentation made in 2008 by the BIS to prospective central bank members at a meeting at BIS headquarters in Switzerland. The presentation advertised the BIS' services to its members. Among the BIS services advertised were interventions in the foreign exchange and gold markets: http://www.gata.org/files/GATA-BISPresentation-2008.pdf

The complete presentation is here:
http://www.gata.org/files/BISAdvertisesGoldInterventions.pdf

GATA's dispatch about it from February is here:
http://www.gata.org/node/11012

This week our researcher discovered that, two years later, in 2010, the BIS made a virtually identical presentation about its services, a presentation made to oil industry executives meeting in East Timor. But the BIS' 2010 presentation removed the reference to foreign exchange and gold market interventions. That's because the 2010 presentation was for outsiders and the public isn't supposed to know about market interventions by central banks. The modified page of the 2010 presentation is here: http://www.gata.org/files/GATA-BISPresentation-2010.pdf

Also this year GATA obtained official confirmations of gold price suppression from two former Western central bankers.

In April our friend the Dutch economist Jaco Schipper discovered the memoirs of the late Netherlands central bank president Jelle Zijlstra, who for some years was also president of the Bank for International Settlements. Zijlstra, who sat at the pinnacle of Western central banking and thus is pretty good authority, wrote that the gold price is suppressed by Western central banks at the instigation of the United States: http://www.gata.org/node/11304

And in January this year our journalist friend Lars Schall reached former Fed Chairman Paul Volcker to ask him about a passage in Volcker's memoirs, which, strangely, seem to have been published only in Japan. Recounting a currency revaluation in 1973, Volcker says in those memoirs that he regrets that intervention against the price of gold was not undertaken by central banks. Corresponding about this with Schall in April, Volcker confirmed his reflection about intervention against gold and said such intervention is necessary to "counter exchange rate instability at a critical point":
http://www.gata.org/node/10923

I'm sorry if all this manipulation of markets by government is getting pretty obvious to you -- it certainly is to me -- but in fact in polite company in the financial markets it is still either denied or ignored because it is too politically incorrect and explosive to acknowledge. For if you acknowledge this stuff, you realize that we don't have any markets at all anymore, just command economies in disguise.

If you're going to get into or stay into gold and silver you have to know what you're up against -- which is to say you're up against all the money and power in the world.

This is how GATA sees things:

The great disparagement about gold is that even with its huge rise in price over the last decade it has not kept up with inflation. Somehow the obvious question is never asked: *Why* hasn't gold kept up with inflation?

GATA's research has concluded that gold has not kept up with inflation because, first, Western central banks did a lot of dishoarding and leasing of their gold reserves in the 1990s and, second, because Western central banks and their agents the bullion banks have created a vast imaginary supply of "paper gold."

This vast imaginary supply is essentially a monstrous naked short position in gold.

That is, much gold has been sold that doesn't exist because the Western central banks and their bullion bank agents have created a fractional-reserve gold banking system, a system that has worked because most big buyers of gold have not taken possession of their purchases but rather have left them on deposit with the bullion bank sellers. Since most buyers don't take delivery of their gold, the bullion banks know that they can sell more gold than they have, confident that Western central banks will rescue them in the emergency of a short squeeze.

Such a rescue was promised by Fed Chairman Alan Greenspan in his testimony to Congress in July 1998 when he said central banks "stand ready to lease gold in increasing quantities should the price rise": http://www.gata.org/node/9545

That's what the Western central bank gold leasing and supposed gold sales of the last decade were about -- covering a short position that could not be covered from ordinary mine production.

Ask yourself: If Western central banks were, as they said, constantly selling gold from 2000 to 2010, how could the price have gone up steadily, pretty much at a 45-degree angle, throughout that decade? The gold price rose steadily during that time because those Western central bank gold sales almost certainly were *not* really sales at all but cash settlements of leased gold that could not be recovered without exploding the price.

That is, the gold in those supposed Western central bank sales had actually hit the market *many years earlier* and was not hitting the market when the sales were *announced*. Upon the announcement of the sales the gold was actually just being written off and surrendered as the Western central banks staged a controlled retreat with the gold price.

This still leaves this huge naked short position in gold in the bullion banking system and in the futures markets around the world, a naked short position that is starting to get squeezed as Eastern and developing-world central banks figure out the gold price suppression scheme and strive to hedge their U.S. dollar reserves.

We know from the U.S. State Department cables obtained and published by Wikileaks last year that the government of China knows all about the Western gold price suppression scheme because government-operated news organizations in China have repeatedly reported about it and translations of those reports were sent to the U.S. State Department in Washington from the U.S. embassy in Beijing. You can read those reports and U.S. embassy cables at GATA's Internet site here: http://www.gata.org/node/10380 and http://www.gata.org/node/10416

That is, China knows all about the gold price suppression scheme, which may be why China is accumulating gold so furiously at a discount. And the U.S. government knows that China knows.

GATA is betting that we can expose to the markets this naked short position in gold, bust the fractional-reserve gold banking system, and achieve a free and transparent market in gold and thereby help liberate all markets everywhere.

As you can see from their clumsy evasions of our questions, Western central banks are still betting that they can conceal all this market rigging forever, gold being the secret knowledge of the financial universe, since the control of gold enables the control of the value of all capital, labor, goods, and services in the world.

This Western central bank scheme is essentially totalitarian.

The Western central banks *can* be beaten at it -- they *are* being beaten slowly and steadily -- but it's a struggle every day.

It's GATA's struggle and we would welcome your support. A few weeks ago we made new informational requests of the Federal Reserve, Treasury Department, and State Department seeking access to *all* their records about gold, including international agreements to which the United States is a party. Of course the Fed and Treasury and State departments have not answered us, so we're now entitled to sue them again for access to their records. We have to raise some money for that. But GATA is recognized by the U.S. Internal Revenue Service as a tax-exempt educational and civil rights organization, so at least contributions to us are tax-deductible in the United States. If you're inclined to help, please visit our Internet site here: http://www.gata.org/node/16

This is a fascinating and, unfortunately, still mysterious field. Every investor should pursue it, and you can read the material we've collected at our Internet site: http://www.gata.org/

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Silver prices set to rise in 2013 thanks to China

Consumption in China, the world's second largest user, could climb to record 7,700 metric tonnes next year.

Shivom Seth, 30 Oct 2012, MUMBAI (MINEWEB)
http://www.mineweb.com/mineweb/view/mineweb/en/page32?oid=161036&sn=Detail&pid=102055

Investors in China are seeking out silver as an alternative value investment with the economy cooling for a seventh quarter. Research from Beijing Antaike notes that demand for silver is set to jump as much as 10% in 2013, with investors seeking to preserve their wealth.

Consumption may climb to 7,700 metric tonnes after gaining 6-8% in 2012, Shi Heqing, an analyst at Beijing Antaike, told Bloomberg recently. Even for China,
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this would be a record level. China is the world's second biggest user of the metal.

Silver soared 15% and holdings by exchange traded funds jumped 6.5% in 2012. The research firm said demand for silver is coming from jewellery and coins, which accounts for 33% of demand, and electrical appliances and solar panels.

A possible solar industry recovery is also expected to help the white metal's demand, with the government targeting 21 gigawatts of solar power installations by 2015. This compares to an installation of 2.6 gigawatts in 2011.

Moreover, statistics have also shown that overall jewelry sales in China rose 19.3% for the first eight months of 2012 as compared to last year. China's week-long National Day Holiday dubbed 'Golden Week' for domestic consumption lasted longer than usual this year, aiding sales.

Buyers mainly targeted gold and silver jewelry and clothes, according to statistics released by the Ministry of Commerce.

Chinese consumers also became top luxury buyers resulting in 25% of global purchases. Shoppers from the Asian continent are also pushing global sales of luxury items to new heights, aiding the sector post its third straight year of strong growth since the global recession.

While Europeans contributed 24%, Americans 20% and Japanese 14% to global luxury sales, China's retail and catering industries saw a surge in sales during the eight-day national holiday, driven by demand for jewelry, clothes and home appliances.

Combined sales of major retail enterprises in the country rose 15% to $126.3 billion during the September 30-October 7 holiday period as compared to the previous year's holiday period.

Even as the Shanghai Composite Index heads for a third straight annual drop, silver has climbed to touch 592 million ounces as of mid-October.

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The Solar Silver Thrust

Jeff Clark, Senior Precious Metals Analyst, BIG GOLD, October 5, 2012
http://www.caseyresearch.com/articles/solar-silver-thrust

In early July, Japan set a premium price for solar energy that was three times the rate of conventional power. This meant utility companies would be paid three
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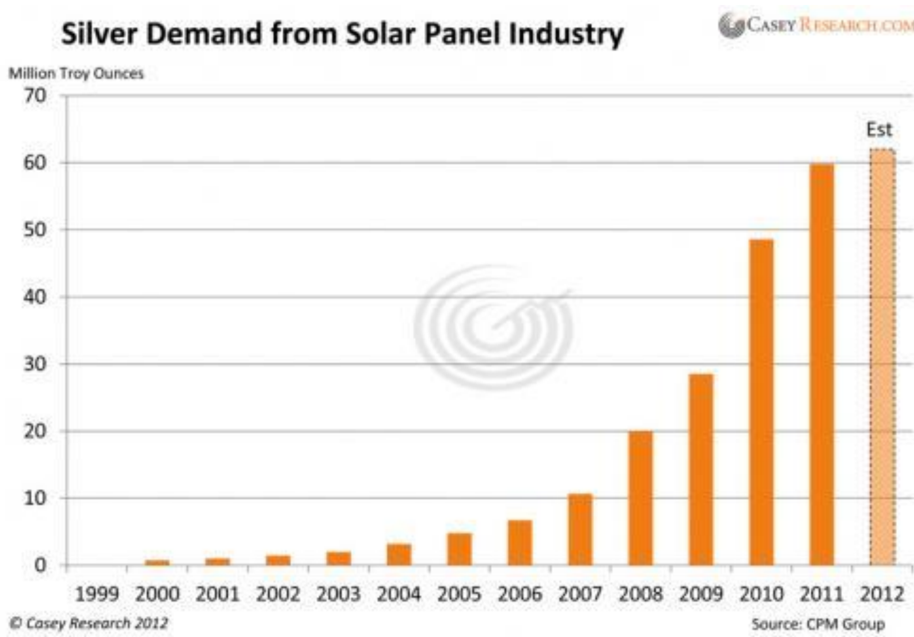
times more for electricity sourced from solar. It's widely expected that the premium will ignite the use of solar power – and solar uses a lot of silver.

Silver Demand from PV Panels

As you may know, silver is used in photovoltaic (PV) technology to generate solar power. A typical solar panel uses a fair amount of the metal – roughly two-thirds of an ounce (20 grams). To put that in perspective, a cellphone contains around 200 to 300 milligrams (a milligram weighs about as much as a grain of sand). A laptop contains 750 milligrams to 1.25 grams.

Photovoltaic technology is relatively young, but each year its use is growing rapidly. Just since 2000, the amount of silver consumed by solar-panel makers has risen an average of 50% per year. Demand grew from one million ounces in 2002 to 60 million ounces in 2011. Last year demand from the PV industry represented almost 11% of total industrial demand for the metal (excluding jewelry). According to statistics from CPM Group, demand grew by 11.2 million ounces, the strongest volume growth of all major sources (jewelry and electronics). And this was before the Japanese announcement was made.



The largest end-user of solar panels is Germany, though that's changing. Last year Germany accounted for 27.3% of global installations, but due to subsidy cuts, solar-panel installation capacity dropped from 7.7 gigawatts to 7.5. In the big picture, that decline was offset by increases in China, France, Italy, the UK, Japan, and the US.

In their *2012 Yearbook*, CPM projected a slight decline in silver demand from solar panels due to a reduction of new installation in Europe and oversupply from excess production in China. But with the initiative from Japan, that estimate is almost certainly low.

Japan Gives New Life to PV Industry

After the Fukushima disaster, Japanese authorities wanted to cut the nation's dependence on nuclear energy. Approximately 30% of Japan's power was generated by nuclear before the catastrophe; now the focus has shifted to other green energy alternatives, including solar.

The new tariffs might work. The suggested rate of 42 JPY ($0.53) per kilowatt hour (expected to be maintained for 20 years) is more than twice the rate in Germany (€0.17 – or $0.246).*Bloomberg* estimates that this generous increase will create $9.6 billion investments in Japan alone.

Here's what that amount of money would do to the sector: There were approximately1.3 gigawatts of solar capacity installed in 2011, but experts anticipate that number to nearly double to 2.3-2.5GW for 2012, and hit 3.0GW in 2013. According to SolarBuzz, Japan could see 28GW of solar capacity installed by 2020 and 50GW by 2030.

That's a lot of solar panels, and – even assuming improved efficiency – it'll take a lot of silver.

Price Factors

During recent years, solar panels have become significantly less expensive and more end-user friendly. However, the fact that each panel contains a lot of silver can make it susceptible to large price fluctuations. If the silver price gets too high, manufacturers might seek alternatives, of course, but they can't easily eliminate use of the metal. And if the product gets too expensive, demand could fall. Companies are already looking for ways to reduce the amount of silver used in PV panels or to replace it with another element.

At the moment there are two main solar panel technologies on the market. The traditional one is "thick film," where silver is the main component. The other one is a less-expensive "thin-film" method which replaces silver with another material, cadmium telluride. The development of thin-film solar panels has picked up due to its lower price, but the technology is less effective. Thick film is more efficient in gathering energy from the sun, and this type of panel still prevails on the market. CPM reports that it accounted for roughly 91% of total installations last year, and analysts expect thick-film panels to maintain their dominance for at least the next several years. Further, both panel types use silver outside of the cell for reflectivity and other functions, so the odds of silver being eliminated from solar panels entirely are very low at this time.

For investors, this means that at least in the near term, the solar industry will continue to use silver-intensive technology, thus supporting growing industrial demand for the metal.

But that's not all, folks…

New Era for Silver Usage

For a long time, silver industrial demand was dependent almost entirely on one industry: photography. Silver-based camera film dramatically changed the structure of silver demand at the beginning of the 20th century. By that time, silver had primarily been used in silverware, jewelry, and as money. At its peak, photographic demand accounted for about 50% of the market.

But this is the 21st century, and in spite of substantial declines in film use, the modern world has developed many other important uses from silver's unique properties. **Probably the most important shift is that industrial demand for silver no longer comes from a single field, but from numerous applications – almost too many to count – virtually none of which show any signs of slowing.** This fact makes the forecast for silver demand more positive and stable; when one industry drops, others may offset the decline.

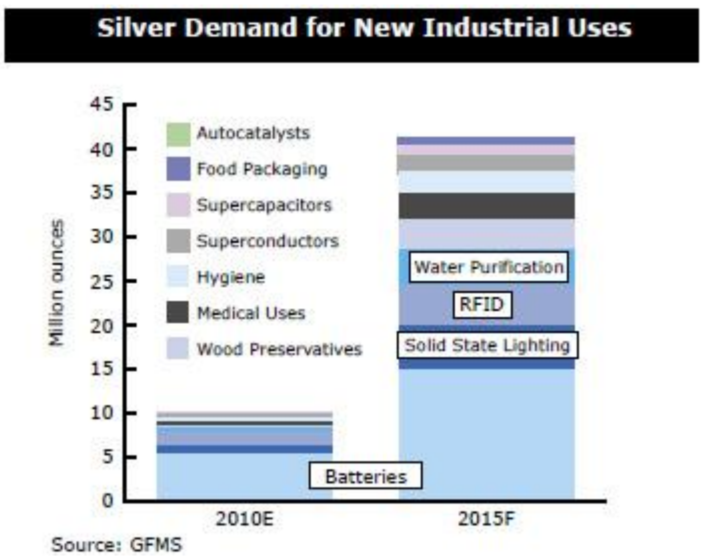
Here's a smattering of uses, many of which are still in their infancy:

- Solid-state lighting (SSL), which uses semiconductors to produce light with either light-emitting diodes (LED) or organic light-emitting diodes (OLED), rather than the more traditional electrical filaments. SSL is used in traffic lights and some car headlamps.
- Radio frequency identification (RFID) uses printed silver ink made from silver nitrate. RFID chips have become so ubiquitous, it's hard to find any new product that doesn't have at least one – even if that's only in the security tag affixed to the package.
- Supercapacitors and superconductors, autocatalysts and new types of more effective batteries.
- Medical applications like aseptic coverings for surgery, traumatic wounds, antibacterial bandages and fabrics, dental amalgam, and silver salts that help prevent infections in newborns. It's also used as a cure for dermatological problems and certain types of cancer.
- Water purification systems, washing machines, air conditioners, and refrigeration. NASA used silver to sterilize recycled water aboard the space shuttle.
- Food packaging and preservation. Manufacturers of commercial ice machines are using silver-embedded hoses, clamps, pipe fittings, and other places where gunk can build up and harbor bacteria. Meat

processors use silver-embedded tables, grinders, tools, and hooks. Silver is used to keep fruit, vegetables, and cut flowers fresh while in transit.

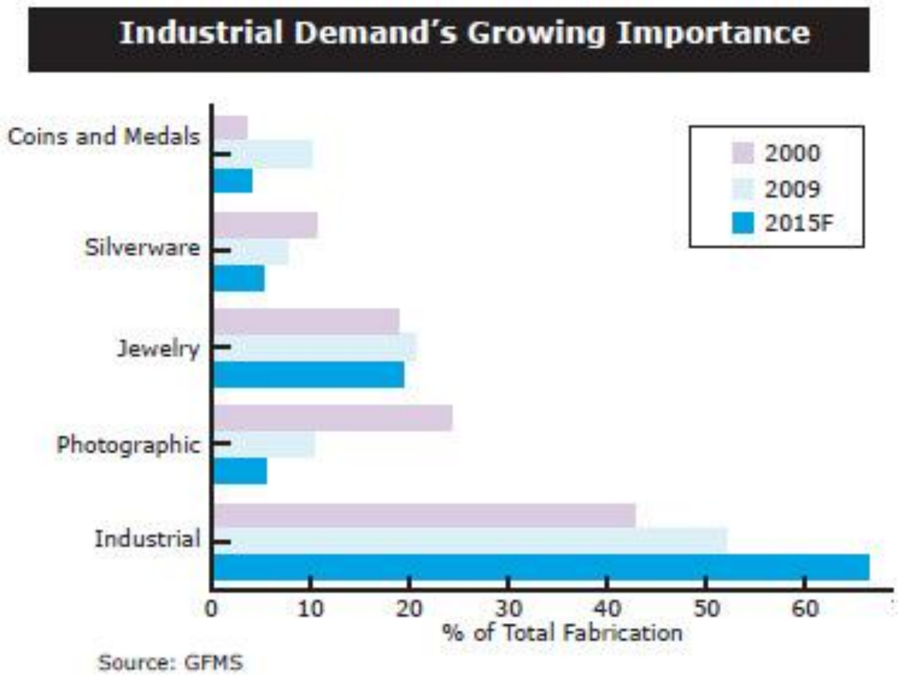
- Public hygiene, such as antimicrobial protection of telephone receivers, door handles, bed rails, toilet seats, counter tops, children's toys, socks, underwear, bed linen, towels, etc.
- Other wide-ranging consumer products used every day: makeup, antibacterial soaps and kitchenware, hand and air sanitizers, and facial creams and masks.

Though the total contribution from these new silver uses is relatively modest, the Silver Institute rather dryly forecasts that "there is a potential for a number of these segments to boost their silver consumption." As you can see in the chart below, its forecast for silver demand for new industrial uses projects that the biggest increases will be in batteries, SSL, and RFID.



The primary uses for silver are growing, too. For example, the automobile industry is increasing consumption, due to both increases in the number of vehicles manufactured and the expanded use of electrical contacts. As the number of improvements in vehicles increase, so does the amount of silver used. For example, silver is used to control seat and mirror adjustments, windshield wipers, and manage navigation systems.

Based on their research, the [Silver Institute forecasts that industrial usage will rise](#) to 665.9 million troy ounces by 2015 and account for more than 60% of total fabrication demand.



<u>What It Means for Investors</u>

Since half of silver demand is for industrial purposes, it can act like an industrial metal in addition to its precious metal component. This means it's susceptible to more forces than gold, making it more volatile as well as more difficult to predict its future price.

Conclusions:

1. The solar industry has great potential to become one of the more important sources of silver demand. This will lend strong support to prices. This industry had zero impact on silver ten years ago; it now represents 10% of total industrial demand.
2. And it's not just Japan. According to a news report, 102 countries are now installing solar panels – from just 18 two years ago. Heavy and/or growing usage is reported in Germany, Italy, Japan, France, Belgium, Portugal, Spain, US, Australia, and Asia, including China and India.
3. It appears that the development of the solar industry didn't occur as a result of natural forces, since to a large degree it was initiated by government subsidies that supported the industry (and indirectly the silver price). You may like or not like these market interventions, but as investors, it's important to recognize these trends regardless of whether we agree with them. It's particularly important to keep an eye on these subsidies, as they could vanish if cash-strapped governments change their priorities. That won't happen overnight, however, so we should have ample warning.
4. Due to its unique properties, the number of applications for silver continues to grow. Researchers at the Silver Institute are upbeat about the future for silver industrial demand. That's no surprise, but it doesn't make them wrong; the implication here is that only the worst type of economy would have a negative impact on demand.
5. If demand grows fast enough, it could impact not only the price but the availability of the metal, in spite of rising mine production. If that happens, bullion purchase premiums will rise as supply becomes tighter.

The bottom line on the above is that the growing number of industrial applications for silver represents a long-term shift in this market. Increasingly diverse usage is not only here to stay but will continue to grow, supporting the price and impacting the balance of supply and demand.

For investors, the thing to keep in mind is that while long-term prospects for silver prices are extremely bullish, to the degree prices are driven by this increased industrial demand, they are vulnerable to economic correction/contraction in the short term.
Invest accordingly.

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Bolivia's silver mountain on the verge of collapse

Cecilia Jamasmie, Mining.com, October 2, 2012

http://www.mining.com/bolivias-silver-mountain-on-the-verge-of-collapse-92495/

The Spanish may not have found El Dorado, the city of gold, but they certainly hit the jackpot when they landed in the Bolivian city of Potosi, home to "Cerro Rico" or Rich Mountain, one of the largest silver deposit in recorded history.

But after 467 years of mining engineers are warning that the 15,800-foot monument to native slaves, who mined the mountain's silver in brutal conditions, is pitted throughout and in danger of a catastrophic collapse.

The cone-shaped peak that once bankrolled the Spanish empire currently hosts, according to an in-depth report from The Washington Post, as many as 16,000 miners at any given moment.

They are the descendants of those slaves who mined the mountain for centuries and, unlike their colleagues in most Latin American countries, they still work under brutal conditions, using nothing more than picks, hammers, shovels and brute strength.

"I thought the working conditions were pretty shocking, coming from Europe," said tourist Charles Newman, a 19-year-old Briton, to the Washington Post. "It's quite humbling, actually seeing what they do on a daily basis."

Hundreds of thousands have died over the years, as a direct result of cave-ins, overwork, hunger and disease. Many more could be vanishing soon if Bolivia's government doesn't do something about the safety of the place, say experts.

One of them is Nestor Rene Espinoza, who unveiled a three-year study of the mountain, also known as “The peak that eats men,” at a recent meeting of engineers and Quechua Indian co-op owners who run the mines.

"Total collapse is possible," Espinoza told VPR. "We hope that this does not happen in Cerro Rico."

He is suggesting to pump tons of concrete into the 60 miles of shafts that have left the mountain hollowed out like a chunk of Swiss cheese.

However, Potosi – once one of the world’s richest cities- still relies on mining and locals are not willing to lose their only source of income.

"We have to continue to work here," told [the Washington Post]() Zenon Guzman, 33, who began working at the mountain when he was 12. "Where are so many people going to go?"

Silver mining: Here photographer Timothy O'Sullivan documents the actvities of the Savage and the Gould and Curry mines in Virginia City, Nevada, in 1867 900ft underground, lit by an improvised flash -- a burning magnesium wire, O'Sullivan photographed the miners in tunnels, shafts, and lifts. During the winter of 1867-68, in Virginia City, Nevada, he took the first underground mining pictures in America. Deep in mines where temperatures reached 130 degrees, O'Sullivan took pictures by the light of magnesium wire in difficult circumstances

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Other News

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Excerpt From The Melman Minutes

By Leonard Melman **October 10, 2012**

There is a reason why I have written with some frequency on the choices in this forthcoming American election and why I will be writing more and more about the upcoming Province of British Columbia election slated for this coming spring. The reason is that in each contest, there is a direct contrast between the approaches of both candidates and political parties, contrast that have serious implications for our world of precious and base metals mining.

On one side, that of reasonable and rational development of natural resources, we have the majority of Republicans in America and the provincial Liberal and Conservative parties in British Columbia. On the other side, one that we might label "fanatical environmentalism at any cost", we have elements of the Democratic Party in America and both the New Democratic Party (NDP) and the Green Party in Canada.

If Romney and the Republicans win in November and the Liberals and Conservatives combine to win in British Columbia in May, then that world would likely continue roughly along its present pathway.

However, I believe it is a valid fear that if Obama and the Democrats win in November and the NDP wins a strong triumph in BC (which now appears to be a sound bet) then **the forces of environmentalism may indeed gain a powerful stronghold within the respective regulatory systems as they apply to mining exploration and development, thereby adding additional increments of regulations, complexity and expenditures to an already highly-burdened mining community.**

Politics is important, particularly when opposing concepts stand in such vivid clarity.

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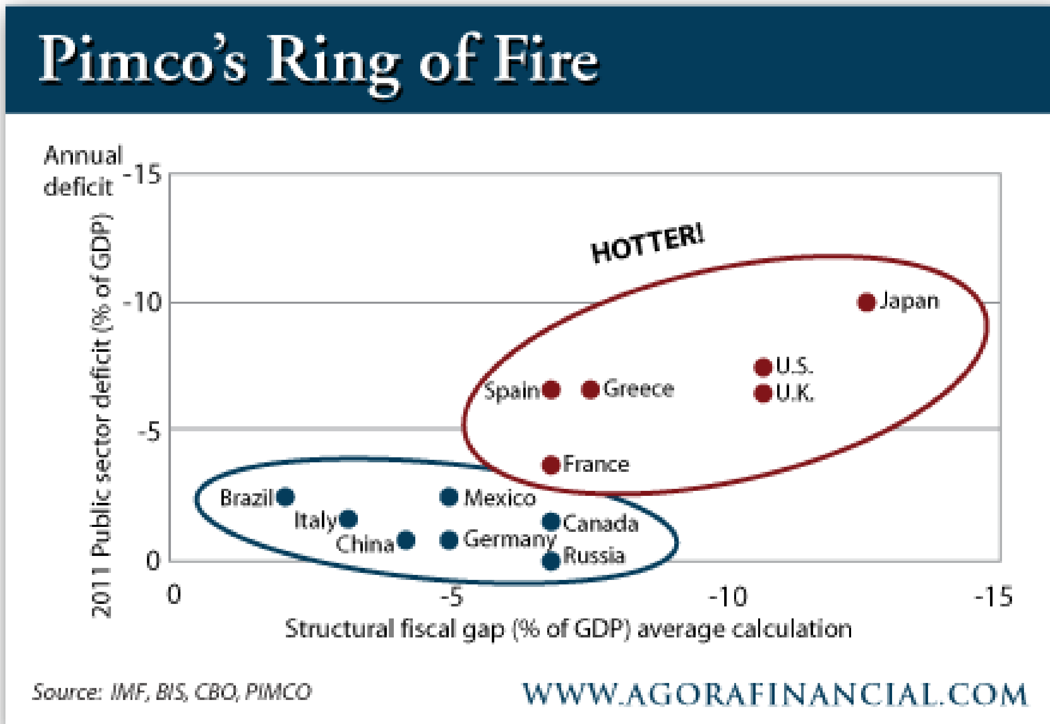
Pimco's Ring of Fire

"The U.S., in fact, is a serial offender, an addict whose habit extends beyond weed or cocaine and who frequently pleasures itself with budgetary crystal meth," writes Pimco's Bill Gross in his latest monthly missive.

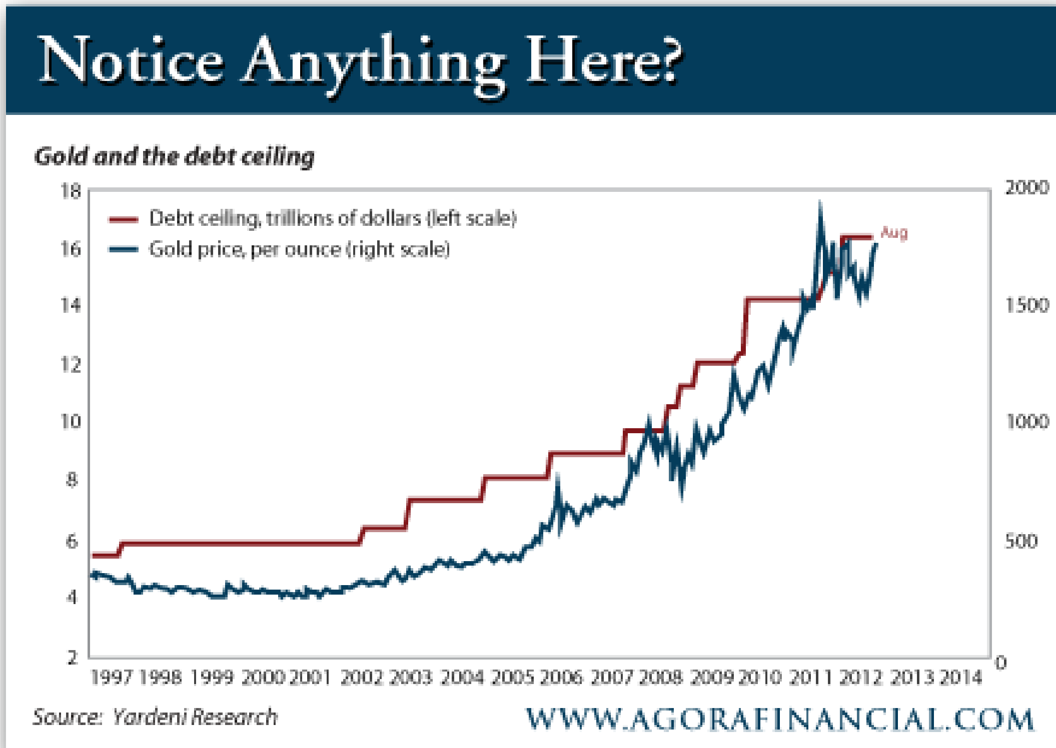
The United States, Mr. Gross submits, sits squarely within a "ring of fire" on the following chart. Its deficit in fiscal 2011 was 8% of GDP -- worse than Greece. Throw in future liabilities for Social Security, Medicare and Medicaid and the "fiscal gap" runs closer to 11% of GDP -- much worse than Greece.



"Look at who's in that ring of fire alongside the U.S.," Gross writes. "There's Japan, Greece, the U.K., Spain and France, sort of a rogues' gallery of debtors."
"Unless we begin to close this gap**,"** Mr. Gross goes on, "then the inevitable result will be that our debt/GDP ratio will continue to rise, the Fed would print money to pay for the deficiency, inflation would follow and the dollar would inevitably decline."

Investment conclusion: "Bonds would be burned to a crisp and stocks would certainly be singed; only gold and real assets would thrive within the 'Ring of Fire.'"
As of this week**,** Uncle Sam is only $235 billion away from hitting the "debt ceiling" yet again. Assuming the feds keep up fiscal 2012's pace, we'll hit the ceiling on Dec. 3 -- 60 days from now.

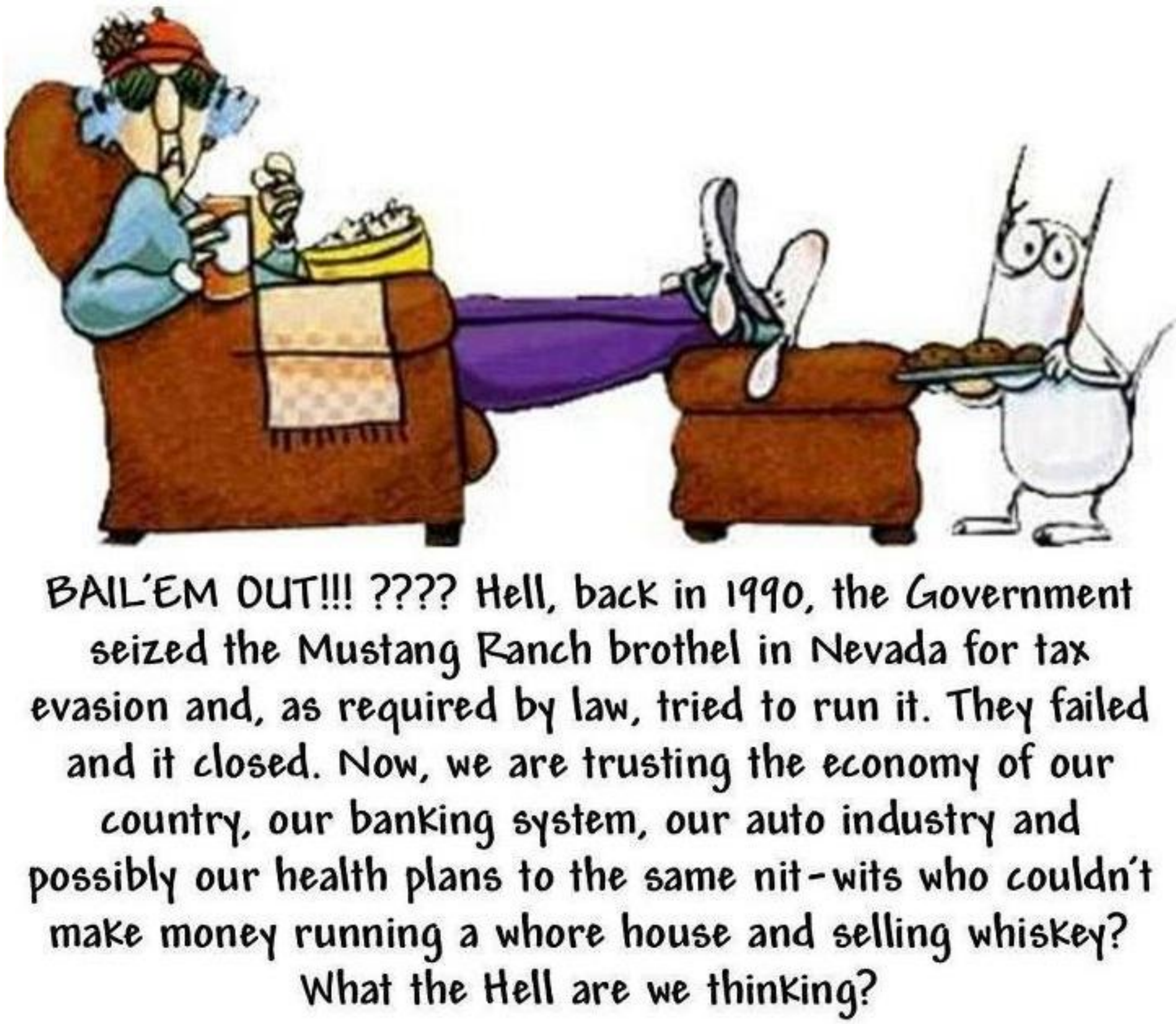
Undoubtedly, there will be squawking in Congress, but in the end, they'll vote to raise it. Which brings up something else we can predict with confidence...



To underscore the point, Gross' underlings issued a white paper this week. It said, "The latest round of quantitative easing made gold even more attractive, and owning the metal should be considered as part of a diversified portfolio."

"I find myself," says EverBank's Chuck Butler, "continually explaining to people that don't own gold (or silver) that it's not a useless, barbaric relic that people that don't own gold like to refer to it as.

"But once investors own gold (or silver), they see what all the hubbub is about. They see what countries around the world are doing to their respective currencies, and if there is a financial catastrophe, then gold is the only asset that can offer protection. I tell people that owning gold (or silver) is like an insurance policy for your wealth. And just like any insurance policy, you hope you never have to really use it, but if you do have to use it, you're happier than a lark that you had the insurance!"



Asian Economies Turn to Yuan

By Gao Changxin (China Daily), 2012-10-24
http://www.chinadaily.com.cn/china/2012-10/24/content_15840495.htm

A "renminbi bloc" has been formed in East Asia, as nations in the region abandon the US dollar and peg their currency to the Chinese yuan — a major signal of China's successful bid to internationalize its currency, a research report has said.

The Peterson Institute for International Economics, or PIIE, said in its latest research that China has moved closer to its long-term goal for the renminbi to become a global reserve currency.

Since the global financial crisis, the report said, more and more nations, especially emerging economies, see the yuan as the main reference currency when setting their exchange rate.

And now seven out of 10 economies in the region — including South Korea, Indonesia, Malaysia, Singapore and Thailand — track the renminbi more closely than they do the US dollar. Only three economies in the group — Hong Kong, Vietnam, and Mongolia — still have currencies following the dollar more closely than the renminbi, said the report, posted on the institute's website.

The South Korean won, for example, has appreciated in sync with the renminbi against the dollar since mid-2010.

China has long vowed to raise its currency's global sway, along with the rise of its economy, which became the world's second-biggest last year.

The goal has seen significant development in recent years as the country promotes renminbi-denominated cross-border trade and gradually loosens control over its capital accounts.

As a result, Hong Kong has quickly risen to be the world's biggest offshore renminbi trading center, with about 600 billion yuan ($95 billion) in deposits.

According to the latest report by the Society for Worldwide Interbank Financial Telecommunication, or SWIFT, renminbi-denominated trade accounted for 10 percent of China's total foreign trade in July. The figure was zero just two years ago.

From July 1 to Aug 31, global payments in the renminbi rose 15.6 percent, according to SWIFT, as payments in other currencies fell 0.9 percent on average.

The renminbi had a market share of 0.53 percent in August and has overtaken the Danish krone to become the 14th-highest global payment currency, the member-owned cooperative said.

Cross-border trade settled in renminbi will triple to 6.5 trillion yuan ($1.03 trillion) within three years as relations with the world's second-largest economy grow, Royal Bank of Scotland Group PLC was quoted as saying by Bloomberg on Oct 9.

Settlements will grow 12 to 20 percent this year, reaching $1.03 trillion in two years, up from $330.8 billion in 2011, said Janet Ming, head of the China desk for RBS in Europe, Middle East and Africa.

"We're seeing a lot more customers starting to practice in renminbi," Ming was quoted as saying by Bloomberg. "For most companies and banks, China and India is where the growth is. If you're dealing with China, ignoring renminbi is not the right thing to do."

Wang Jianhui, chief economist with Southwest Securities Co Ltd, agreed. "Investors are looking for new reserve currencies at a time when both the dollar and euro are under pressure. This is a good opportunity for the yuan," he said.

The Royal Bank of Scotland predicted in a report on Monday that renminbi will become a fully convertible currency in 2015.

The PIIE said that renminbi could rise to the status of an international currency in 10 to 15 years if the country can reform its financial market and allow greater access for foreigners via capital account liberalization.

Forming the new renminbi bloc is the result of China's rise as the main trading partner in the region. China's share in East Asian countries' manufacturing trade has risen from 2 percent in 1991 to about 22 percent this year, according to the PIIE report.

In fact, trade is also propelling the rise of the renminbi outside East Asia. The currencies of India, Chile, Israel, South Africa and Turkey all now follow the renminbi closely, in some cases, more so than the dollar. The renminbi would be more attractive if the country could further liberalize its financial and currency markets, the report said.

Some fear that China might follow Japan's rise and fall over the past decades, but the institute thinks otherwise.

"They should take note that even during the heady days of the Japanese miracle, the yen never came close to rivaling the dollar as a reference currency. There was never anything close to a yen bloc in East Asia," the report said.

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Man finds 1.2-carat diamond in mud from friend's well

By Ron Recinto | The Sideshow

http://news.yahoo.com/blogs/sideshow/man-finds-1-2-carat-diamond-mud-friend-153753280.html

A Wisconsin man sifting through mud from a friend's well stumbled across a find that turned out to be a real gem.
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Dan Fagnan of St. Croix County, Wis., was panning for gold flakes in wet mud from a 120-foot well which his friend had recently drilled.

"Everyone thinks I'm a fruit loop for panning for gold," he told the New Richmond News of his hobby. The newspaper noted that the local gold Fagnan finds is often small flakes that don't amount to much.

But something caught his eye while he was sifting through wet sand and stone from his friend's well.

It was an irregular-shaped, transparent rock that Fagnan initially thought was a piece of glass.

Was he ever wrong.

A trip to a local jewelry shop revealed Fagnan had found a rough diamond—1.22 carats of it.

Still, the owner of the shop, Karen Greaton, wanted to confirm the finding, the New Richmond News noted. Greaton had it checked by a mineralogist, who confirmed it was a diamond.

"My dad told me it's unlikely to find a diamond here, but diamonds can actually be found anywhere in the world," Greaton told the newspaper.

One thought about how the diamond reached Wisconsin is that volcanic activity from Canada pushed the stone south and deposited it in the state after the ice age.

Fagnan told the newspaper he was thrilled about his find and plans to incorporate the stone in a necklace for his soon-to-be-born child.

Some things are just too precious.