



**Gold Corporation**  
(trading as The Perth Mint)  
ABN 98 838 298 431

310 Hay Street, East Perth,  
Western Australia, 6004,  
Australia

A statutory authority under the  
*Gold Corporation Act (1987)* of  
Western Australia

Founded in 1899, the Perth Mint is an integrated precious metal operation refining circa 10% of world gold production; servicing investors with legal tender bullion coins and bars and the Perth Mint Depository custodial facility; providing collectors with innovative and high quality numismatic coins; supplying mints with precious metal blanks; and operating a leading Perth tourist attraction.

## BLOG WATCH EASTER 2012

### OVERNIGHT MOVEMENTS

<b>Perth Mint Spot</b>	Gold USD	Silver USD	Gold AUD	Silver AUD
Closing 5 <sup>th</sup>	\$1,634.88	\$31.90	\$1,588.96	\$31.00
Opening 10 <sup>th</sup>	\$1,650.10	\$31.88	\$1,602.35	\$30.96
Change	+ \$15.22	- \$0.02	+ \$13.39	- \$0.04

### PREDICTIONS

**Sector Investment Managers:** “gold prices to rise to \$2,000 per ounce due partly to slow economic growth in industrialized countries and to a return in investors' focus to the euro zone's sovereign debt problems later this year. But it is unlikely to see a new peak for silver.”

### TECHNICAL

With the markets being a bit neutral to bearish at the moment, I thought these technical analyses worthwhile by highlighting some of the risks to the downside.

**Dan Norcini:** “rallies are going to be sold UNLESS gold can clearly get back above \$1680 ... Downside support near \$1600 is now in play with a breach of that setting the stage for an even deeper drop down towards \$1570.”

**MIG Bank:** “Continue to watch for a break below \$1600 (psychological) and \$1567, thereby offering further setback into \$1522 (29th Dec swing low) ... Only a sustained confirmation above \$1810 will put the bearish scenario on hold”

**Numarkan Investments:** “Gold had been in a 20-month long "Bump-and-Run Reversal Top" pattern but, with the recent events, has transitioned from the "Bump" phase to the "Run" phase. This should result in a downhill run in its price to the first support line at around \$1,500/ozt.”

**Option Trading Signals:** “short term targets to the downside are likely somewhere in the 1,475 – 1,525 price range. I think gold will find a major bottom near these levels and a strong bounce will play out. For long term buyers, I would take advantage of the forthcoming pullback”

If that is all a bit depressing, then read [Jeff Clark's](#) latest which has some good charts comparing this recent correction (from \$1781 on 28 Feb) to past corrections, concluding that “*the current downdraft in gold and silver is an opportunity to prepare for the next upswing*” and [Frank Holmes](#) who believes that gold should thrive in the current environment .



## JP MORGAN CHASE NOT IN METALS MANIPULATION BUSINESS

CNBC's interview with JP Morgan's Head of Global Commodities, Blythe Masters, got the blogosphere excited over the holiday break. In it Blythe noted that *"there's been a tremendous amount of speculation particularly in the blogosphere on this topic [manipulation]. I think the challenge is it represents a misunderstanding as the nature of our business."* Blythe further explains:

*"Often when customers have that metal stored in our facilities they hedge it on a forward basis through JPMorgan, which in turn hedges in the commodities market," she said. "If you see only the hedges and our activity in the futures market but you aren't aware of the underlying client position that we're hedging, then it would suggest inaccurately that we're running a large directional position," she added. "In fact that's not the case at all. We have offsetting positions. We have no stake in whether prices rise or decline."* and later in response to a question about whether JPM manipulates the metals markets *"It's not part of our business model. It would be wrong and we don't do it."*

No obfuscation there, but this did not stop many bloggers and commenters from calling her a liar, which I suppose is easy to do when you're anonymous. Anyway, whether you wish to believe her or not, the interview draws attention to the fact that JPM has clients and that those clients may be using JPM to hedge their long positions, resulting in a visible short position by JPM, but not one they "control". The idea JPM has clients is radical, I know, but one often ignored by many commentators.

That is why I respectfully disagree with Ted Butler when he says, as in this [Money Morning](#) interview, that *"the eight largest commercial silver shorts on the COMEX generally account for 50% to 60% of the entire net COMEX silver market, with JPMorgan alone holding around 25% or more of the entire market. I would hold that those percentages of **concentration** and **control** constitute manipulation, in and of themselves."* [my emphasis]

The key word in that quote is "control". Yes, 25% is "concentration" but only if those short positions represented JPM's proprietary trading position or those of its clients' over which it had discretion would it constitute "control", and thus possibly manipulation. Blythe's comments are saying JPM doesn't have control. As to what clients may be asking JPM to hedge (short), this quote's reference to supply

*"... not about betting on commodities prices but assisting clients in executing, managing their risks and ensuring them access to capital so they can make the kind of large, long-term investments that are needed in the long run to expand the supply of commodities"*

implies to me that the shorts are producers (although the [Silver Institute](#) reports little producer hedging) and also downstream industry users/consumers. Note that COMEX open interest has fluctuated between 400 to 800 million ounces for most of the time over the past ten years, compared to 2010 fabrication demand of 879 million ounces as per the Silver Institute link above. Most of that fabrication demand would be hedged.



## DAY TRADING GOLD

On Thursday we had [TF Metals Report](#) promoting Andrew Maguire's DayTrades, an *"an educational service only and access to the service is solely [sic] to observe the trades a professional trader makes"* although in the podcast the emphasis was on making money off by following Andrew's intraday trades rather than the "education" angle. Not surprising considering the \$500 a month fee, which must make it one of the most expensive gold advisories in the market.

All very well and good but my attention was more drawn to the podcast's claim, as Tom Szabo at [Metal Augmentor](#) describes, of *"...roll[ing] accumulated profits into a war fund that is then used to stand for delivery and take bullion out of the COMEX warehouses in order to supposedly bust the Cartel at some point in the future"*. This is wishful thinking, as Tom says, because 1) *"exchange rules are set up to prevent using the physical and futures markets to force 'price discovery' in this manner"* and 2) they won't *"have access to the kind of fire power required to take on their imagined enemies, the bullion banks, with their trillions of dollars of central bank backstop."*

Converting cash profits into physical bullion is a good strategy and one I've seen many of our clients employ. However, note that the service involves Andrew posting his intraday trades as he does them between 8am to 4pm London (3am – 11am New York) which means it only suits intraday traders active during those hours. A limited pool of potential customers I think, and thus it will have a limited effect on the physical market.

## INDIA JEWELLERS GOLD STRIKE

[Zero Hedge's](#) take on a Reuters report that the India jewellers gold strike has been called off was *"three weeks of pent up demand for precious metals being unleashed suddenly, likely pushing spot gold far higher"*. [Commodity Online](#) however reported Prithviraj Kothari, President of the Bombay Bullion Association, as saying *"Jewellery manufacturing was completely stopped during the 21-day strike. Therefore, there is an inventory of 5-10 tonne of gold, which will be used to fulfill the demand. So we feel import is not likely to rise"*. At this time the Perth Mint is not seeing any interest from India, but 5-10 tonnes is not a lot of stock and will be worked through quickly.

## REPORTING OFFSHORE ACCOUNTS

[Mark Nestmann](#) reports that *"the IRS has now confirmed the non-reportability of direct ownership of precious metals or foreign currencies held offshore."* However, note that direct ownership *"means you don't hold the assets in any type of account. For instance, if you own a quantity of gold coins and hold them in an offshore safety deposit box, you have direct ownership. But, if you have an account at a foreign bank that includes gold coins, you must disclose the entire value of the account"*. Note that Allocated with the Perth Mint is not held in a safety deposit box type arrangement and it is Mark's view is that the Perth Mint's arrangements are reportable. As always, seek professional advice.



## GOOGLES' PROJECT GLASS

Andrew Maguire's DayTrader subscribers may like to consider [Googles' Project Glass](#) which is about *"augmented reality "goggles" that would overlay information on their user's visual field."* That is, glasses with a heads up display projected inside your glasses. Just the thing for the obsessive day trader/goldbug.

Warning to those who abhor people who obsessive check their Facebook etc on their smartphones – watching the video at the link is likely to result in a rant at the screen. If these things get off the ground I predict a lot of people bumping into poles and other people while reading the inside of their glasses.

**Bron Suchecki**

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