ED STEER'S GOLD & SILVER DAILY
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inthisissue

Bugs Throwing in the Towel: Mark Hulbert

Dec 14

"Once they've shaken this tree and forced the very last speculative long that wants to sell, to do so...then the bottom is in."

¤ YESTERDAY IN GOLD AND SILVER

For the second day in a row, gold opened quietly in Far East trading...and then about 9:30 a.m. Hong Kong time, a not-for-profit seller showed up...and dropped gold about a percent.

Gold then traded quietly until about an hour before the London open, where it developed a positive bias...and then traded very close to Monday's closing price until the open of the equity markets in New York at 9:30 a.m. Eastern.

A smallish rally began at that point that got sold off immediately...and gold traded down about five dollars for the rest of the Comex trading session. Then, in the very thinly-trading New York Access Market, another not-for-profit seller showed up and peeled nearly forty bucks off the gold price in the space of ninety minutes, before recovering a bit into the 5:15 p.m. close.

Gold closed at $1,630.90 spot...down $34.40 on the day. Volume was even heavier than on Monday, with about 192,000 contracts traded.

Like the Monday trading day, silver was under pressure as soon as New York opened on Monday night, with the Far East low coming minutes before 4:00 p.m. Hong Kong time...which was minutes before the 8:00 a.m. London open.

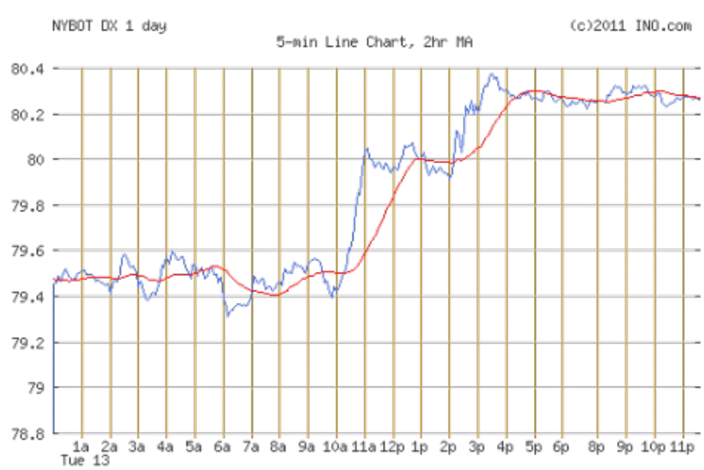
Silver then rallied for a couple of hours before trading sideways. This state of affairs lasted until 9:30 a.m. when silver blasted off...and before the not-for-profit seller showed up twenty minutes later, silver had tacked on about 90 cents. The 'powers that be' took that away, and more, and had silver back below its New York opening price by shortly after 11:00 a.m. Eastern time.

From there it traded sideways. Then, about forty minutes after electronic trading began, the usual not-for-profit seller showed up again...and by the time the low of the day was in, they had hit the silver price for another 80 cents.

Silver recovered from there...and the metal closed at $30.84 spot...down 45 cents on the day. The intra-day range was just as wild as it was on Monday...$1.77...which converts to a 5.5% swing from top to bottom. Volume was around 40,000 contracts, a bit higher than Monday's volume.

The dollar declined about 20 basis points between the Monday night close, up until about 9:50 a.m. Eastern time on Tuesday morning...the **precise** moment that gold and silver hit their high ticks of the day. [In hindsight, this high for gold and silver/low for the dollar, probably occurred at an early London p.m. gold fix.] Then, in the space of about an hour, the dollar shot up about 60 basis point before trading sideways until **precisely** 2:00 p.m. Eastern time where it added on another 40 basis points during the next 90 minutes of trading. From there it traded quietly sideways into the close.

For the second day in a row, 'rallies' in the dollar caused falls in the precious metals out of all proportion to the dollar price movement itself.



The gold stock topped out at 9:50 a.m....which was, in hindsight, the London p.m. gold fix...and it was all down hill from there. The **HUI** didn't finish on its low of the day, but came close, closing down 3.26%.

The silver stocks got hit pretty hard as well. Nick Laird's **Silver Sentiment Index** dropped another 2.75%.

(Click on image to enlarge)

The CME's **Daily Delivery Report** showed that 157 gold and 68 silver contracts were posted for delivery on Thursday. In gold...and for the second day running...the standout feature was the fact that the Bank of Nova Scotia was the big long/stopper, taking about 80% of all the deliveries. The link to the **Issuers and Stoppers Report** is here.

There were no reported changes in either GLD or SLV yesterday. Considering that gold is down about $80 in the last two trading days...and silver is down over a buck...this is a bit of a surprise. The only movement in either ETF since the weekend, was a small withdrawal of about 20,000 ounces from GLD on Monday. One has to wonder if the big paper shorts in both ETFs aren't using this opportunity to reduce their positions...buying all the metal that the general public is selling. We'll find out in due course.

The U.S. Mint had another sales report yesterday. They sold 12,500 ounces of gold eagles...500 one-ounce 24K gold buffaloes...and no silver eagles. Month-to-date so far, the mint has sold 32,500 ounces of gold eagles...9,000 one-ounce 24K gold buffaloes...and 1,356,000 silver eagles.

Over at the Comex-approved warehouses on Monday, they reported receiving 300,906 ounces of silver...and shipped 216,507 troy ounces out the door. The link to that action is here.

BIG GOLD editor, Jeff Clark, passed around this comment from Richard Russell yesterday..."The preferred position is no stocks, gold, and 10 ounce silver bars, with some cash for practical purposes. We are headed for uncharted waters and in time all central bank created currencies will be crushed. Gold is the only currency that is not someone else's liability, and it should be accumulated....The ease with which the Dow cut through the 12,000 level and back into the 11,000 area was I thought ominous. Instructions: Be out of ALL stocks including mining stocks if you've not done so already. As I see it, the bear market is now continuing from where it left off in 2009. I expect the Fed to start printing again within the next few months. I see major danger ahead and a further collapse in housing prices."

Matt Taibbi's "Giant Vampire Squid" gets paraded in front of Goldman Sachs...the story below.

I have a fair number of stories for you today, but not nearly as many as I had on Tuesday, so I hope you have time to at least skim that all.

¤ CRITICAL READS

Existing Home Sales Debacle, As Larry 'Baghdad-Bob' Yun Confirms Overstatement

In what can only be described as completely unsurprising, Larry Yun of the National Association of Realtors (NAR) has admitted, according to *CNNMoney*, that maybe, possibly they overstated, purely by accident, the number of existing homes sales statistic that has formed the cornerstone of his constant corner-turning commentary over the past few years.

We have unequivocally challenged the Ph.D.'s claims as fudged and fabricated this year and even *The Wall Street Journal*, back in February 2011, saw 'challenges' in the NAR's data when compared to other unbiased sources of the same reality. We can only assume that when Yun explains, in true Baghdad-Bob-style, the adjustments (when they are released on December 21st) that they will be either a signal that the bottom is in for home sales or that from such a low base, things can only get better. From our perspective, they remain irrelevant and untrustworthy with the CoreLogic data seemingly less naturally biased to an organization desperate for a foothold on the glimmering slope back to the American Dream.

Reader Phil Barlett slid this *zerohedge.com* piece into my in-box just minutes before I hit the send button at 5:20 a.m. this morning. It's a **must read**...and the link is here.

View full GSD edition

Money flees the corruption of U.S. markets, Armstrong tells King World News

Interviewed by *King World News* yesterday, market analyst and former political prisoner Martin Armstrong contends that the corruption of U.S. financial companies as exemplified by the collapse of MF Global is causing money to flee U.S. markets. Armstrong says the Chicago Mercantile Exchange, clearinghouse for MF Global, should reimburse the firm's clients for the money missing from their accounts...and, in turn, seek reimbursement from the banking houses where the money ended up.

I found this story in a GATA release last night...and I thank Chris Powell for saving me the trouble of wordsmithing the introduction. The link is here.

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JP Morgan Stock Breaks Down On News Company's Role As MF Global Lender To Be Probed

The following article showed up posted over at the *zerohedge.com* website yesterday.

Not an hour after we asked who gave permission to MF Global estate to sell Italian bonds to JPM...which was a lender to MF Global...at preferential terms and we get the following headline from *Bloomberg*: JPMORGAN ACTIONS AS MF LENDER LIKELY TO BE PROBED: LIQUIDATOR.

Needless to say, we are quite happy. Someone who isn't however, are JPM's shareholders, as the stock just took out the lows on the news.

I thank reader Matthew Nel for sending us this very short read about **U.S. Public Enemy #2**...and the link is here.

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MF Global shoots counterparty risk worldwide, Turk tells King World News

GoldMoney founder and GATA consultant James Turk told *King World News* yesterday that the failure of the MF Global brokerage house has spread counterparty risk throughout the world financial system, causing trading to shrink and creating a crisis worse than the collapse of Lehman Brothers.

Turk echoed the advice just given via *King World News* by Jim Sinclair: Be your own central bank with gold and silver in possession. Eric King sent me the story yesterday afternoon, but the introduction is courtesy of Chris Powell once again. Eric's title reads "Turk - Lehman II in Progress as Financial System Implodes"...and the link to the *KWN* blog is here.

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Occupy Wall Street: The 'Squidding' of Goldman Sachs - Matt Taibbi

I almost shed tears of pride this morning when I read this hilarious passage in the *Daily News*:

I almost shed tears of pride this morning when I read this hilarious passage in the *Daily News*:

Earlier Monday, about 300 protesters in squid costumes surged outside the offices of Goldman Sachs investment bank shouting, "We fry calamari!" and "Everyone pays their tax – everyone but Goldman, Sachs!"

I wish someone had called me – I would have loved to have attended this "Let's Go Squidding" expedition. Folks, if you do this again, please let me know, and I promise to put some serious man-hours into designing a squid costume. As it is, I'd like to see in person some of the ones that turned out yesterday, especially that giant *papier-mâché*-looking thing I seem to see in the *News* photo.

I'm sure that when Matt hatched the description of Goldman Sachs as "the great vampire squid with it's tentacles wrapped around the face of humanity"...he had no idea that the name would stick. A more appropriate name for a criminal organization like this, I could not imagine.

This short story about **U.S. Public Enemy #1** was sent to me by Roy Stephens last night. It's posted over at the *rollingstone.com* website...and, like the JPMorgan story above, is worth the two minutes of your time it will take you to run through it. The link is here.

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City not shielded by Cameron's veto, EU insists

European ministers have warned that the City of London is not shielded by David Cameron's veto of the Brussels summit proposals and have vowed to impose tough financial regulations on Britain anyway.

Amid chaotic confusion over the relevance of the Brussels summit, including Britain's veto, Olli Rehn, the EU's economic affairs commissioner said: "If [Britain's] move was intended to prevent bankers and financial corporations of the City from being regulated, that's not going to happen."

Nicolas Sarkozy said Britain's effort to protect its financial services sector would create a lasting rift. The French prime minister told Le Monde: "There are now clearly two Europes. One wants more solidarity between its members and more regulation. The other is attached only to the logic of the single market."

This story was posted over at *The Telegraph* late on Monday night...and is Roy Stephens second offering of the day. The link is here.

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Attacked by Opposition, Celebrated by Conservatives: Concerns Mount as Cameron Stands Firm

David Cameron's veto to EU treaty change has split the British. The euroskeptics in his party are celebrating, and most voters support the prime minister's actions. But in Monday's debate in parliament, the Conservative leader was viciously attacked by the opposition. Cameron's celebratory mood is likely to be short lived.

A remark by Germany's European commissioner, Günther Oettinger, on Monday made clear just how unpopular the British veto is in Brussels. Oettinger, a member of Angela Merkel's conservative Christian Democratic Union party, accused Britain of putting the brakes on Europe and described the British government's role as "destructive."

Cameron said that he wanted to approach this issue in a "constructive" manner. He dashed euroskeptics' hopes that the veto might mark the beginning of a British exit from the EU. "Britain remains a full member of the EU and the events of the last week do nothing to change that," Cameron said. "We are in the EU and we want to be."

This story was posted over at the German website *spiegel.de* yesterday...and is another Roy Stephens offering. The link is here.

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Forget David Cameron's veto, another eurozone crisis is only weeks away

You wouldn't believe it to listen to the fulminating indignation directed at the UK from across the Channel, but David Cameron did the eurozone's political leaders a favour last weekend. By refusing to sign up, he managed to create a convenient Aunt Sally for Europeans to throw stones at, and divert attention from the summit's failure to come up with anything remotely credible to address either the single currency's existential crisis or the gathering economic slump. The latest in a long line of self-styled "make or break" summits, it was in truth no more momentous than any of the others.

There was no fiscal compact of any significance agreed last weekend. Nor was there any progress made in providing a credible backstop. Even with the extra funds which European leaders are laughably promising via the IMF "back door" (as if they cannot trust themselves with their own money), the financial firewall remains dwarfed by the ever-growing size of the problem. Italy's funding needs would gobble up the entire bail-out money within two years. In any case, the IMF back-door support is already in trouble. There's no clarity on where the extra 200 billion euros are going to come from, with the Bundesbank refusing to cough up unless underwritten by the German parliament and confusion over whether non-euro countries are expected to contribute.

This story was posted in *The Telegraph* late last night...and I thank Roy Stephens once again for sharing it with us. The link is here.

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European nations' debts overwhelm their gold reserves

The actual title to this story that appeared in *The Wall Street Journal* this morning reads "All That Glitters, Will Not Solve Europe's Debt Woes".

The story starts off with the line that "Europe governments have a lot of gold, but that won't be much help." But Chris Powell added the line..."Not at current gold prices, it won't"...and I agree entirely. As I [and a growing list of other voices] have been going on about for many years, is that re-pricing of the world's central bank gold reserves would be a ticket out of this mess.

I thank Washington state reader S.A. for sending me this *WSJ* story yesterday...and the link is here.

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No More Dead Presidents As Mint Stops Coin Production

In continuing efforts to save governmental money (and waste) the *Washington Post* is reporting that the United States Mint will cease production of Dollar coins (with each carrying a deceased President's likenesses). More than 40% of the coins have been returned to the Fed because no one wants them. Who needs real money when 1s and 0s are all that counts nowadays?

White House cutting production of presidential dollar coins will save taxpayers a stunningly irrelevant $50 million.

This very short story was posted over at *zerohedge.com* yesterday...and I thank Phil Barlett for sending it along. The link is here.

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Will Nickels and Pennies Soon Disappear?

So with nickels worth slightly more than 5¢ and pennies minted before 1982 worth almost 3¢ due to their copper content, it isn't hard to imagine that they will someday disappear from circulation as the Fed continues to expand its monetary base. Kyle Bass, who heads the hedge fund Hayman Capital Management, has already purchased $1 million worth of nickels according to *Business Insider*. For any more proof that the 5¢ and certain 1¢ pieces may disappear soon, just consider how many Roosevelt dimes or Washington quarters minted pre-1965 you see around today. Both are composed of 90 percent silver and are worth far more for their metal content than they are as legal tender.

Anyone looking to make a small investment might think twice about throwing nickels or pre-1983 pennies into a jar with the rest of their accumulated change.

This short piece was posted over at *mises.org* yesterday...and I thank West Virginia reader Elliot Simon for sending it along. The link is here.

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Death of Gold Bull Market Seen by Gartman

Gold, in the 11th year of its longest winning streak in at least nine decades, is poised to enter a bear market, according to Dennis Gartman, who correctly predicted the slump in commodities in 2008.

The metal, which traded at $1,666.30 an ounce at 2:43 p.m. in London, may decline to as low as $1,475, the economist wrote today in his Suffolk, Virginia-based Gartman Letter. He sold the last of his gold yesterday. Bullion has already dropped 13 percent from the record $1,921.15 reached Sept. 6 and $1,475 would extend that to more than 20 percent, the common definition of a bear market.

“Since the early autumn here in the Northern Hemisphere gold has failed to make a new high,” Gartman wrote. “Each high has been progressively lower than the previous high, and now we’ve confirmation that the new interim low is lower than the previous low. We have the beginnings of a real bear market, and the death of a bull.”

If there's ever a sure sign that we're approaching a significant low in precious metals prices, it's when Dennis starts trashing gold. If I wasn't already 'all in'...I'd be a buyer on news like this. I thank Washington state reader S.A. for sharing this *Bloomberg* story with us...and **it's certainly a must read**...and the link is here.

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MarketWatch

Gold Bugs Throwing in the Towel: Mark Hulbert

Gold bugs over the last two weeks have become even more discouraged than they were at the end of November...and that’s saying something, since they were already quite dejected.

As a result, contrarians detect a very strong wall of worry forming in the gold market, one which could very well be the springboard for bullion rallying into new all-time high territory.

There’s another reason to expect bullion to soon begin rallying: The end-of-year period historically has been a strong one for gold. We haven’t seen any such seasonal strength this year, needless to say. But gold’s seasonal tendencies are yet more evidence pointing in the same direction as contrarian analysis: Gold is due for a strong rally.

Mark has been measuring gold market sentiment for three decades with 95% accuracy...and combined with what Dennis Gartman is saying...I surely wouldn't want to bet against him.

I thank reader U.D. for bringing this **absolute must read** *marketwatch.com* story to my attention...and the link is here.

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Forbes

Central Bank Appetite And The Monetary Case For $10,000 Gold: Frank Holmes

What do you get when you mix negative real interest rates with stimulative money supply efforts by global central banks?

An exceptionally potent formula for higher gold prices that could send gold to the unimaginable level of $10,000 an ounce. Negative real interest rates and strong money supply growth are two key factors of what I refer to as the Fear Trade.

Negative real interest rates occur when the inflationary rate, or CPI, is greater than the current interest rate. A quick account of the G-7 and E-7 countries shows that the majority have negative real interest rates.

This 3-page article by GATA's good friend, Frank Holmes, was posted in the Monday edition of *Forbes*...and I thank Roy Stephens for sending it along. It's **certainly worth reading**...and the link is here.

View full GSD edition

¤ THE FUNNIES

¤ THE WRAP

I don't want to abolish government. I simply want to reduce it to the size where I can drag it into the bathroom and drown it in the bathtub. - Grover Norquist

Despite the fact that both gold and silver have been hit hard during the first two days of this week, the final open interest numbers for Monday's trading day...and the preliminary open interest numbers for Tuesday...all show increases in open interest. With this kind of price carnage, one should expect pretty substantial liquidation of speculative longs...maybe not in silver, but certainly in gold...as they pitch their longs and exit the market.

It's entirely possible that this is happening, but you'd never know it by the open interest numbers...unless JPMorgan *et al* are placing massive spread trades to cover their tracks. Spread trades are trades that are long one month and short another...and are essentially market neutral from a Commitment of Traders point of view.

If this is what is going on, then as the technical funds sell longs and the Commercial traders cover their positions, this drop in open interest is being masked by these new spread trades being placed. This is pure speculation on my part, but at the moment, it's the only scenario that makes any sense.

But as I said in this column yesterday, it's also possible that the small Commercial traders [Ted Butler's raptors] are going long...and the tech funds are now going onto the short side. Both of these activities increase open interest as well.

Yesterday was the cut-off for Friday's COT report...and I'm not 100% sure [and neither is Ted] that gold's $40 pounding in the New York Access Market that followed the regular Comex session, will be included in Friday's numbers. But everything except that, should be in Friday's report, so I'll just have to twiddle my thumbs until then.

Here's the 3-year gold chart. As you can see, we came very close to touching gold's 200-day moving average. We've come close to it before, with the last time being in late September.

You can also see that we haven't been below the 200-day moving average since we climbed out of the hole cause by the 2008 crash. The last time we were below that average to any great extent was in January of 2009...almost three years ago.

(Click on image to enlarge)

Can the Commercial traders get the gold price significantly below it's 200-day moving average this time? Beats me, but if I had to stick my neck out and bet ten bucks, I'm in the Mark Hulbert camp on this one. We are also into serious oversold territory on the RSI index as well...and it certainly appears that 'da boyz' are trying to get this clean-out in gold over with as quickly as possible.

Despite the fact that the world's financial system is teetering on the edge of collapse, it's obvious that the 'powers that be' can still do whatever they want, whenever they chose to do so. These are the not-for-profit sellers...and short sellers of last resort...and what happens is entirely up to them. If they want gold significantly higher, that's never a problem because all they have to do is stand there with their hands in their collective pockets and do nothing...and let nature take its course.

But they can still engineer these sell-offs, but there's a limit to that. Once they've shaken this tree and forced the very last speculative long that wants to sell, to do so...then the bottom is in. At some point the speculative longs that are left just aren't worth the effort and expense to go after. The only question is whether we are there now, or not. That's all there is...there is no more.

Sure we can go lower in price from here, but the law of diminishing returns sets in quickly...especially in silver.

Here's the 3-year silver chart...and as you can tell, it's a totally different looking animal than its golden cousin. The rallies are managed...and the price declines are managed. There is nothing free market about this chart.

(Click on image to enlarge)

In overnight trading, the gold price didn't do too much...and there's not much activity now that London has been trading for a couple of hours. Silver isn't being allowed to do much of anything, either. The volume in gold is surprisingly heavy [about 40,000 contracts as of 5:07 a.m. Eastern time] considering the fact that nothing much is happening price-wise, so I would assume that the high-frequency traders are mucking about. Silver's volume is only 10% of gold's volume...4,000 contracts. It's been a very long time since I've seen this kind of volume disparity between these two metals.

As always, I look forward to the New York trading session with great interest...as it's been a pretty wild ride over the last week.

That's more than enough for today. I'll see you here tomorrow.