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## **Golden Prices from Decreased Production**

by The Mogambo Guru

*"Ergo, the price of gold must equilibrate lower supply versus higher demand at a higher price! To those who own gold, or plan to own gold before things get kicked into high gear, this means, 'Wheee!...'"*

From the newsletter of Swiss Asia Capital (Singapore), the message in "The Gold Market" section is contained in the headline, "[Buy](#)", which is self-explanatory to those of us paying attention.

Then they put up a chart of the inflation-adjusted gold price that they got from shadowstats.com, and [gold](#) is, right now, in January 2008, at the same real (inflation-adjusted) price as it was in 1971! Talk about holding its value! Wow!

As I recall, in 1971 gold was still less than \$40 an ounce, too, just before Nixon severed the last of the convertibility of dollars into gold. "So," you might ask, "isn't gold at over \$900 an ounce today about right?"

Wrong! In fact, they write, "Using today's CPI basket, the inflation adjusted high is USD 2,200 per ounce of Gold. Applying the pre-Clinton CPI basket, the inflation adjusted high is USD 5,000 per ounce."

The more suspicious of us wonder, "Oh, yeah? Who says so, and why should I believe you when I don't believe anything anybody says, like when the doctor tells you that 'this may be a little uncomfortable' and it hurts like hell, which is not even in the same damned LEAGUE as 'uncomfortable', but then when you helpfully inform the moron doctor of that, he gets all bent out of shape and loses all of his supposed bedside manner, which I also tell him makes him look like the sadistic medical quack he is!"

Well, fortunately, we don't have to wonder any longer, as the rise in the price of gold is almost guaranteed by the unstoppable supply/demand dynamic, as the demand will soar as people always rush to buy gold when economic crises like this come around, but now supply will be falling, as they report that "Barrick believes that global gold production will decline 15% in the coming 5 years. Peru, the 5th largest gold mining country has reported a 28% yoy fall in gold production as well as 11.4% yoy fall in silver production. South Africa experienced a 40%, Australia a 10% and America a 20% fall in production."

Ergo, the price of gold must equilibrate lower supply versus higher demand at a higher price! To those who own gold, or plan to own gold before things get kicked into high gear, this means, "Wheee! Now I will be rich enough to pack my stuff and get the hell out of this sleepy little burg, out to someplace where the right to make creepy, lewd suggestions to cute Hollywood starlets is still in the Constitution!"

And it gets even better, as they go on that, "increased outstanding derivatives are pointing to manipulation." They report that the evidence is that, "The lease rate in gold has hardly moved above 3/8%, whilst the silver lease rate was during some days negative last month, despite a large increase in outstanding contracts."

Since I have no idea what this means, I continued reading, hoping to have it made clear, or maybe somebody would stop by my desk and I could ask them what it means, and then (in perfect Karma-leveling reciprocity) I would let them ask me a question in return that they have been wanting to ask me (e.g. "Have you been stealing food out of our lunches again, you thieving little bastard?").

Fortunately, this was not needed, as the article clears it up with, "The present outstanding contracts are backed by less and less available physical ounces." Again, I'm not sure what he is driving at, but apparently silver has disappeared from commodity warehouses or something. Then it becomes a little more clear when he says, "Despite recent market volatility, contracts have not been reduced and are pointing to significant pressures on the short side."

Aha! As a guy who has been on the wrong side of a short squeeze more times than was heretofore thought statistically possible, as market insiders and specialists ganged up on me and screwed me every freaking chance they got, it is nice to finally be on the right side of a coming squeeze!

Now, if my family life and career were not such total disasters, life could be sweet again! And if [silver goes up enough](#), then who would care about my career or family? Not me! Wheee!

But that, alas, is then, and this is now. Ugh.

**The Mogambo Sez:** Gold, silver, [oil](#), powerful handguns and a secret hiding place behind the couch in the living room are the only friends I have now, now that everything is turning to inflation-riddled crap, but I know that one day soon the prices of [gold](#), silver and oil will be so high, and the economic conditions will be so bad, that everyone will want to be my friend, but I will be so rich I don't have friends anymore, only servants!