

Golden Shorts in an Economic Winter

By [The Mogambo Guru](#)

04/13/09 Tampa Bay, Florida Avery Goodman at Seekingalpha.com asks the intriguing question, “Did the ECB Save COMEX from Gold Default?”

If I had been writing it, I would have titled it “Not All Of The People In The World Are Stupid!” with the subhead, “There are lots of smart people who are buying gold to capitalize on the sheer stupidity of governments abusing fiat currencies so that inflation in prices will soar as inflation in the money supply soars, until gold-owning people, giddy with greedy glee, will say, ‘The Mogambo was right! Whee! This investing stuff is easy!’”

But I am not here to show off how good I am at coming up with boffo headlines with the subtle undertones so that they offer me a job, at a fabulous salary, to write headline gems like this one; this is about how “On Tuesday morning, gold derivatives dealers, who had sold short in the face of a fast rising gold price, faced a serious predicament. Some 27,000+ contracts, representing about 15% of the April COMEX gold futures contracts remained open” indicating that, as holders of those long gold contracts, they “demanded” delivery of the physical gold “by holding futures contracts past the expiration date.”

The big problem belongs to the short-sellers of gold, who are finding, suddenly, that “long buyers were demanding in droves” – demanding physical gold bars, when, apparently, there were not enough.

Since I am confused as to what all of this means, Mr. Goodman correctly interprets the blank look on my face as puzzlement – if not outright befuddlement – and patiently explains that to keep things in perspective, history has shown that people investing in COMEX futures don’t necessarily want physical gold, and that they are merely speculators, as, “In normal times, very few people do this. Only about 1% or less of gold contracts must be delivered. The lack of delivery demand allows the casino-like world of paper gold futures contracts to operate. Very few short sellers actually expect or intend to deliver real gold. They are, mostly, merely playing with paper” which is the basis of the alleged gold and silver scams, as GATA.org and Ted Butler have long exposed, which gets us talking about how corrupt regulators are these days, as everything is else corrupted these days, which is, of course, just what you would expect at the end of long monetary booms, which doesn’t make it any more palatable.

But back to our story of the almost-default at COMEX... Fortunately, at the last minute, Deutsche Bank delivered “a massive 850,000 ounces, or 8500 contracts worth of the yellow metal.”

This is where I kind of lost interest, as this kind of thing is like blood in the water to sharks, who will soon be looking at the low price of gold and the complete lack of supply of bullion, and they will be hatching plots to squeeze this disparity and make a lot of money, and I was soon fantasizing about how my tiny little stash of gold will soar and everybody else who doesn’t own

gold will be busted out, now that the scam has been busted, and there will be people, like cute college coeds, who will be so desperate that they will say they are willing to do anything for money, and I will say, “Anything?” and then they will quickly affirm, “Anything!”, and so I again ask, but with a rakishly raised eyebrow and licking my lips in a lascivious manner, “Anything?” and they gulp and say, but without their former enthusiasm, “Anything”... So you can see how I was distracted.

And anyway, somewhere along the line he admits that it is “circumstantial evidence” that Deutsche Bank was a major holder of short positions, or that “the gold used by Deutsche Bank to deliver and fulfill its COMEX obligations, came directly or indirectly, from the ECB”, which gets back to the headline “Did the ECB Save COMEX from Gold Default?” that we were discussing previously.

All of this, of course, is fraudulently criminal in many, many ways, breaks a lot of regulations in those and other ways, and he calls for investigations and indictments and all of that stuff, which won't happen because the amount of corruption at the end of long monetary booms is so pandemic that it won't be allowed.

Now, before I go off ranting and raving about how another bunch of scumbags perpetrated another scam with compliance from government scumbags, let's concentrate on the important fact that not only are a bunch of guys buying gold and demanding delivery of the actual metal, but now increasing demand has swamped supply! Amazing!

In conclusion, let me say that if people don't buy gold, in spite of the overwhelming historical evidence to do so when the money supply is set to double (and then double again and again!), in spite of gold's gains for the last decade, in spite of the sight of people suddenly taking delivery of physical gold in unprecedented amounts, and in spite of me telling them right to their faces to buy gold, then there is something very, very wrong with them, which ought to give them something to think about as they are idly scratching around in the dirt looking for bugs to eat, because this economic mess caused by a Congress constantly deficit-spending and a Federal Reserve constantly creating the money for them to do so is going to get Really, Really Nasty (RRN), and I am scared for me and for them.

But I am not as scared when I have gold, so at least I have that going for me! Whee!