

The Gold Bull Market and the Fed it Rode In On

By [The Mogambo Guru](#)

06/04/09 Tampa Bay, Florida I thought that as part of the new Mogambo Program To Stop Freaking Out (MPTSFO) and maybe get some sleep that is not disturbed by screaming at nightmares of the horrors of inflation and economic ruin that are the just desserts of an America that has now embraced ignorance, stupidity and sloth as virtues, I had turned off the alarms in the Mogambo Bunker (the MoBu) that were connected to the circuits monitoring the creation of bank credit by the Federal Reserve.

This new bank credit is the stuff from which “money” is instantly made when someone borrows from a bank, which increases the money supply, which creates inflation in something when that new money is used to bid up the price (or prices) of part (or parts) of the existing stock of goods and/or services, the recipient of which goes out and bids up the prices of stuff that HE wants, round and around.

My Mogambo Sleepy-Time Plan (MSTP) was, alas, to no avail, and I tossed and turned fitfully all night, especially now that the far-Left, commie-think, brain-dead Obama administration – which I now refer to as The Obamaniacs – has gotten the Democrat-controlled Congress to spend a monstrous 28% of GDP, of which 13% of GDP (slightly less than half!) is borrowed money!

The Federal Reserve has two choices here. It can choose to tell Obama and the idiot Congress to go to hell because creating that much money will produce ruinous inflation, like it has always produced all the way through history, destroying the economy.

But instead, the despicable, incompetent Fed has chosen to acquiesce, and print the money necessary to buy all of that new debt! Trillions and trillions of new dollars flooding into the economy through governmental spigots! Yikes!

Perhaps this is why I am hearing a lot of things like, “The US dollar has fallen below important support at 81 on the index, and everyone expects it to fall more. This is what the guys and I were discussing while hanging around the water cooler instead of engaging in our usual banter of plotting some sick revenge against our boss, and we were wondering what you thought of this idea that the ailing dollar will go down, meaning that that other currencies are getting stronger, and we were also wondering if you would still be leaving work next Thursday at the usual time and walking down that same dark, deserted side-street to where you park your car for free instead of paying for parking like everybody else, you cheap bastard?”

Well, to the latter I say, “Not any more! Hahaha!” and to the former I say, “The dollar index is just a measure of the relative monetary stupidity of governments and their central banks. If you want to know the future of the dollar in terms of its buying power, on the other hand, then look at the dollar-price of gold, you moron!”

And on that golden note, Jim Willie of Goldenjackass.com reports, “The ratio of the 10-year USTreasury Note yield to the 2-year USTreasury Bill yield has always been highly reliable in predicting a move in the gold price.”

So the Treasury market says “gold bull market ahead!” and one of the things that tells me that we are in a bull market for gold is that, according to Barron’s, the Krugerrand is selling at the same price as the US Eagle and the Austrian Philharmonic, which is weird because the Krugerrand is one troy ounce of 22-karat gold and is only 91.7% pure gold, while the Eagle and Philharmonic are one troy ounce of 24-karat gold and are 99.999% pure gold.

So it seems that buying Eagles and short-selling Krugerrands would guarantee a profit when the price gap opens back up and people slap themselves on the forehead and say to themselves, “Wait a minute! You mean that I paid the price of an entire ounce of pure gold but I only got 91.7% of an ounce of gold? Sell!” Hahaha!

So what is the point of all of this technical analysis stuff that I do not understand, other than wasting everyone’s time? It is simply that gold is obviously getting ready to zoom, as the steepening Treasury yield curve attests, meaning that bond owners are belatedly realizing that all of this new money means that inflation will rise, making interest rates go up, handing bond holders a loss, and the longer the bond, the bigger the danger, so they are demanding higher yields.

As an interesting aside, as in, “We’re freaking doomed by a clot of corrupt government devils,” Mr. Willie says to “give credit to the USGovt statrats in their busy laboratories. They decided to ramp up the Q2 Gross Domestic Product by including all USGovt rescue funds for the big banks, including the diverse funds from the many liquidity facilities. All those funds will go directly into the GDP for Q2 as a special line item. Expect a miraculous economic recovery in the second quarter, based on vapor.”

Miraculous indeed! Hahaha! What a blatant governmental affront! What a colossal, transparent, low-IQ fraud!

I noticed that my trigger finger was twitching, my voice was bellowing in fear and outrage, my blood pressure was 500/400 and my kids were running away, crying out, “Run for the hills! Dad’s freaking out again!”

After they were gone, I calmed down in the sudden blissful peace and quiet, and it was then I remembered that gold, wonderful glorious gold, will save me like it has saved everybody else in the last 4,500 years of episodes of governmental monetary and fiscal insanity.

Even my trigger finger stopped shaking, so I used it to dial the phone and order some more gold, remarking to myself as I did that “Whee! This investing stuff is easy!”