

Buying Gold Before the “Blow Off Phase”

By [The Mogambo Guru](#)

10/01/10 Tampa, Florida – An interesting graph of “a useful road map to any secular bull market” appeared in *Casey’s Daily Dispatch*. It was a graph showing how investment interest in a developing bubble classically proceeds through four stages.

First, there is the Stealth Phase where nobody is paying attention to the undervalued asset except for a few forward-thinkers who are buying, which I figure is probably because they are hip to the Austrian school of economics.

Secondly, the market moves into the Awareness Phase as more and more people recognize the value, and the gently rising price, and they start buying, too, leading to higher and higher prices, proceeding to where things are then in the Mania Phase, where suddenly everybody is buying, buying, buying, the price is soaring, soaring, soaring, and fortunes, fortunes, fortunes are being made, the details of which blare from every news source – Gold! Gold! Gold! – causing further buying by the envious latecomers to the investment party, leading to that distant theoretical time when the market is saturated with investors and paper profits, which leads to, as it always seems to, the eventual collapse in the tragic “Blow Off Phase,” where the price falls to “the mean.”

The interesting part was when the graph, created by Dr. Jean-Paul Rodrigue at Hofstra University, shows that the mean price of gold is always rising, and by the end of the graph, the mean price is almost twice as high as at the beginning, meaning that inflation is now an accepted part of life, even in gold! Yikes! We’re freaking doomed!

If you are like me, then you are already pretty numb about the horrors of inflation after the years and years of continual, relentlessly rising inflation, a vicious monster that rises slowly up out of the stinking miasma, gathering its strength from the foul Federal Reserve’s creating too much money and credit, a terror made worse by the recently-renewed promise of the Federal Reserve to create more and more inflation because – absolutely unbelievably – they think that inflation is too low! Too low!

The lying government says inflation is around 2%, which is, they say, unbelievably, too low! Too low! John Williams at shadowstats.com says inflation is running at more than 8%! Gaaahhh! We’re freaking doomed!

So, if you are, again like me, not only Completely Freaked Out (CFO) about inflation, but also a greedy, money-grubbing little lowlife who is interested only in getting as rich as possible, as soon as possible, without working, where are we on this “road map”?

Fortunately, we do not have to rely on my stupid ideas on the subject, and Mr. Casey refers to a guy named David Rosenberg, “who has a large following among the institutions,” as saying he thinks that “the Mania stage is still well off, and that gold won’t really gain steam until it hits \$3,000.”

“This,” Mr. Casey adds, “despite his being a staunch deflationist.”

Of course, I look askance at anyone who is a deflationist when the Federal Reserve is promising to create more trillions of dollars to keep inflation high, and I look even more askance at anyone who is not buying gold as a result of such monetary madness!

Dominic Frisby of the *Money Morning* newsletter seems to show that a lot of people agree with me, and says, “Gold, of course, has broken out to new highs. And it pushed still higher yesterday after the Federal Reserve’s announcement that inflation is ‘becoming undesirably low.’”

The *LA Times* headline was, “Dollar Sinks and Gold Soars as Fed Signals It Wants to Stoke Inflation.” They opined, “The markets’ verdict was clear: They believe Fed Chairman Ben S. Bernanke is willing to debase the dollar to avoid the risk of the economy falling into deflation.”

They got that idea from the FOMC’s post-meeting statement, where “policymakers signaled that they’re worried that inflation has fallen too low, with the ‘core’ consumer price index rising year-over-year at a rate of less than 1.0% in recent months, a 44-year low.”

Yikes! 1% inflation (which is a lie) is a 44-year low? Inflation has been a fact of life for at least 44 years in a row! And inflation since 1966 has caused \$1.00 of 1966 buying to now require spending \$6.74! It looks like 574% inflation to me, but I always get these percentage things all wrong, but even if I do, even an idiot like me can see that this is a lot of inflation!

Agora Financial’s *5-Minute Forecast* had the actual words from the FOMC release, which were horrifying. The committee said, “Measures of underlying inflation are currently at levels somewhat below those the committee judges most consistent, over the longer run, with its mandate to promote maximum employment and price stability”!

Inflation is too low to maintain “price stability” they say! I involuntarily let loose with a Mogambo Scream Of Outrage (MSOO) at such a stupid, stupid, stupid thing to say, and apparently I am not the only one, as these “two key sentences from the FOMC press release” were enough, says The 5, to get “gold traders all lathered up.”

See how easy this mindlessly investing in gold, silver and oil is when your government and your central bank collude to destroy you? Whee! This investing stuff is easy!