

# The Upshot of the Shoot Up in Gold Demand

By [The Mogambo Guru](#)

04/21/10 Tampa, Florida – John Embry of Sprott Asset Management is one of the really “tuned in” people of the world, in that he knows so much that he actually knows who I am! I know this because when I called him on the phone and said, “Hey! John! What’s the poop about gold and can you loan me a few bucks?” I think he said, “It’s that Mogambo idiot” right before the line went dead. I’ve arrived!

Anyway, this is not about how I am walking around on Cloud 9 because someone as famous as John Embry knows who I am, but about how he is also “tuned in” to the world of gold, gold mining, gold refining, gold selling, gold buying, and, I assume, all things gold, probably including the gold fillings in your teeth, although I don’t know this for sure since I never got a chance to ask him before he, you know, hung up.

And with that kind of perspective, it is important when he says, “As inflation rears its ugly head and future demand for gold promises to overwhelm mine supply, gold’s price will launch a parabolic rise from current levels in the near future. Gold has much, much further to go”, meaning that gold will soar to heights undreamt and, when it does – even better! – people will say, “Hey! That idiot Mogambo was right! He’s apparently not as stupid as he looks or sounds!”

So, not only am I happy about the coming cessation of Anti-Mogambo Hostilities (AMH), but I am also glad that he brought up the subject of the diminishing supply of gold, as it turns out that all the easy gold has been found and mined, and all that is left is in hard-to-get-at and as-yet-undiscovered deposits, assuming that the miners can get the permits and can successfully fend off the inevitable – an expensive – legal challenges to opening a new mine, which doesn’t even mention the slimy manipulations and short-selling schemes at the futures exchanges that have added immeasurably to the “supply” of gold by supplying all those years and years of gold buyers with, not gold, but mere pieces of paper that say, “You own gold, and we’re holding it for you, and this piece of paper you are holding in your hand proves it!” even though there ain’t (pause) no ( pause) gold backing it up.

The point is not that there is a lot of corrupt crap going on out there, aided and abetted by corrupt government and regulatory agencies, apparently none of whom appreciate being called “Goon squad stooges”, judging by my email, but that there is a massive imbalance between demand (huge) for real gold and supply (small) of real gold, which, according to the immortal supply/demand dynamic, where the price varies to equalize supply and demand, means that the current equilibrating price of gold is Too, Too Low (TTL), and by a Long, Long Shot (LLS).

The reason that I am happy that he brought up the subject of a falling gold supply is that it coincides exactly with an email from Junior Mogambo Ranger (JMR) Len O., who says “I’ve been a jeweler for 30 years and I have been buying scrap jewelry from the public that whole time. We have been buying massive amounts (3-4 times normal) for the past 2 years or so.”

Suddenly, “About 8 weeks ago, it dropped by 60-70% to what I would call typical levels. I have spoken to other jewelers and several wholesalers/refiners, and I have learned that this is true nationwide.”

He explains that this is not too surprising, as “we had all been expecting this...people have only so much they can liquidate and everybody and their sister have been setting up shop to buy” scrap gold.

The upshot? It’s perhaps not coincidental that you used that term, as he goes on “The upshot is that what was until recently a huge supply of raw gold onto the secondary market has dropped significantly. I don’t know how many tons per year that translates to, but it should produce a very noticeable shortfall on the supply side.”

Perhaps you are thinking that this is where I insert some kind of Screeching Mogambo Entreaty (SME) for you to go out and buy gold, silver and oil immediately, as this Peak Gold thing, and the inflationary monetary insanity of the Federal Reserve combined with the fiscal insanity of the federal government’s catastrophic deficit-spending, means that gold will soar, soar, soar in price as the purchasing power of the dollar falls when all those trillions and trillions of dollars enter the money supply.

If that is what you were thinking, you are right!