GOLD

As 2012 came to a close, Italian police celebrated the successful break up of a major crime syndicate that made its own gold ingots.

The suspected crime syndicate are accused of money-laundering, recycling cash and stolen jewels through cash-for-gold shops and smelting gold ingots in foundries.

The police seized 163 million Euro's worth of assets from a network of suspected gold smugglers.


Photo courtesy of EPA

Officers involved carried out a total of 259 raids on properties including several cash-for-gold shops across Italy as part of this investigation. The operation is currently investigating 118 people who are suspected of smuggling gold bars to Switzerland and cash back into Italy. A staggering five hundred bank accounts have also reportedly been frozen as part of the massive ongoing police operation.

The elaborate operation had money which came into Italy illegally from Switzerland. This was then used fraudulently to buy both gold and silver, after which it was sent back to Switzerland in the form of gold and silver ingots.

Gold on the move- "The times they are a changing" is certainly true this decade. Germany who can officially lay claim to having the world's second largest gold bullion stockpile has repatriated a large percentage of its reserves. This nation has 3,396 tons of gold worth €143bn (£116bn), almost all of which has remained stored overseas since the Cold War. Until Now!

Members may remember that I predicted this, when I cited the fact that Germany had already formally requested the return of their gold bullion from the USA (ref: report entitled The Golden Rule, written during November 2012). The repatriation of Gold to Germany continues and Germany is not alone in this endeavour. South American countries also withdrew gold bullion from so-called safe storage in USA. The implications are indeed enormous. I predict that we will see further moves to repatriate Gold and am happy to go on record to state that this is a disturbing trend for many reasons, as I stressed last year.

Consider the revelation that came as Germany's budget watchdog demanded an on-site probe of the country's remaining gold reserves in London, Paris, and New York to verify whether the metal really existed. It calls the system into question when countries express doubt over each other's safe custody of such assets.

The previous status quo was that approximately 66% of Germany's gold was historically held in the New York Federal Reserve, another 21% at the Bank of England, and 8% at the Bank of France. The German Court of Auditors told legislators in a redacted report that the gold had "never been verified physically" and ordered the Bundesbank to secure access to the storage sites. Germany has called for repatriation of 150 tons over the next three years to test the quality and weight of the gold bars. The German authorities proclaimed that Frankfurt had no register of numbered gold bars.

I would further state that the Bundesbank had slashed its holdings in London from 1,440 tons to 500 tons during 2000 and 2001, allegedly because storage costs were too high; I have a very different opinion on why this exercise was implemented.

Repatriation of the gold was expedited as air freight to Frankfurt. The alternative of shipping such vast amounts of gold is very risky but then so is air freight - Cast a mind back to the Brinks Mat bullion robbery of the 1980's where professional criminals stole gold bullion from a facility at Heathrow airport and why would a nation be prepared to undertake such a risk. Just because of costs of storage? I think not!

This represents an extraordinary breakdown in trust between leading central banks and has set off a ferment among gold enthusiasts, with some comparing it with France's withdrawal of gold from the US under President Charles de Gaulle when the Bretton Woods currency system crumbled in the late 1960s.

Handelsblatt said the Bundesbank intends to relocate the gold to vaults in Frankfurt.

In fact, London was charging €500,000 a year in storage costs. The Bundesbank reportedly checked a percentage of the 930 tonnes repatriated was melted down for checking purity. Today Germany currently holds just 13 percent of its total holdings at the Bank of England (down from 21%).

Having returned from leave 12 days ago, I am writing several investment reports for general release to membership.

The first to circulate will be the RIO Professional Investors Fund, the risk profile has lowered but the potential for positive gains has increased. The current asset allocation is very likely to produce returns in line with forecasted fund performance.

The above report is already with the editor and members will receive this by e mail later this week. This will be followed by an update on the RIO Income Bond and information on the Club's new products, scheduled for launching in March/April this year.

Finally, I would bring members attention to the fact that the new regular investment account launched during November 2012 has been welcomed by members. The account has posted two consecutive gaining months to date. That said, I would reiterate that this investment is classified as medium to high risk and designed for those who are prepared to except this risk profile.

Unlike RIO Professional Investors Fund which is ranked low /mid risk and has seen little to no volatility in the past four years, those invested in RIO regular account are reminded that mid/high risk investments are likely by nature to see volatility. This comes hand in hand with the risk ratios required to produce the potential for greater gains.

Any members interested in this new product should e-mail us for details.

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