



## GOLD – REMEMBER THE GOLDEN RULE

Gold provides the foundation upon which a country can rebuild its monetary system after a currency depreciation, which looks to be on the cards whether it be the Euro or the once strong USD. The Euro remains in a precarious position and Bundesbank monetary discipline seems to have been abandoned by the ECB.

What is the proper perspective for gold and central banking? Gold is not a barbarous relic as some investment experts have suggested. I believe the real relic is central banking when it perpetrates Government control of money. This control impedes the market process that is an essential part of any free society. Controlling money is like controlling free speech; if a government truly controls a country's money, it controls its people.

I would suggest that history could well be about to repeat itself. In the past, Gold was taken from the people by Lenin in Russia, Mussolini in Italy, Hitler in Germany and Roosevelt in the United States. Why did they do it? To increase the power of the Government by taking money that government cannot otherwise control, i.e. "gold", out of the hands of the people. Conditions are such, with recent events and changes in the financial system taking place now, that this could well happen again soon.

While Governments cannot control all sources of Gold, that does not stop them from trying to manipulate the gold price, which they have continued to attempt to do as I have highlighted previously.

Should members fully understand what I have outlined above, i.e. "a country can control its people by controlling the people's Gold", then it is true that a country can also be controlled when its Gold is in the central bank of another country.

For example, Alan Greenspan publicly announced that gold is the ultimate form of payment. Nazi Germany ultimately relied on gold to make purchases for war material and I have often touted the meaning of the important saying, "the golden rule", he with the gold rules!

To underline the point, it is no coincidence that the Bundesbank says its gold is stored in the US, UK and France, the major allies that occupied West Germany after the war? Having fought two world wars in just three decades, is it not possible that the allies sought in those post-war years, with memories still filled with wartime horrors, to prevent a future war with Germany by keeping possession in their vaults of the ultimate form of payment?

Were the US and UK along with France during the 1950s and 1960s denying a war-torn, divided and occupied West Germany, its sovereignty by holding the gold Germany earned in its post-war economic boom? The gold market has been manipulated for over a hundred years and the central banks have been willing participants, with the possible exception of the Bundesbank.

Its participation may have been unwilling given Allied control and occupation of West Germany in the decades following WW II and arguably the Bundesbank was not allowed to have its gold returned.

Putting aside geopolitics for the moment, we are witnessing the same thing I have touched on frequently since 2009, the difference between holding paper-gold and physical gold is very significant.

Recently demand for physical metal has grown because it is now driven by central banks (who want metal, not paper). Take, for example, how long it took Venezuela to have its 200 tons of gold returned by the US. It upset the applecart when they had to wait 3 months just to receive the first shipment, so it had probably been leased out and had to be bought back in the open market. As I commented in my previous report Germany has demanded the same, repatriation of their Gold from the US. If it took 3 months for Venezuela to have its quantity returned, it should be expected that it will take Germany very much longer to have released its storage of some 10-times the Venezuelan amount.

I believe that the repatriation to owning countries of gold out of secretive central banks that have controlled the gold reserves of most countries since WW II back, is going to be a major force driving gold higher in the months ahead. I will, of course, trade this opportunity.

I believe that I am the first person in the investment industry to forecast that the real situation may finally be realised, that central banks have less gold in their vaults than is commonly believed. I can also cite that this deception is a result of the IMF policy which allows central banks to 'hide' the true weight of gold stored in their vaults, yet another potential crisis is looming.

Members invested in RIO Professional Investors Fund are likely to benefit significantly from trading on the back of the very likely progression of the events outlined above. I'd like to leave members with this thought; in my report dated 25 June 2012 on the Basel III, I clearly outlined the effects of such. On 1 January 2013 gold will move to tier one. This has far reaching consequences, although positive for gold value it could become troublesome for paper money.

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