

German Gold Mystery Solved

The German government has been storing about half of its gold supply with the US FED, apparently in the NYC FED vaults. Germany decided to bring home all its gold, but the FED has said that isn't possible to do, and it would need until 2020 to be able to accomplish the transfer.

The German government then asked to visit the FED vaults to inventory the gold and determine its actual existence, but the FED refused to permit Germany to examine its own gold. The reasons given were "security" and "no room for visitors". And nothing else.

Germany did finally send some staff to the FED, and they were permitted only into the vault's anteroom where they were shown 5 or 6 gold bars as representative of their holdings, and were permitted nothing else. They apparently came a second time, and the FED did open only one of 9 rooms and let the Germans look at the stack of gold, but were not permitted to either enter or touch.— Federal Reserve Refuses to Submit to an Audit of Germany's Gold Held in U.S. Vaults

German Chancellor Angela Merkel stated today that Germany would leave its 1,500 tonnes of gold in the Federal Reserve vault in NYC for continued safekeeping.

Proponents for repatriation of German gold were outraged that Frau Merkel would double-cross them after initially agreeing to have at least 674 tonnes of gold repatriated. Insiders confirmed that only 5 tonnes of gold were repatriated before shipments were inexplicably stopped.

The current Federal Reserve Chairperson, Janet Yelling, announced today that the former Federal Reserve Chairperson, Ben Bernanke's computer hard drive had crashed, destroying the inventory of gold on deposit with the Fed. Shockingly and coincidentally, the six backup copies of the inventory on his assistants' computers were also destroyed by hard drive crashes. IT experts at the Fed verified that the Windows 3.1 based computers crashed just before their planned upgrade to Windows XP due to Superstorm Sandy shorting the electrical systems.

Not wanting to panic any of the gold depositors, a physical inventory of the gold was taken to ascertain the exact status of the inventory. Accountants entered the subterranean gold vaults below the Fed and discovered a major problem. As a result of Superstorm Sandy the vault had been breached and salt water had flooded several of the lower gold vaults, including the one where the alleged 1,500 tonnes of German gold was stored. According to gold technicians, the salt water had corroded the gold bars. Serial numbers and country stamps on the bars were indecipherable. Experts determined that the gold would have to be melted down and gold bars recast to determine the exact amount of gold remaining. After recasting, the Fed determined that only 5 tonnes remained.

Experts stated that a shrinkage from 1,500 tonnes to 5 tonnes would not be unusual considering that many bars would simply have floated away, others would have completely corroded away, and then a lot would have been lost through shrinkage and wastage during the recasting process.

The German government contacted its insurance company, Progressive, which stated that the insurance policy did cover hurricanes, which required them to replace the Windows 3.1 computers. However, it specifically excluded flood damage, which would have had to be covered under a Federal Flood Insurance policy which the German government had not obtained.

Ms. Yelling assured Frau Merkel that she would not leave her slowly twisting in the the political wind but would develop some solution that would provide cover for both of them. Ms. Yelling had Federal Reserve notes printed in an amount equivalent to the dollar value of the alleged 1,500 tonnes of Germany's gold. Those notes, as good as gold, were then to remain on deposit with the Fed.

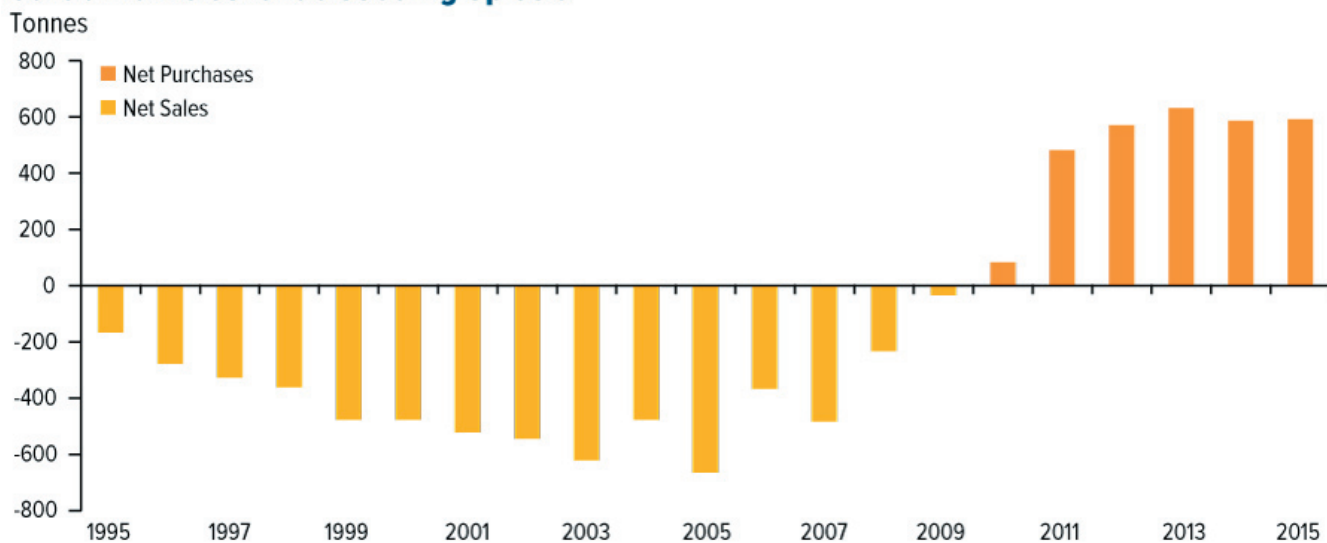
As a matter of historic record, the greatest amount of gold ever held by official (central banks) holdings was 52 years ago when all the worlds foreign currency reserves assessed were valued at \$69 billion. That was in 1965, and at that time, fully 65% of those currency reserves were backed by physical gold holdings. Fast forwarding to 2017 when world foreign currency reserves are estimated to now be \$11 trillion, only 12% of those reserves are backed by physical gold holdings.

Just as an exercise, consider if the central banks tried to achieve that 65% currency reserve level today. They would need to scamper and find an additional 46,501,000,000 troy ounces (46.5 Billion tr/oz.) to add to their current reserve holdings. That would represent three quarters of all refined gold there is.

The behavior of the Central banks and gold has come full circle over the past decade. The sales by the US and European central banks have indeed slowed but have not stopped. At the same time purchases by the CB's of emerging market countries, Latin America, the Middle East and Asia are growing. Since 2010, these emerging and other central banks have been net buyers of gold, and their desire is growing from less than 2% of total world demand in 2010 to approximately 16+% today.

This change clearly acknowledges the benefits gold brings to CB reserve portfolios. Some CB's have bought gold to diversify away from overweight US dollar denominated assets, with which gold has a strong negative correlation. In addition the CB's see gold as a hedge against currency risks and because of gold's inflation-hedging characteristics.

Central Banks Continue Gobbling Up Gold



Source: Metals Focus, GFMS, Thomson Reuters, World Gold Council, U.S. Global Investors

Getting back to Russia and Ms. Nabiullina's conservative Central Bank, so far this year the following monthly increases were made to Russia's official gold holdings: JAN = +1,000,000 oz, FEB = +300,000 oz, MAR = +800,000 oz, APR = +200,000 oz, and MAY = +700,000 oz.

This comes to 93.3 tons (3,000,000 troy ounces) in the first five months of 2017. It may be of interest to note that of the estimated 106 metric tons of gold produced by Russia between January and May 2017, the CB added 93 mt to their official gold reserves. Contrast that with the U.S., which produced 96 mt in the same period, adding nothing to official reserves. In sum, the addition to reserves between January and May 2017 represents 88% of Russia's domestic mine supply. At the same time, the United States is continuing as before to export all of its gold supply.

One of the key reasons the US is not increasing its reserves is because it continues to run and suffer from both fiscal and trade deficits. If a country is running deficit's it cannot add gold to its reserves; that can only happen when there are surpluses. Hence, this adds one more reason to the probability of continued US Dollar printing, QE, helicopter money, or whatever name we will call it when we do it.

Call it what you will, the printing presses will be working as we approach 2018 and 2019 to allow for operational continuity within the US financial system domestically as it operates today. Fed rate adjustments notwithstanding. The question remains, will the trend allow the United States to do so? That is worth some dispassionate, apolitical thought.

Source: <http://russia-insider.com/en/politics/russia-has-doubts-about-almighty-us-dollar/ri20199>