

Bill Murphy & Chris Powell – The Gold Cartel Will Have To Retreat Big Time

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THE MATTERHORN INTERVIEW – Sept 2016: Bill Murphy & Chris Powell

“The Gold Cartel Will Have To Retreat Big Time”

In this months' Matterhorn Interview Bill Murphy and Chris Powell, co-founders of Gata, analyse risks of the monetary system and comment on changes to the London Gold fix procedures and participation, liquidity issues and the difficult relationship between paper (futures) and physical metals as well why, conveniently, mainstream media ignore the most popular market intervention methods by Central banks.

[Video/Podcast] 17 mins

Interview by Lars Schall:

The Gold Cartel Will Have To Retreat Big Time

Transcript

Lars Schall: Hello, ladies and gentlemen. For Matterhorn Asset Management, I am now connected in the United States with Chris Powell and Bill Murphy from the Gold Anti-Trust Action Committee. The first question would be for you, Bill, and that would be: Why did gold perform so well, so far, in 2016?

Bill Murphy: I think a lot of people – the big money people – have come to the realization of what's really going on in the world in the sense of monetary issues. I mean between the forcing down of interest rates and the growing debt all over the world. It's becoming very clear that there's some very big problems out there and a lot of the people in the mainstream, they thought we would get \$1,000 gold and never got it, and because of what you're talking about, all this investment demand is showing up in the marketplace and you have of course the Chinese buying like crazy, which we can discuss. All of a sudden it's been feeding on itself and you've got gold wanting to go higher.

LS: Chris, you're paying a lot of attention to research papers, and in one paper or in one essay by Koos Jansen, he pointed out that the International Monetary Fund says that monetary gold is the only financial asset with no counterparty risk. (1) Is this interesting in the context of what Bill has just mentioned?

Chris Powell: Certainly people are going to see that when you have the threat of bank failures and bail-ins, and when central banks are striving to devalue their currencies, a currency without counterparty risk has more and more

virtue every day. I'm sure that's partly why people are buying more of it but we can't really know why gold is going up or down at any particular moment unless we also know what central banks are doing in the market. Central banks are the primary participants in the gold market. The director of market operations for the Banque de France, Alexandre Gautier, told the London Bullion Market Association three years ago that his bank is trading gold for its own account and the accounts of other central banks "nearly on a daily basis." We know from the annual reports of the Bank for International Settlements that it is trading gold and gold derivatives for its client central banks constantly. So unless we really know the degree and objectives of that trading, we only know partly why gold may be going up or down. We may figure that there are more macroeconomic reasons for ordinary investors and institutions to hold gold but that in itself may not be enough as central bank policy is very much involved with the gold price.

LS: Yes, but if we talk about supply and demand dynamics as a classical reason, why something goes up or down in value, Bill, is the demand much higher or becoming much higher than the supply of gold?

BM: As Chris said, the real key is what the central banks are feeding into the market and that's where GATA got started years ago in understanding what they are doing to supply the market with that physical supply. In the last few years they have been able to supply enough to keep the price under pressure. Look at the Chinese demand – only a year or two ago it didn't seem to mean too much at all because they would counter it by taking whatever supply or wherever they could get to feed into the marketplace, but I think, regarding what you were saying earlier, that it's becoming so apparent that there are some big problems out there, that the really biggest money in the world wants to own gold. Of course that includes more of the Chinese also and so you've got this demand from people who have not been involved as much in the past and are stepping up to the plate and they've been pretty vocal about it. I think the reasons for gold and silver to go up are so obvious that it's just starting to feed on itself. As I said, one of the keys is the zero or low interest rates and then with all this debt that's being created all over the place, what's it leading to? I think the big money has concluded it's leading to things that are going to create a lot of problems and gold is going to be the go-to investment along with silver.

LS: Yes. You're pretty confident when it comes to silver. Why so?

BM: It's a long story. I know we don't have that much time but basically the smartest guys I know, supply-and-demand-wise, David Morgan and Eric Sprott, have not been able to figure out where they're getting the supply from to keep the price so low. It's ridiculous at below \$20 an ounce and I think it's caused a situation where JPMorgan and the rest of the gold cartel shorts have done whatever they could to find whatever supply to feed into the market and that's running out. It was tell-tale the way silver traded at the beginning of the year – all awkward stuff. I can't get into it all but like the silver fix was about \$14 one day in January. It dropped to \$13.58 for no reason on the fix, then right back above \$14. It has traded very disjointedly. You've had the open interest explode to all-time highs, some 15 percent below the old all-time high. Some big money is understanding it and very quietly buying

up the futures contracts and the physical supply, and since we've noticed this, the price has gone from basically \$15 to \$20.5 and now it's trying to get back above \$20. I think that once we get above \$21, it's going to identify or signify a loss of control by JPMorgan. If I'm correct, and we'll find out, the upside action in the silver market is going to be extremely volatile when that occurs and a lot of the upside move will be unprecedented in terms of the way the silver price goes up.

I think the silver market is going to get very exciting because basically it's the gold cartel's kryptonite, which is a phrase coined by a fellow named James McShirley, who spoke at our conferences and is an expert in the futures industry. In other words, it means that silver, to the gold cartel, that's their Achilles' heel in the sense that when they lose control of that and run out of enough silver, it's going to be the gradual ending of the gold price oppression scheme. It doesn't have to end but they're going to have to retreat big-time and you're going to see the price of both gold and silver explode.

LS: Yes, and do you think that silver has the potential to outperform gold?

BM: Yes. I mean the gold/silver ratio is about 67/1 or so and there's no reason that can't get back down to 20 or 30, and because of what they've had to do, JPMorgan could have to go through all the physical supply of silver to keep the price this low for this long, and it's going to really overshoot on the upside to compensate for what has been done here. It's sort of like Newton's Law – for every action, an equal and opposite reaction.

LS: Chris, as I've mentioned, you take notice of scientific papers, and there was one scientific paper recently that vindicated GATA. (2) Please tell us about this.

CP: There's a professor of accounting and finance at the University of Western Australia, Dirk Baur, who rewrote this year a paper he had written I think last year about gold market manipulation. He incorporated the gold swaps and leases that central banks have been undertaking in recent years and he concluded that the gold swaps and leases were now the main mechanisms by which central banks were manipulating the gold market and suppressing the gold price. I took this as vindication for GATA – first that the gold price is manipulated by central banks and that central banks are doing this through gold leasing and gold swapping as we have been documenting. Now this is a respected academic in Australia and I don't expect the mainstream financial news organizations to take much note of this or anything that inconveniences the central banks, but this is academic support for GATA's work.

LS: Now you say that mainstream financial media outlets have some difficulties in reporting on gold suppression efforts undertaken by central banks, but is this also true when it comes to private commercial banks like Deutsche Bank?

CP: Well, not so much. The ordinary commercial banks, they can be reported on critically especially when they settle complaints of misconduct by government regulatory agencies or when they are sued by investors. Deutsche Bank, of

course, has been sued in the class-action lawsuit in the United States over gold and silver market rigging and reportedly has acknowledged rigging the gold and silver markets in collusion with the other defendants and reportedly has agreed to cooperate with the class-action lawsuit. We don't have this directly from Deutsche Bank itself. We have this only from the plaintiff's lawyers, but Deutsche Bank has not contradicted what the plaintiff's lawyers have announced, so I'm sure that it's true to some extent. The question is whether this class-action lawsuit will ever be fully authorized by the court to proceed, whether it will go into settlement negotiations. We don't really know. This could take a long time.

LS: Meanwhile, the gold market in London undergoes some changes. Bill, are these changes that you can believe in?

BM: Well, what does it mean really? It's all about obfuscation. They never get to the real deal. We talked earlier about how there's no free press about whatever's really going on in the gold market. I think that the tale of the London situation was the Rothschild's, who have been in the gold fix business for hundreds of years and got out in 2004 because they knew. They think big-picture. They know what is coming down the road and this thing sort of blowing up. It's going to be a mess, and there's all kinds of issues that have to do with unallocated accounts and so on, and it's just a matter of time. So whether it's JPMorgan and HSBC and Goldman going back and forth, they're all the same crowd.

LS: Yes, but would you say that N.M. Rothschild withdrawing from the gold fix shows that they are smart people?

BM: Absolutely (laughing). They didn't get their reputation for no reason and they know what's coming down the road. We talked about this years ago and sure enough, it's starting to get messy and this is just the beginning.

LS: Now, you've mentioned that China buys gold big-time, and what is your comment on this as far as GATA is concerned? I think you are watching this with some special view.

BM: In my own report to our sources, we reported that China was buying gold at the beginning of the decade for five years before any of this buying was accounted for by the mainstream gold world. We said China is buying through different sources and all of a sudden they announce they've bought 500 tonnes, so they've been on this gold case for a long time. Nobody knows really how much they have but they know what's coming down the road too and they've been gearing up for it and of course they think longer-term than we do in the West, and all of a sudden it's going to be stunning how much gold they own. We know they are the major producer now and when gold becomes the cornerstone of the monetary system again – more important because other currencies are in such trouble – they're going to be king of the hill.

LS: Now, you said that gold will take center stage at one point. Chris, is GATA a supporter, an advocate of the gold standard?

CP: No. Our position is that we want central banks completely out of the gold

market. We want any trading they do in gold to be completely transparent. Of course the problem, if you take the position we do, is that if central banks ever get out of the gold market and the gold market trades freely, the world very quickly will return to gold because gold's price will no longer be suppressed by government and gold will be seen as the superior currency. I think if you are an advocate of the gold standard, you will get the gold standard by default if central banks get out of the market and just stop manipulating it because if gold is ever allowed to trade freely, the gold price will go way up and the world will return to gold by itself.

LS: So in order to have a gold standard, you don't have to have an institutionalized gold standard?

CP: I think you just have to get governments out of the gold market.

LS: OK. Last question for both of you. Are the best days for gold yet to come?

CP: (Laughing) The whole history of mankind has been what they call the ascent of man. If you believe as GATA believes in free and transparent markets, limited and accountable government, democracy, and individual liberty, then gold will have a very big place in achieving those things. We will return to free and transparent markets and people will have a choice in currencies. I think they will resort to gold when government currencies are managed irresponsibly and, yes, then gold's best days are ahead along with the best days for liberty and freedom and democratic accountable government.

I'd like to believe in the ascent of man even now.

On the other hand, George Orwell wrote in "1984" that if wanted to know the future, just imagine a boot stomping on a human face – forever. So that's another view of the future. I really don't know which future we're going to end up with. I know which side we're working for.

LS: Yes. OK, Bill, what do you see in the crystal ball?

BM: Well, of course GATA's point is that the price of gold has been artificially suppressed, as Chris said, by this gold cartel, by the central banks, and so on, and they're gradually losing control of this thing because of physical supply. It's a matter of this thing becoming a pressure cooker and blowing up and all of a sudden the worst nightmare of the establishment and this gold cartel is gold exploding because it's like a barometer or thermometer of how the financial world is, and gold going way up. We think about the headlines always. It's always negative for the markets and economy and so on. It's always bad news for the politicians and for the bankers, so they want to keep the price down. It's really simple, so when it goes up, it's bad, and I think that because of what they've done, keeping gold down way too low, it's going to explode. So for the people who talk about these bigger numbers – \$3,000, \$5,000, \$10,000 – I mean they're coming. I think that will be a surprise to the investment world, so people who are buying now – this big money we were talking about earlier – I think they know what's coming and they're getting involved before the public finds out really what's

going on.

(1) The IMF classifies monetary gold in such a way.

(2) See: Vindicating GATA, academic study says central banks rig markets with gold lending | Gold Anti-Trust Action Committee

Bill Murphy, chairman of the Gold Anti-Trust Action Committee, GATA (www.gata.org), grew up in Glen Ridge, New Jersey and graduated from the School of Hotel Administration at Cornell University in 1968. During his senior year he broke all single season Ivy League pass receiving records and was Honorable Mention on the All-America Football team. He went on to become the starting wide receiver for the Boston Patriots (now New England Patriots) in 1968. Later Murphy went on to a career in the futures industry as a commodities broker. Early on he worked for Shearson Hayden Stone and Drexel Burnham before starting up his own introducing brokerage on 5th Avenue in New York. In 1998 he opened up www.LeMetropoleCafe.com, a financial market website geared to the gold market.

Chris Powell, secretary/treasurer and director of the Gold Anti-Trust Action Committee (GATA), has been managing editor of the Journal Inquirer, a daily newspaper in Manchester, Connecticut, since 1974. He began working at the paper when he left high school in 1967. He writes a column about Connecticut issues that is published in a dozen other newspapers in the state and Rhode Island and often appears on radio and television public-affairs programs in Connecticut. From 2004 through 2009 he was legislative chairman of the Connecticut Council on Freedom of Information. In 2006 he was inducted into the Academy of New England Journalists by the New England chapter of the Society of Professional Journalists and the New England Society of Newspaper Editors.

In 1998, Chris Powell and Bill Murphy founded GATA, which is recognized by the U.S. Internal Revenue Service as a tax-exempt educational and civil rights organization.