

FAKE GOLD – SILVER EXPLOSION – END OF BULL MARKET

written by Egon von Greyerz | March 23, 2018

In the US, fake gold is now a growing problem that is not being tackled. Congressman Alex Mooney (not Money!) has just written to the US Mint of the growing problem of high-quality counterfeits. He also wrote a letter to the Mint in November 2017 but the Mint responded that the problem was not significant. But the US Secret Service has since briefed the office of Congressman Mooney about the extent of the problem and the lack of supportive actions of other agencies. There we have it – **a complacent Mint on the one hand and a Secret Service which is involved in fake gold on the other hand. So this is clearly a major problem.**

CHINESE GOLD “FACTORIES”



Forgery of Byzantine solidus 6th century.
Source Wikipedia

Counterfeit gold coins have been around since the coinage of gold first started in the Greek city of Lydia around 600 BC. Fake gold bars and coins are ubiquitous and many owners of gold are not aware that they have fake gold. I realised the widespread presence of fake gold when I was interviewed in Sydney by an Australian television news team a few years ago. This team had just visited a “gold factory” in China. They had covertly filmed the manufacturing of fake bars and coins. They told me that **they bought \$500,000 of fake gold for \$500**. These were gold bars and coins with well known brands of LBMA refiners in Switzerland and Australia. For a layman it was not possible to tell that they were fake. There clearly could not have been much gold in these bars since the price was 0.1% of the value of real gold. It would probably have been enough to scratch the surface to find the tungsten which I assume was the metal inside.

FAKE GOLD WILL FLOOD MARKET



TUNGSTEN GOLD BAR

Source YouTube Learning about fake gold factories in China gave me

invaluable information of what will happen when the gold price goes up. It became very clear to me that **the more gold appreciates the more fake gold we will see on the market.** The natural consequence of a higher gold price will be a surge of gold factories around the world making fake gold. As gold goes to \$2,000, \$5,000, \$10,000 and much higher when hyperinflation sets in, there will be opportunistic "entrepreneurs" flooding the gold market with fake bars and coins. The coming gold mania will create a massive demand for gold and desperate retail buyers will buy gold from any source, unaware if it is genuine or not. The coming shortage of gold will force buyers to obtain gold from whatever direction, whether it is Ebay or disreputable dealers.

BUY GOLD WITHIN THE CHAIN OF INTEGRITY

Eventually the media will catch on to the prevalence of fake gold and tell buyers not to buy gold. Professional investors are unlikely to be affected by this but many retail buyers could be badly hurt. **The consequence of the "Wild West" market will be a concentration of gold trading to the most reputable dealers who trade within the chain of integrity.** Some smaller dealers will survive but only the ones who have established a long term reputation of integrity and honesty. Any serious dealer must have the testing equipment which can assure the quality of the gold.

The market is likely to concentrate to bigger gold dealers which operate within the chain of integrity. These companies will only buy and sell gold produced by LBMA (London Bullion Market Association) dealers and refiners. But that is of course not enough since fake gold producers can make gold with the markings of an LBMA refiner.

SWISS GOLD REFINERS DOMINATE WORLD MARKET

The absolutely safest way to acquire gold is to buy directly from a top class LBMA refiner. The Swiss refiners have the reputation of producing the highest quality gold bars in the world. Around 70% of all the global gold bar production comes from the Swiss refiners. The majority of the bars made in Switzerland have 9999 (4 nines) or 99.99% purity.

When our company (Matterhorn, GoldSwitzerland) buys gold for clients, **we always buy freshly minted gold directly from the Swiss refiners like Argor or PAMP. That guarantees the quality to the client.** There is another very important factor that makes this chain of integrity totally unique. If we buy freshly minted gold from a refiner for a client and the client (for whatever reason) decides to sell the gold the next day, we would then sell the client's gold back to the same refiner. Even if the refiner receives the gold in return in the same sealed boxes that he delivered to us, the refiner would still melt all the bars down in order to guarantee the quality.

It is this attention to detail and perfection that makes the Swiss gold refining industry totally unique and the biggest in the world. **Gold accounts for 29% of Swiss exports and makes it a strategic industry. This also is a virtual guarantee that gold is unlikely to ever be confiscated in Switzerland.** Another advantage to deal directly with a refiner, which a retail buyer cannot do, is that the refiner is always guaranteed supply. The

3,000 tonnes of annual mine production must be refined and the majority of that will go to the Swiss refiners. This is a very important consideration when gold demand goes up and there won't be sufficient gold to satisfy all the new buyers. When the paper gold market collapses and the paper longs ask for delivery there will be a massive shortage of gold. **The increased demand cannot be satisfied by more production but only by a much higher price. At that point, only the companies that have a long established relationship with refiners will get supply of gold.**

GOLD AND ESPECIALLY SILVER READY TO TAKE OFF

After a 12 year bull market, gold has been in a shallow correction for 6-7 years. The correction bottomed between 2013 and 2015 depending on in which currency we measure gold. The uptrend since that bottom has been very slow and more of a sideways consolidation. But gold in some currencies like Canadian and Australian dollars are at the 2011 tops and others like the pound are not far from it. It is only gold in US dollars which hasn't quite recovered yet due to a temporarily stronger dollar. That will soon change. (see charts in my article "Central Bankers Never Get It Right")

It would be unwise to believe Trump's new economic advisor who just advised investors to buy the dollar and sell gold. Larry Kudlow is a perma-bull in stocks, the dollar and the US economy and that is why he got the job. He will most likely not last long in his new position as all markets go against him such as falling dollar and stocks, higher gold and interest rates.

So when gold soon takes off, **silver is like a coiled spring which will explode.** For 3 1/2 years, silver has traded in a range which has become increasingly narrower. In the last 15 months the range has got even narrower as seen in the chart below. The technical indicator MACD in the chart has also shown very little oscillation for 4 years and even less so since the beginning of 2017. The upper and lower trend lines also show the narrowing range.



The gold/silver ratio which is just above the 80 level for the 4th time since 2003 is another very good indication that silver will lead the surge of the precious metals. Every time the ratio reaches that level and turns down, silver moves up twice as fast as gold.



Thus, there are many indications that silver is now ready to move up very fast. Since there is very little physical silver available, the coming move should be explosive. So hold on to your seats but buy silver (and gold of course) first. But remember that precious metals are not bought for short term gains but for long term wealth protection. This next uptrend in gold and silver will last a long time and be spectacular.

BULL MARKET IS OVER

Global stock markets are crashing, the dollar is falling and gold is going up.

None of this is of course a surprise to our readers. I have warned about it for quite a while and called the top of the stock markets in my article "Central Bankers Never Get It Right". In the same article I also forecast the demise of the dollar and the imminent rise of gold. Well it seems to be all happening.

With overextended and overvalued markets, any minor event can trigger the turn. We now have a global trade war, higher interest rates, end of money printing (for a while) and tapering instead. Any single one of these events would be enough to turn fragile markets around. So the combination of all of them is most certainly the start of a long term and devastating downturn in

the world economy and a collapse of all bubble markets. It is when the crisis hits the credit markets that it will become really ugly. And that is guaranteed to happen. Insurance in the form of precious metals is now absolutely critical.