



## LAMOUREUX & CO.

FINANCIAL THOUGHT LEADERSHIP

### Finally Why Gold Will Be Rigged Higher

Do you feel you have been given a fair advantage in these markets especially the gold market? Fear not help is on the way! Some of the recent intricacies of Basel 3 appear lost on investors.

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Our sense of enthusiasm is not gone. At first, we were disappointed to see gold not included in the proposals. The surprise from regulators came from talks to include large cap stocks.

Remember that to hold them, banks would be required to hold twice as much. This is where it gets interesting but more on this later.

Bank regulators persist in denying gold from inclusion. I have long believed that it will change. Commercial banks will see the *eventual benefits* of rising assets. They will take it upon them to lobby for gold's inclusion.

Our sense of timing appears correct. We disagree with recent views that the gold bull market is over. We feel it shows a complete lack of understanding on the part of market observers.

The bond market appears to have turned on cue with our forecast. It will be a long and arduous process for rising rates. It will be equally distressing for bond holders. The best part for *hard and soft assets* is to come.

Lets talk about one secret of the trade. As you know, debts will be written off. It is a mathematical certainty that rates will be pressured up in one form or another. Gold will move to its next phase of the cycle.

Gold is absolutely not risk free. It is, however, *default free*. We will be *at the half point, the point of recognition*, once gold is recognized as such. This is where commercial banks will quickly become your friend.

We earlier mentioned the fact that banks would buy twice as much stocks, remember? This is quite exciting! Have you put it together yet? We think this opportunity is one of a kind.

Commercial banks will possibly be given the go ahead to own large cap stocks. It will include large cap gold stocks. There is today a wide gap in gold stocks valuation to gold. It creates unbelievable leverage.

Seen by regulators, this will be the first conclusive investment in gold for commercial banks. The unfolding story should afterward flow like water in a stream of profits.

### Repatriation Of Gold

Much ink was spent when Germany asked to repatriate its gold. There is obviously a political side to it and a practical side to it. It might have knowledge of what will be submitted in the June 30<sup>th</sup> 2013 report from the European Banking Authority and the ECB. The plausible outcome is that gold will be considered in assets for inclusion. The start of this new framework is 2015.

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It gives plenty of time to actors. They are preparing the next stage of play. You should feel part of the action without constraints this time around.

## Recent Moves

You will have noticed an unusual behavior of gold recently. Gold is not going up as the US dollar is moving down. We view this as short term unwinding from momentum funds.

The gold trade in euros had been last year a very popular one. The euro is constantly moving higher for the last several weeks. It forces momo funds to dump the gold side and cover the short euro side.

We feel that it might have some ways to go but looks to be over soon. What new concerns we have relates to the yen. We think the game is now structured for momos to be long gold in yen.

It will surely go the same way that the gold/euro trade as done recently. It probably will look like the Apple/short S&P too. We saw massive unwinding of positions.

The broad liquidity expansion in Japan is lower than the US and Europe. It is surprisingly unchanged. The Prime Minister has so far not succeeded in walking over water even if most people expect it.

I forecast a heavy defeat in the July upper house election. He will not last any longer than his predecessors. If we are correct in our assumptions then the yen will snap back with vengeance.

Watch out for the party to unfold. This could be the lasting bottom we seek on gold.

