1. GOFO negative, surging gold lease rates, price backwardation

1 month GOFO (LIBOR - gold lease) has been negative for 30 days now.
Lease rate surged from 0% on Sept 17 to 0.72% on December 1; declined now to 0.44% - indicator of gold shortage both in London and NY

Price backwardation not theoretically possible because of high gold stock-to-flows ratio
Gold should immediately be sold on spot market and bought with forward contract to extinguish the backwardation - yet this isn't happening.
Gold is not bidding for dollars - guaranteed profit - indicating building currency crisis

http://fofoa.blogspot.ca/2010/07/red-alert-gold-backwardation.html

"... This is the key to EVERYTHING!!! It is not "gold liquidity" that the bullion banks create... it is DOLLAR LIQUIDITY. Dollars bidding on MSFT stock set the value of that stock. If dollars are frantically bidding on MSFT (high velocity), the stock skyrockets. If dollars **stop** bidding for MSFT all at once (low velocity), the price falls to zero. This is true for everything in the world except gold.

Gold bids for dollars. If gold stops bidding for dollars (low gold velocity), the price (in gold) of a dollar falls to zero. This is backwardation!

Fekete says backwardation is when "zero [gold] supply confronts infinite [dollar] demand." I am saying it is when "infinite supply of dollars confronts zero demand from real, physical gold... in the necessary VOLUME." So what's the difference? Viewed this way, can anyone show me how we are not there right now? And I'm not talking about your local gold dealer bidding on your $1,200 with his gold coin. I'm talking about Giant hoards of unencumbered physical gold the dollar NEEDS bids from.

Think about it. You can't make it cold in July by simply rigging the thermometer. ..."

2. Gold market trading volume

NYSE stock trading volume is averaging $50 billion per day spiking to $120 billion per day.

LBMA (80% of global gold trade) trades 160 M oz. of gold in gross daily trading volume in September 2014.

$192 billion per day of trading (vs. NYSE $50 billion) on the LBMA is AVERAGE dollar value of trading in September 2014.

In June 2013, LBMA traded 290 million oz. per day on average or $406 billion per day of volume.

3. Leverage in the LBMA will destroy the LBMA
Current implied open interest using 2x 160 M oz. daily trading volume is 320 million oz.; using 3x trading volume open interest is 480 million oz.

Primarily unallocated (virtual) gold contracts being traded with no gold backing

LBMA indicates that 90% of daily trading is spot trading - can create the price but cannot create the metal with virtual trading

(i) Unallocated positions as well as (ii) rehypothecation of forward contracts creates exceedingly high claims per gold oz. available for delivery

<u>This paper leverage (multiple claims per physical gold oz.) quickly puts the LBMA into distress as physical is demanded for delivery</u>

Many countries now accumulating gold in size and hearing of houses that have borrowed forwards and sold spot (shorting gold) are being called to deliver gold

Swiss vote was a transient factor (1,500 tonnes to be accumulated over 5 years) but the global trend for physical delivery continues and the crisis at the LBMA will continue to grow as physical continues to be withdrawn.

The price action of gold despite the physical gold shortage as visible through backwardation, high lease rates etc., is indicative of just how disconnected the LBMA is as a gold market