

1) Recap key definitions and data for Listeners

Spot contract trading of metal – contract for trading immediate metal ownership; 90% of LBMA daily trading.

Forward position - forward metal delivery based on spot plus some fee.

Futures - forward bet on price sometimes with option for delivery - usually can't affect spot price as primarily cash settled.

Open interest - the total number of ounces of gold for which there are trading positions (claims for metal) in the market.

Net settled clearing volume - the end of day net volume of trading when all of the credits and debits between members have been netted-out.

2) LBMA report "Loco London Liquidity Survey" <http://www.lbma.org.uk/Clearing-Statistics> re. LBMA gold trading volumes (turnover) in Q1 2011 that daily gross trading volume is 10x the average net cleared trading statistics (as posted online)

LBMA data analysis – data source <http://www.lbma.org.uk/clearing-statistics>

	Daily Net Clearing Volume Posted by LBMA	Actual Total Daily Trading Volume (daily turnover) is 10x clearing volume	Open Interest (market claims for metal) at 2x trading volume	Open Interest (market claims for metal) at 3x trading volume	Global Visible Stockpiles of Refined Metal (for gold: official central bank stockpiles)	Annual Global Mine Production
Gold	20.7 M oz	207 M oz	414 M oz	621 M oz	1.2 B oz	90 M oz
Silver	172 M oz	1.72 B oz	3.4 B oz	5.1 B oz	0.9 B oz	0.8 B oz

Global gold stockpiles estimated as official global central bank stockpiles plus 200M oz plug number for China.

Silver imbalance between its London open interest of 3.5 to 5 billion oz. and global stockpiles is extreme.

<https://www.silverinstitute.org/site/wp-content/uploads/2011/06/CPMGroupSilverInvestmentDemand2014.pdf>

The Gold Problem: Gold stockpile estimates do not account for off-balance-sheet central bank leasing of gold; has been ongoing for decades.

Decades of central bank leasing of gold to set the gold price and hide both monetary inflation as well as contain interest in gold.

- Depleted central bank gold stockpiles below official statistics; likely far below official holdings
- Central banks (China, Russia, etc.) now actively buying gold
- Gold looted from Iraq's and Libya's central bank not visible but believed to have entered LBMA

Richard Pomboy estimated in 1997 at Grant's Interest Rate Observer investment conference that central banks needed to sell / lease 1,500 tonnes (48 M oz.) of gold to meet annual market deficit. Subsequent market analyses in 2000 by James Turk, Reg Howe, and Frank Venerosso all independently estimated ~ 1,500 tonnes (48 M oz.)

of gold leased to market each year with off-balance-sheet gold transactions by central banks. Pomboy's presentation still available using WayBack archives:

a) http://web.archive.org/web/20130312175814/http://www.gold-eagle.com/analysis_98/pomboy072098a.html

b) http://web.archive.org/web/20130312175809/http://www.gold-eagle.com/analysis_98/pomboy072098b.html

Bank of England (BoE) acts as physical gold market liquidity maker providing gold to LBMA to keep paper market contained.

- Bank for International Settlements (BIS) and BoE are keys for LBMA operation

Today's gold and silver prices are a creation of virtual metal positions at the LBMA. Physical withdrawals will cause LBMA party default.

- Majority of spot trading is with Unallocated positions. Holders are unsecured creditors.
- Expect crisis on the LBMA from physical default.

Now hearing that "capitalism has failed" - Bill Gross, Soros, and others.

We are seeing the failure of central planning, regulatory capture, and market rigging - not capitalism's failure.

Reference:

LBMA report "Guide to London Precious Metals Markets" (gold, silver, platinum, and palladium) published on the LPPM website: <http://www.lppm.com/OTCguide.pdf>

pg 12 (of 52) Majority of trading is in unallocated accounts - client purchasing metal does not have title to specific metal and is "an unsecured creditor"

- spot trades settled as "credits or debits to an account"
- credits to an account "do not entitle the creditor to specific bars of gold or silver"

pg 16 Loco London (ie. LBMA) pricing is the basis for "virtually all transactions in gold, silver, platinum and palladium"; global price setting power of the LBMA for transactions involving precious metals traded using virtual unallocated metal.