No Inflation Friday

GIH: One of the biggest lies told to the general economic public is that of inflation – it’s a hidden tax, under reported, and widely misunderstood. It’s not a simple mechanism, so don’t use this as an excuse to buy real estate or other assets of little intrinsic value. Inflation creates bubbles, causes prices to rise, and distorts markets. There isn’t any ‘silver bullet’ to avoid inflation, as the Gold bugs would have you believe. All the arguments are ok, there is a limited supply of Gold on the planet, and limited supply of real estate. But investing all your assets in Gold is not the solution. As an example, the Swiss Franc was the “Gold” hedge against inflation in the currency market for decades. But then the SNB intervened in the market, pegging the EUR to the CHF and causing it to sink against the USD. Gold can be confiscated, stolen, lost, damaged, or be subject to some strange new ‘Gold tax’ that politicians invent. The inflation scenario is simply a warning that by staying in cash (i.e. savings accounts) the value is deteriorating.

One of the greatest lies of the modern financial system (and that’s really saying something) is about inflation.

The puppet masters who control the system have managed to convince people that deflation = bad, and inflation = necessary evil.

Perhaps the even bigger lie is that of the actual inflation statistics. They tell us that there’s no inflation… or minimal inflation.

And they tell us that the ‘target’ rate is 2%. Bear in mind that 2% annual inflation means your currency will lose over 75% of its value during the course of your lifetime.

But these figures are massively understated. And you don't have to look hard for proof.

US postage stamp rates, for example, are set to increase this weekend. They've been going up almost every year since 2006.

This weekend, the rate for a one-ounce first class letter will rise to 49c from 46c, a 6.5% increase. And the price to send a postcard will rise from 33c to 34c, a 3.0% increase.

If you take a longer-term view, the price of a postcard back in 1951 was just one cent. This means that the dollar has lost over 97% of its value against postcard shipping rates in the last six decades.

Let's look at this another way.

According to the US Department of Labor, the average household income in 1950 was $4,237. This means that the average US household could afford to send 423,700 postcards back then.

Today's median household income is $51,017 (and that's from a majority of dual-income households). This means the average family in the Land of the Free can now afford to send about 150,050 postcards.

It's a huge difference. The standard of living denominated in postcards has declined by nearly two-thirds since the 1950s.

Short-term, long-term, the conclusion is the same: Inflation exists.

And any suggestion to the contrary that inflation is 'good' or at least a 'necessary evil' is simply a lie. It destroys both purchasing power and standard of living.

Rational, thinking people need to be aware of this. If you hold a lot of your savings in a bank denominated in paper currencies like the dollar or euro, you will lose.

And I'd strongly urge you to consider holding at least a portion of your savings in stronger, more stable currencies, or better yet, alternative asset classes that cannot be inflated away by central bankers.

This includes productive real estate, precious metals, or even collectibles.

http://www.zerohedge.com/print/484133

Germany Has Recovered A Paltry 5 Tons Of Gold From The NY Fed After One Year

GIH: It appears that the so called "Gold Conspiracy" that Gold is being sold secretly and in some cases being replaced by tungsten, has been going on for years. According to the following internal central bank memo, Gold delivered to the Bundesbank was not received as "Good Delivery" – also, Germany's recent project to repatriate their own Gold which they rightfully own (according to records) has yielded an amazingly low 5 tons from the NY Fed, out of their stated target of 674 tons.

On December 24, we posted an update on Germany's gold repatriation process: a year after the Bundesbank announced its stunning decision, driven by Zero Hedge revelations, to repatriate 674 tons of gold from the New York Fed and the French Central Bank, it had managed to transfer a paltry 37 tons. This amount represents just 5% of the stated

target, and was well below the 84 tons that the Bundesbank would need to transport each year to collect the 674 tons ratably over the 8 year interval between 2013 and 2020. The release of these numbers promptly angered Germans, and led to the rise of numerous allegations that the reason why the transfer is taking so long is that the gold simply is not in the possession of the offshore custodians, having been leased, or worse, sold without any formal or informal announcement. However, what will certainly not help mute "conspiracy theorists" is today's update from today's edition of Die Welt, **in which we learn that only a tiny 5 tons of gold were sent from the NY Fed. The rest came from Paris.**

As Welt states, *"Konnten die Amerikaner nicht mehr liefern, weil sie die bei der Federal Reserve of New York eingelagerten gut 1500 Tonnen längst verscherbelt haben?"* Or, in English, did the US sell Germany's gold? Maybe. The official explanation was as follows: "**The Bundesbank explained [the low amount of US gold] by saying that the transports from Paris are simpler and therefore were able to start quickly**." Additionally, the Bundesbank had the "support" of the BIS "which has organized more gold shifts already for other central banks and has appropriate experience – only after months of preparation and safety could transports start with truck and plane." That would be the same BIS that in 2011 lent out a record 632 tons of gold…

Going back to the main explanation, we wonder: how exactly is a gold transport "simpler" because it originates in Paris and not in New York? Or does the NY Fed gold travel by car along the bottom of the Atlantic, and is French gold transported by a Vespa scooter out of the country?

Supposedly, there was another reason: "The bullion stored in Paris already has the elongated shape with beveled edges of the "London Good Delivery" standard. The bars in the basement of the Fed on the other hand have a previously common form. They will need to be remelted [to LGD standard]. And the

capacity of smelters are just limited.”

So… New York Fed-held gold is not London Good Delivery, and there is a bottleneck in remelting capacity? You don’t say…

Furthermore, Welt goes on to “debunk” various “conspiracy websites” that the reason why the gold is being melted is not to cover up some shortage (and to scrap serial numbers), but that the gold is exactly the same gold as before. Finally, to silences all skeptics, the Bundesbank says that “there is no reason for complaint – the weight and purity of the gold bars were consistent with the books match.” In conclusion, Welt reports that in 2014 “larger transport volumes” can be expected from New York: between 30 and 50 tons.

Here we would be remiss to not point out that the reason why the German people and the Bundesbank have every reason to be skeptical is that as Zero Hedge reported exclusively in November 2012, before the Buba’s shocking repatriation announcement and was the reason for the escalation in lack of faith between central banks, it was the Fed and the Bank of England who in 1968 knowingly sent Germany “bad delivery” gold. Which is why we have a feeling that the pace of gold transportation will certainly not accelerate until such time as the German people much more vocally demand an immediate transit of all their gold held at the New York Fed: after all, it’s there right – surely the Bundesbank can be trusted to melt the gold (if any exists of course) into London Good Delivery or whatever format it wants.

Unless of course, the gold isn’t there…

From November 9, 2012:

Bank Of England To The Fed: “No Indication Should, Of Course, Be Given To The Bundesbank…”

Over the past several years, the German people, for a variety of justified reasons, have expressed a pressing desire to have

their central bank perform a test, verification, validation or any other assay, of the *official* German gold inventory, which at 3,395 tonnes is the second highest in the world, second only to the US. We have italicized the word *official* because this representation is merely on paper: the problem arises because no member of the general population, or even elected individuals, have been given access to observe this gold. The problem is exacerbated when one considers that a majority of the German gold is held offshore, primarily in the vaults of the New York Fed, and at the Bank of England – the two historic centers of central banking activity in the post World War 2 world.

Recently, the topic of German gold resurfaced following the disclosure that early on in the Eurozone creation process, the Bundesbank secretly withdrew two-thirds of its gold, or 940 tons, from London in 2000, leaving just 500 tons with the Bank of England. As we made it very clear, what was most odd about this event, is that the Bundesbank did something it had *every right to do fully in the open*: i.e., repatriate what belongs to it for any number of its own reasons – after all the German central bank is only accountable to its people (or so the myth goes), in deep secrecy. The question was why it opted for this stealthy transfer.

This immediately prompted rampant speculation within various media outlets, the most fanciful of which, of course, being that the Bundesbank never had any gold to begin with and has been masking the absence all along. The problem with such speculation is that, while it may be 100% correct and accurate, there has ***been not a shred of hard evidence to prove it.*** As a result, it is merely relegated to the echo chamber periphery of "serious media" whose inhabitants are already by and large convinced that all gold in the world is tungsten, lack of actual evidence to validate such a claim be damned (just like a chart of gold spiking or plunging*is not evidence* that a central bank signed the trade ticket, ordering

said move), and in the process delegitimizing any *fact-based* investigations that attempt to debunk, using hard evidence, the traditional central banker narrative that the gold is there and accounted for.

And *hard evidence*, or better yet a paper trail of inconsistencies, is **absolutely paramount**when juxtaposing the two most powerful forces of our times: i) the central banking-led status quo (which is *de facto* the banker-led oligarchy whose primary purpose in the past several centuries has been to accumulate as much as possible of the hard asset-based fruits of people's labor, who toil in exchange for "money" created out of thin air – a process which could be described as not quite voluntary slavery, but the phrase would certainly suffice), and ii) "everyone else", especially when "everyone else" still believes in the supremacy of democratic forces, accountability, and an impartial legal system (three pillars of modern society which over the past 4 years we have experienced time and again have been nothing but mirages). Because without *hard evidence*, not only is the case of *the people against central bankers*non-existent, even if conducted in a kangaroo court co-opted by the banker-controlled status quo, it becomes laughable with every iteration of progressively more unsubstantiated accusations against the central banking cartels.

Finally, when it comes to cold, hard facts, which expose central banks in misdeed, even the great central banks have to be silent silent, as otherwise the overt perversion of justice will blow up the mirage that modern society lives in a democratic, laws-based world will be torn upside down.

And while others engage in click-baiting using grotesque hypotheses of grandure without any actual investigation, reporting or error and proof-checking to build up hype and speculation, which promptly fizzles and in the process desensitizes the general public and those actually undecided and/or on the fences about what truly goes on behind the

scenes, Zero Hedge travelled (metaphorically) in space – to London, or specifically the Bank of England Archives – and in time, to May 1968 to be precise.

While there we dug up a certain memo, coded C43/323 in the BOE archives, official title "GOLD AND FOREIGN EXCHANGE OFFICE FILE: FEDERAL RESERVE BANK OF NEW YORK (FRBNY) – MISCELLANEOUS", dated May 31, 1968, written by a certain Mr. Robeson addressed to theBOE's Roy Bridge as well as its Chief Cashier, and whose ultimate recipient is Charles Coombs who at the time was the manager of the open market account at the Fed, responsible for Fed operations in the gold and FX markets.

This memo, more than any of the other spurious and speculative accusation about Buba's golden hoard, should disturb German citizens, and of course the Bundesbank (assuming it was not already aware of its contents), as the memo lays out, without any shadow of doubt, that the BOE and the Fed, **effectively conspired to feed the Bundesbank due gold bars that were of substantially subpar quality on at least one occasion in the period during the Bretton-Woods semi-gold standard (which ended with Nixon in August 1971).**

The facts:

At least two central banks have conspired on at least one occasion to provide the Bundesbank with what both banks knew was "bad delivery" gold – the convertible reserve currency under the Bretton Woods system, or in other words, to defraud – amounting to 172 bars. The "bad delivery" occured even as official gold refiners had warned that the quality of gold emanating from the US Assay Office was consistently below standard, and which both the BOE and the Fed were aware of. Instead of addressing the issue of declining gold quality and purity, the banks merely covered up the refiners' complaints

It is this that the Bundesbank, the German government, and the

German people should be focusing on. If in the process this means completely ridiculing the Buba's "*she doth protest too much*" defense strategy that what is happening in the media is a "phantom debate" as perAndreas Dobret's recent words, so be it. In fact, one may be well advised to ignore anything Buba has said on this matter, because in attempting to hyperbolize the matter out of irrelevancy, the Buba is now cornered and will have no choice now but to explain just what the true gold content of the gold even in its possession is, let alone that which is allocated to the Buba account 50 feet below sea level, underneath the infamous building on Liberty 33.

Full May 1968 memo from the BOE to the NY Fed: highlights ours:

> *MR. BRIDGE*
> *THE CHIEF CASHIER*
>
> ***U.S. Assay Office Gold Bars***
>
> *1. We have from time to time had occasion to draw the Americans' attention of the* ***poor standards of finish of U.S. Assay Office bars.*** *In addition in 1961 we passed on to them comments from Johnson Matthey to the effect that****spectrographic examination did not support the claimed assay on one bar they had so tested*** *(****although they would not by normal processes have challenged the assay****)* ***and that impurities in the bar included iron which caused some material to be retained on the sides of crucible after pouring.***
>
> *2.* ***Recently, Johnson Matthey have put 172 "bad delivery" U.S. Assay Office bars into good delivery form for account of the Deutsche Bundesbank****. These bars formed part of recent shipments by the Federal Reserve Bank to provide gold in London in repayment of swaps with the Bundesbank.* ***The out-turn of the re-melting showed a loss in fine ounces terms four times greater than the gross weight loss****. Asked to*

comment Johnson Matthey have indicated verbally that:-

(a) the mixing of "melt" bars of differing assays in one "pot" could produce a result which might be a contributing factor to a heavier loss in fine weight but they did not think this would be substantial ;

(b) a variation of .0001 in assay between different assayers is an extremely common phenomenon;

(c) ***over a long period of years they had had experience of unsatisfactory U.S. assays***

3. It is not, however, possible to say that the U.S. assays were at fault ***because Johnson Matthey did not test any of the individual bars before putting them into the pot****.*

4. ***The Federal Reserve Bank have informed the Bundesbank that adjustments for differences in weight and refining charges will be reimbursed by the U.S.Treasury****.*

5. ***No indication should, of course, be given to the Bundesbank, or any other central bank holder of U.S. bars, as to the refiner's views on them****. The peculiarity of the out-turn will be known to the Bundesbank:* ***it has so far occasioned no comment.***

6. We should draw the attention of the Federal to the discrepancy in this (and any similar subsequent such) result and add simply that the refiners have made no formal comment but have indicate that, although very small differences in assay are not uncommon, ***their experience with U.S. Assay Office bars has not been satisfactory****.*

7. ***We hold 3,909 U.S. Assay Office bars for H.M.T. in London (in addition to the New York holding of 8,630 bars****). After the London gold market was reopened in 1954 we test assayed the bars of certain assayers to ensure that pre-war standards were being maintained. It might be premature to set up*

arrangements now for sample test assays of U.S. Assay Office bars ***but if it appeared likely that the present discontent of the refiners might crystalise into formal complain we should certainly need to do this****. In the meantime I would recommend no further action.*

31st May 1968

P.W.R.R.

To summarize: Bank of England discovers discrepancies with US Assay Office gold bars, notifies the NY Fed that its gold bars have major "bad delivery" issues, but, and this is the punchline, on this occasion, we'll keep it quiet, because the Bundesbank got these bars. This is merely one documented assay occasion: one can imagine that of the hundreds of thousands of gold bars in official circulation, the "good delivery" quality of bars outside of the US, and perhaps BOE, official holdings has progressively declined over the decades of Bretton Woods. One can also only imagine what has happened to all those "good delivery" bars currently held by the Fed as custodian at the NY Fed. Literally: *imagine*. Because there is no way to check what the real gold consistency of these gold bars is, and whether the refiners found ongoing future inconsistencies with "good delivery" standards of bars handed off to other "non-core" central banks. And, yes, without further evidence the above is merely speculation.

As to the remaining relevant ***facts***: the US ran out of good delivery gold in March 1968 and only had coin bars remaining. Which is why it closed the gold pool and went to a two-tier price system. The Bundesbank went on to cover some of the outstanding gold debts of the Fed to the gold pool. Subsequently, the US then did several deals with the BOC to get a substantial amount of gold to pay back the Bundesbank which was sent over to England from March until June 1968. One can, again, only speculate on the quality of said gold. The

Fed then created unsettled accounts to account for these transfers between itself and the Buba.

In light of the above **facts** and **evidence**, one can see why the Buba is doing all in its power to avoid the spotlight being shone on the purity of its gold inventory: after all the last thing the German central banks would want is someone to go through the publicly available archived literature, to put two and two together, and figure out that it does not take one massive "rehypothecation" (see *"to Corzine"*) event for German gold credibility to be impaired: all it takes is death from a thousand micro dilutions over the decades to get the same end result. Because chipping away one ounce here, one ounce there for years and years and years,**ultimately adds up to a lot.**

We eagerly look forward to the Buba's next iteration of self-defense. We can only hope that this one does not include a reference to a "*phantom debate*", to "*East German terrorist Simon Gruber*" or to *Goldfinger,* as it will merely further destroy any remaining credibility the Bundesbank may have left in this, or any other, matter.

Manipulation Of Gold By Central Banks Cannot Continue In 2014

Gold has long been one of the many assets used by central banks. They certainly were one of the largest market participants, if not the largest single buyer and seller of Gold. Now, Deutsche Bank is exiting the fixing desk, China has an insatiable demand for Gold, and there is talk of an investigation of price manipulation. For years there's been

rumors that large ibanks such as JPMorgan have used naked futures contracts to keep the price low. One theory supposed that if a certain quantity of futures contracts were not rolled over, the exchange would default on the contract. As we will see based on the below evidence, whatever the outcome, manipulation of the Gold market will be difficult or impossible for central banks in 2014.

With Deutsche Bank quitting the price-setting panel for gold and Bafin bearing down on the manipulators, Eric Sprott provides some more color on where the manipulation in the precious metals markets is underway (and when it will end)…

Submitted by Eric Sprott of Sprott Global Resource Investments [22],

Introduction

As we very well know, 2013 was a difficult but also puzzling year for precious metals investors. The price of gold, silver and their related equities declined by a significant amount while demand for physical bullion from emerging markets and their Central Banks was exceptionally strong.

A common argument that has been made to explain the precipitous decline of the price of precious metals in 2013 is of investors' disenchantment with precious metals, which had been piling up in exchange traded products as a way for investors to gain exposure to the metals. Proponents of this theory point to the large declines in the total holdings of those ETFs as evidence of investors fleeing the precious metal trade. As shown in Figure 1, the price of both gold and silver suffered very significant declines throughout 2013. Therefore, if this explanation is correct, one would expect the total ETF holdings of both metals to be lower as well.

However, this is not the case. As shown in Figure 2 gold ETFs

suffered large redemptions whereas silver ETFs saw their holdings remain more or less constant throughout the year, and this without any observable change in trading patterns in the two largest ETFs; GLD and SLV (Figure 3 shows the ratio of the trading values in the ETFs over time). If redemptions are a symptom of investors' disenchantment with precious metals as an investment, shouldn't silver have suffered the same fate as gold? Indeed it should have, but we think the reason silver ETFs were not raided like gold was that Central Banks do not have a silver supply problem, they have a gold problem. As we have argued before, the raiding of gold ETFs is bullish for gold because it reflects an imbalance in the physical market.[1]

Figure 1: Gold and Silver prices declined significantly in 2013

Source: Bloomberg

Figure 2: ETF Holdings – Troy oz (millions)

Source: Bloomberg, tickers ETSITOTL & ETFGTOTL

In this article, we further argue that the April raid on gold and gold ETFs almost backfired by creating a tsunami of buying in India and increased demand to unsustainable levels. In May 2013 alone, Indians imported 162 tonnes[2] of gold in a market where monthly global mine production is about 182 tonnes. A continuation of this trend, coupled with strong buying from other Emerging Markets and their Central Banks, would have been overwhelming. But, the response was swift. We suspect that, at the behest of Western Central Banks, the Reserve Bank of India reacted by enacting, in incremental steps, restrictive measures to prevent gold imports (See Figure 4 for a timeline of the major changes made by the Indian Government).[3]

Figure 3: Traded Value – Ratio of SLV to GLD

Source: Bloomberg. Traded Value is calculated by taking the total trading volume for a quarter and multiplying it by the average price over that quarter. A ratio of 1 indicates that SLV traded as much, in $ terms, as GLD.

Figure 4: Efforts to Curb Indian Gold Imports
[23]
Source: Bloomberg, Economic Times [24]

Supply and Demand Imbalances: The Indian Effect

We have already discussed at length the supply and demand imbalance in an Open Letter to the World Gold Council, asking them to revise their methodology because it grossly understates the amount of demand coming from emerging markets.[4] Our gold supply and demand table (Table 1) reflects the latest available data (2013 Q3 in most cases). World mine production, excluding Chinese and Russian production still stands at about 2,100 tonnes a year. Chinese net imports most likely exceeded 1,700 tonnes for 2013 (81% of world mine production) and demand from the rest of the world is rather stable.[5]

The overall picture has not changed much since our last article, with the exception of Indian imports. As of the second quarter of 2013, India had cumulative net gold imports of 551 tonnes, which annualizes to 1,102 tonnes.[6] However, Q3 data shows net imports of only 31 tonnes (for a total of 582 tonnes YTD), which annualizes to 776 tonnes.

This incredible loss of momentum for “official” gold imports was the result of concerted actions by the Reserve Bank of India and the Indian Government. While the “official” justification for those restrictions is the large Indian current account deficit, this argument makes little sense. According to government officials, Indian’s taste for gold and

the corresponding imports worsens the country's trade balance, worsens its current account deficit and puts downward pressure on their currency, the Rupee.

But, without going into too many details, the classification of gold as a "good" in the trade balance is at best misleading. Since gold is more of an investment vehicle and is not "consumable" per se, it should instead be accounted for in the capital account of the balance of payments instead of the current account. Indeed, Switzerland, which is a large net importer of gold, reports its trade balance "without precious metals, precious stones and gems as well as art and antiques" to reflect fact that those are "investments" rather than consumption goods.[9] In this case, why should India be any different and report their trade data excluding gold? To us, all the fuss about gold imports by the Indian Government is a red herring.

So, without the intervention in the Indian gold market, the shortage of gold would have wreaked havoc in the market, a situation that Western Central Banks could not tolerate.

Table 1: World Gold Supply and Demand 2013, in Tonnes

Sources: GFMS data comes from the WGC's "Gold Demand Trends" publications for 2013 Q1, Q2 & Q3. Chinese mine supply comes from the China Gold Association and is up to October 2013, the annualized number is a Sprott estimate.[8] Russian mine supply comes from the Union of Gold Producers and is up to 2013 Q3. Chinese data is taken from the Hong Kong Census and Statistics Department and covers the period Jan.-Nov. 2013 and is annualized to account for the missing month. Changes in Central Bank gold reserves are taken from the IMF's International Financial Statistics, as published on the World Gold Council's website for 2013 Q1, Q2 & Q3 and include all international organizations as well as all central banks. Net imports for Thailand, Turkey and India come from the UN

Comtrade database and include gold coins, scrap, powder, jewellery and other items made of gold. The data is for 2013 Q1, Q2 & Q3. ETFs data comes from GFMS as well.

Conclusion and Outlook for 2014

As demonstrated in our Open Letter to the World Gold Council, there was a large supply-demand imbalance in 2013. The evidence presented here suggests that the decline in the price of gold in mid-2013 and the subsequent raid of gold ETFs (but not silver ETFs) was engineered by Western Central Banks to help solve their physical gold supply problem. However, the resulting increase in Indian gold demand exacerbated the problem. The solution was to restrict Indians from importing gold by all means possible in order to help the Western Central Banks regain control of the gold market.

However, the rate of drain in gold ETFs cannot continue forever; at the current pace of 930 tonnes/year, there are less than two years of gold left in ETFs. Moreover, Indians have proved highly creative at finding ways around import restrictions.[10] Smuggling is on the rise and will most likely increase as smugglers become more sophisticated. Overall, we believe that interest in physical gold from emerging markets will remain a driving force.

Besides, mine production is unlikely to grow, as reflected by the significant decrease in capital expenditures expected for the major gold producers (Figure 5).

Accordingly, we believe that the manipulation of gold prices by central banks, as demonstrated by the above analysis, cannot continue in 2014. Therefore, we expect substantial increases in the price of precious metals as the true shortages become obvious.

Figure 5: Capital Expenditures ($mm) – XAU Index Members

Source: Bloomberg. Consensus analyst estimates are used for years 2013-2015.

P.S. Due to recent developments, we would also like to highlight some related media stories

Jan. 17, 2014: Germany's top financial regulator said possible manipulation of currency rates and prices for precious metals is worse than the Libor-rigging scandal [25]

Jan. 17, 2014: Deutsche quits gold price-setting as regulators investigate fix (Did the regulators ask them to?) [26]

Dec. 13, 2013: Bafin Said to Interview Deutsche Bank Staff in Gold Probe [27]

Nov. 26, 2013: U.K., German Regulators Scrutinize Gold, Silver Pricing [28]

Sept. 9, 2013: Sprott Thoughts: A Leaky Fix [29]

Deutsche Bank spooked out of Gold fix

The very foundations of the modern financial system are being shaken; through scandals, market crisis, new regulation, social changes, and technology; all playing a part in permanently evolving how the global financial system operates. One of the most well known traditions in precious metals is the daily "Gold Fix," where the dealers would literally decide together what the daily price would be. Now, Deutsche Bank is exiting this process, among concern about manipulation charges

and who knows what else is going on behind the scenes. But DB's departure is a milestone in the evolution into the new paradigm of global finance, whatever form it end up taking in the end.

Germany's blowback against gold manipulation is accelerating. Following yesterday's report that Bafin took a hard line against precious metals manipulation, after its president Eike Koenig said possible manipulation of precious metals **"is worse than the Libor-rigging scandal"**, today the response has trickled down to Germany and Europe's largest bank, Deutsche Bank, which announced that it would withdraw from the appropriately named gold and silver price "fixing", as European regulators investigate suspected manipulation of precious metals prices by banks. As a reminder, Deutsche is one of five banks involved in the twice-daily gold fix for global price setting and said it was quitting the process after withdrawing from the bulk of its commodities business. The scramble away from gold fixing was certainly assisted by the recent first (of many) manipulation expose in the legacy media, when Bloomberg revealed "How Gold Price Is Manipulated During The "London Fix." And sure enough, with Germany already very sensitive to the topic of its gold repatriation, and specifically why it is taking so long, it was only a matter of time before any German involvement in gold manipulation escalated to the very top.

Reuters has more:

> *"Deutsche Bank is withdrawing its participation in the gold and silver benchmark setting process following the significant scaling back of our commodities business. We remain fully committed to our precious metals business," it said in a statement.*
>
> *In mid-December, German banking regulator Bafin demanded documents from Deutsche Bank under an inquiry into suspected*

manipulation of benchmark gold and silver prices by banks, the Financial Times reported, citing sources.

Bafin declined to comment on Friday, but its President Elke Koenig said the previous day that it was understandable that the topic was attracting widespread concern.

“These allegations (about currencies and precious metals) are particularly serious, because such reference values are based – unlike LIBOR and Euribor – typically on real transactions in liquid markets and not on estimates of the banks,” she said in a speech

Needless to say, manipulation of the gold market would not be exactly novel to a bank which has also been named in cases related to the sub-prime crisis, credit default swaps, mortgages, tax evasion and a decade-old lawsuit suit brought by the heirs of late media mogul Leo Kirch, who accuse the bank of undermining the business.

Reuters also reports that Deutsche is now actively marketing its gold and silver fixing seats to another LBMA member, however now that the cat is out of the bag on the gold fixing manipulation scheme (the first of many), it is likely that others will seek to follow in Deutsche’s footsteps and seek to put as much distance between themselves and the wood-paneled room once located in the Rothschild office on St. Swithin’s Lane in London.

We wonder which of these five gentlemen is from Deutsche?

So if everyone exits the London fixing market, what happens then?

> *"It wouldn't surprise me if the other banks were looking at pulling out as well. Why would they want the aggravation?" said the source, who declined to be named.*
> ***"The more worrying point is that, if you don't have the fixing, what do you have? There's a lot of contractual business done on the gold fix, and if you've got no basis for where the price is, someone is going to lose out."***

Well considering that the fixing process over the years was manipulation pure and simple, those who will lose out are the… manipulators? it would seem rather logical. And speaking of manipulation, if indeed Germany is so keen on breaking the manipulators' back, perhaps it can demand that the pace of its gold returns from the NY Fed and Paris accelerates. It may be surprised at what it finds.

http://www.zerohedge.com/news/2014-01-17/german-gold-manipulation-blowback-escalates-deutsche-bank-exits-gold-price-fixing