



Beneficiary of Plummeted Gold Price

By CK Wong 2006.06.13

<http://www.ck-wong.ca/Money%20Matters/beneficiary%20of%20plummeted%20gold%20price%2020060613.pdf>

Introduction

Gold price has been plummeted from the high of U\$730 to the low of U\$560 today. What would be the conspiracy and who benefited from the action and what would be unexpected outcome?

Hands of the U.S. Fed

The U.S. Treasury has Paulson appointed as the next Secretary replacing John Snow. Paulson is Goldman Sach's CEO who knows the commodity market very well. The U.S. Fed faces two major polarized scenarios that cannot kill both birds with the same stone: housing bubble and falling dollar. The housing bubble is at the blink of burst because of the higher interest rate which is used to levitate the falling dollar. Eric Sprott and Sasha Solunac have been beautifully presented this scenario in their 'Pick Your Poison, Ben'. Ben, of course, is Ben Bemanke, chairman of U.S. Federal Reserve Board. As soon as Ben released the interest hike message, the result does not only push down the yellow metal but the base metal and oil.

John Budden has been theorized that this is the action U.S. Fed to suppress the inflation of asset due to the losing value of the US\$. This theory has been generally accepted by the analysts especially those in the bond market. The creditors of American have been buying the Treasury to finance the current account deficit. The value of these Treasury is almost a free fall. Investor in America has been trying to hide their wealth in the stock market. China tried to buy the asset to preserve the Treasury's value by failed. Japanese, American's biggest creditor, has been exchanging the Treasury with the American companies.

There are many analysts believe the only solution to make these American creditor to hold on some asset by exchanging the Treasury to gold.

Fed never likes high gold price because it reflects inflation. If Fed brings down the gold price to hide the inflation, someone is laughing.

Resources

[1] *Pick Your Poison, Ben* by Eric Sprott and Sasha Solunac of Sprott Asset Management, <http://sprott.com/pdf/marketsataglance/05-2006.pdf>.