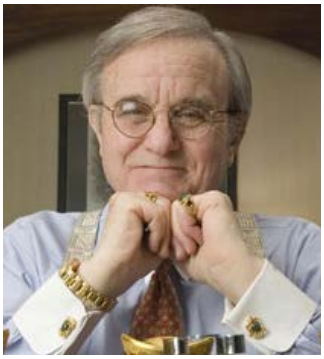
BULLIONBUZZ

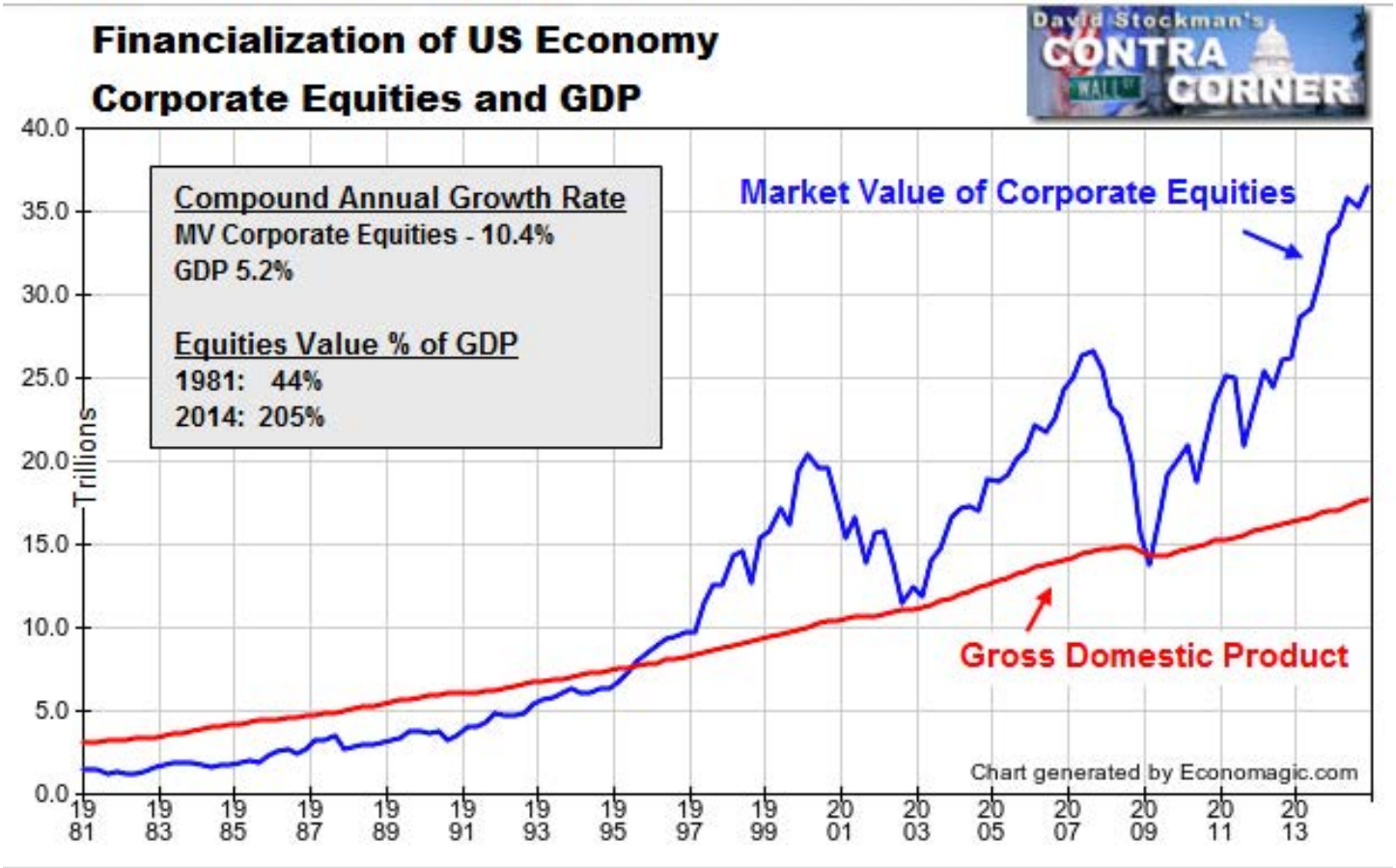
May 27, 2015



"I expect the price of gold of $3,000 -$3,500 before 2016 when I see the first attempts for the Big Reset with bail-ins. By 2020 the great reset will be in place. Physical gold markets will be disconnected from paper gold markets and the gold price might even rise to $50,000 per ounce."

~ Jim Sinclair

Chart of the Week



Source

Video of the Week

The Big Reset Full Interview Willem Middlekoop

GOLD

Jim Sinclair's $50,000 Gold Call – Let's Hope it Doesn't Happen

by Lawrence Williams

Jim Sinclair believes that gold could hit a massive $50,000 an ounce, perhaps by 2020, but the circumstances under which this might happen are not what anyone should wish for.

His shorter term predictions are that gold will hit $1,650 this year, rise to $2,400, fall back and then move up to between $3,200 and $3,500 by the end of 2016.

Jim sees the unprecedented manipulation of precious metals prices coming to an end, and suspects that Western governments will follow the Cyprus solution to bailing out the banking system – confiscating savers' cash held by banks. Holding gold would be a wise more towards protecting wealth under that scenario.

As for $50,000 gold, Sinclair sees a 'great reset' towards the end of the decade as physical gold

becomes decouples from paper gold. This will be exacerbated by the recent flight of gold from West to East, leaving Western inventories of physical metal depleted, while Eastern demand soaks up all new supply.

Most of all, he foresees a collapse in value of currencies with debt continuing to soar—hyperinflation. Precious metals would be the only stable wealth protector.

This would devastate the US economy in particular, although many other economies would certainly suffer, and with gold priced in dollars the yellow metal's value would soar in dollar terms.

While tapering may be implemented, it doesn't necessarily mean the end of QE, just a reduction in the monthly bond purchasing. It will have a cooling effect on the US stock market as the investment sector anticipates the end of easy money ahead. While gold may suffer initially, it will likely recover quickly and go on to higher things.

Perhaps $50,000 gold is too much to contemplate within Sinclair's timeframe. If it happens, it implies that the US economy and currency, and perhaps that of much of the Western world, will have collapsed at a catastrophic pace which will be devastating for much of the population.

Perhaps one should hope that this time Jim Sinclair is wrong, but don't bank on it.

Source

Gold Going to $7,000 in Currency Reset Says Author Jim Rickards

By Arabian Money

Gold will surpass $7,000 an ounce in an inevitable global currency reset according to Jim Rickards, author of Currency Wars: The Making of the Next Global Crisis, at the Agora Financial Investment Symposium in Vancouver.

Rickards recalled how the global currency system was reset in 1914, 1939 and 1971. He noted that the dollar standard reigned from 1982, under Paul Volcker's Fed, to 2010.

'Now we are all at sea. Nobody knows which currency to follow,' he said. 'Some economists argue that we should have multiple reserve currencies but that is just too unstable.'

His forecast is that the IMF will issue a new reserve currency, known as a Special Depository Receipt, which it has previously done in crisis situations (1972, 1983 and 2009).

'The US dollar could collapse much faster than you might think. A complete collapse of confidence in the

dollar is much closer than ever. But nobody knows exactly what the crucial threshold will be.'

In order to reset the monetary system this time, Rickards argues that the gold reserves of the global central banks will be absolutely essential, with 20-40 percent gold backing sufficient.

That means revaluing bullion to around $7,000 an ounce, or there won't be enough of it to do the job. Central banks will be in a position where they have to do this rather than constantly suppress the gold price to create an illusion of low inflation, he contends.

The unknown factor is the timeline: Does this happen this year? Or in five years? At what point do holders of US Treasuries decide that they want out? That's the point when $70 trillion in derivatives will crush the banking system, and the whole financial system will have to be reset.

Source

China Sets up Gold Fund for Central Banks

By Koos Jansen

The Shanghai Gold Exchange (SGE) chairman Xu Luode recently proposed integrating gold market development into the strategic development plan of the Silk Road. In early May it was announced that Russia's gold mining company Polyus would cooperate with China's largest mining company in resource exploration, technical exchanges and materials supply. The first gold business activity along the new Silk Road was reality.

Today we got a glimpse of what could be a global game changer. According to Chinese news outlet Xinhua, China plans to launch a 100-billion yuan fund led by the SGE, which will in turn facilitate gold purchase for the central banks of member states to increase their gold holdings. Xinhua published an article in late 2013 in which it said that it might be time for a befuddled world to consider building a de-Americanized world.

It's no secret that it has been beneficial for the US to remove gold from the international monetary system in order to leverage its paper money power. Gold still is the dollar hegemony's Achilles heel. Is China now attacking the US by strengthening ties with Asian and European countries through the Asian Infrastructure Investment Bank (AIIB), developing the new Silk Road, and implementing gold as a financial centerpiece in these projects? China has been buying a lot of gold recently, has set up an international gold exchange to trade gold in renminbi, and is likely setting up a new monetary system that includes gold.

Interesting times. This could very well be related to the "gold bank guided under the PBOC and led by the China Gold Association (CGA)" that Song Xin, President of the CGA, was writing about in 2014.

Source

CURRENCY

Spelling Out the Big Reset

By LK

As economies age, debt builds up. Advanced economies—those with the highest borrowing ratings by the reputable agencies they developed—have it clogging up their arteries. The Big Reset will finally become inevitable, as has been acknowledged by IMF head Christine Lagarde, who mentioned the year 2020. But what must an Armageddon debt reset necessarily involve?

LK discusses money creation mechanics and unwrapping the meaning of 'reserves'; the sure-fire way to reset (gold); the half-measure reset (SDRs); and what China wants.

SDRs are likely the preferred method of resetting for the 'men in suits,' because they allow more flexibility than a gold-fixed, gold-backed currency regime. Also, SDRs are nothing more than a basket of fiat currencies, with the same shortcomings.

If SDRs are chosen as the reset mechanism, the basket may require a fraction of physical gold content. This might give the appearance of a gold-backed currency to most people. The gold content requirement will indeed limit the reserve and currency creation, and bestow confidence. But with mutual agreement, the gold proportion can be quietly relaxed, slowly and subtly diluting the SDR. Or, if China wants the currency aggregate to expand, it can go ahead and post some of its gold. Its acquisition cost is cheap, and China has been allowed by the international community to accumulate gold at the average pace of some 40 tonnes a week, every week, and for years on end.

Wiping out creditors by inflation is the easy part. Re-establishing a currency to restart the world economy is the harder part.

Source

Book Review: The Big Reset by Willem Middelkoop

By Ben Kramer-Miller

In The Big Reset, Willem Middelkoop provides readers with a broad history of banking and money, before discussing the unsustainability of the current dollar-based global financial system.

He argues that we are close to a tipping point where actions by politicians and central bankers cannot prevent this debt-laden system from a game-changing restructuring: a big reset.

He proposes numerous scenarios, all of which mean the end of the dollar's reserve currency status. While he doesn't provide investment advice, Middlekoop is clearly bearish on bonds and fiat currencies, and bullish on hard assets.

Middelkoop essentially does four things in this book. First, he gives a history of money, banking, debt and the dollar. Second, he argues that the current monetary system is unsustainable given the amount of debt that has accumulated relative to the size of the global economy. Third, he shows what central bankers and politicians have done in order to miraculously maintain the dollar's reserve status despite the fact that we have been off the gold standard for 43 years. Fourth, he concludes by saying that a new financial system is inevitable, and proposes some scenarios that our political and financial leaders might implement.

The Big Reset contains a lot of ideas that people don't want to hear, but need to hear. People are far too invested in the current financial and political paradigms, leaving them with no perspective of the broader picture. Once you take a step back and realize how seriously flawed the current system is, then your existing investment and political paradigms (stocks vs. bonds, liberals vs. conservatives) will be shattered. Middelkoop is a good writer with a wealth of information, and every intelligent English-speaking individual should read his book.

Source

INVESTMENT

Wall Street R.I.P – The Bubble is Dying at the Zero Bound

By David Stockman

Stock market valuations are in line with historic multiples, we are told, and besides, the Fed will keep interest rates low for a long time.

That kind of assurance is at once silly and reckless. With the earliest possible rate hike now moved to September, money market interest rates will have been zero-bound for 81 months. This cannot continue for much longer without signaling the Fed's complete capitulation to the robo-traders.

In addition, the market is saturated with trillions of carry-trades that will begin to unwind once interest rate normalization commences.

Speculators have never retreated in an orderly manner, and why would the current financial bubble deflate any less violently than the dotcom bubble of 2000, or the housing/Wall Street bubble of 2008.

After years of buying with borrowed money, repo or options, Wall Street gamblers will soon be forced to sell in order to liquidate positions that will become increasingly unprofitable as interest rates rise.

And why would any rational investor roll the dice until the very last minute when valuations are already sky high, and therefore extremely vulnerable to a drastic downward re-rating? According to the Wall Street Journal's latest calculations, the LTM reported earnings of the S&P 500 companies were $99/share.

That's notable because: It is down 6% from the LTM peak of $106 reported in the September 2014 quarter; unlike the 'ex-items' nonsense, it's an honest measure of earnings because the GAAP accounting is certified to the SEC by corporate executives on penalty of jail; it means that PE multiple on recent closing prices is about 21.5X, thereby occupying the nosebleed section of recorded history.

Just as you can drown in a river with an average depth of two feet, average PE multiples can obscure the deep eddy currents hidden in the popular stock indices.

Source

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