

China Enters the Gold Market

By [The Mogambo Guru](#)

08/10/10 Tampa, Florida – There was an editorial power struggle at Mogambo News Service over whether it was Big, Big News (BBN) or if it was Big Freaking News (BFN), or even if it was The Biggest Freaking News Of Your Life (TBFNOYL) that China has, officially through the People’s Bank of China, said that they have “seen the light” as concerns gold, and they see how gold is the only true money, and how worthless paper monies and computer blip monies are the Wrong Way To Go (WWTO), as evidenced by the Chinese merely looking at us Americans and what happened! Hahaha!

The Chinese decision to acquire gold and gold mines, and establish a large, multi-tier market for gold, may have been influenced by many things, including, for example, the stinging criticism of the Fabulous Mogambo Guru (FMG), who said many, many times that if the Chinese did not buy up the world’s gold and establish a gold-standard yuan with at least some of that trillion dollars in foreign reserves that they are sitting upon, then they were indeed idiots, and thus we Americans had nothing to fear from a bunch of dumb clucks like that.

So, now, it looks like the Chinese were not as dumb as everybody thought, and they are following the advice of The Wonderful And Wise Mogambo (TWAWM) to buy up gold with at least some of their trillion trade-surplus dollars, although they are not paying me anything for my terrific advice to do so, the cheap bastards.

And now that they have decided to buy gold, this will doubtlessly rank in history as an inflection point in the dollar-price of gold, and I want to go officially on record as saying so, with the express purpose being able to say, “I told you so, you stupid little moron, which proves you are a moron and that I am not, hahaha!”

Anyway, I am so excited that I don’t even want to take the time to tell you about it, and instead prefer to be left alone with my calculator, giggling and greedy, Scrooge-like, endlessly multiplying the number of ounces of gold in my pathetic stash times prices so high that they seem preposterous, but which, thanks to a bankrupt-yet-spendthrift Congress willing to deficit-spend money without end and a compliant Federal Reserve willing to create money without end, any price I can think of will come true! Hahaha! I love this stuff!

For those of you who quickly tire of watching me using a calculator and periodically gloating, “Ooh! Ooh! I’m rich!” let me present Tyler Durden, writing at Zerohedge.com, who sums it up neatly as, “The PBoC has asked the Shanghai Gold Exchange, Shanghai Futures Exchange and commercial banks to become actively engaged in developing a national gold market.”

An interesting statistic is that China owns “a mere 1,064 tonnes of gold (sixth in the world and well behind both France and the GLD ETF in terms of holdings)” and which represents a mere “1.6% of its reserve holdings.”

The importance is that, as Mr. Durden says, “there is only one way to interpret this borderline revolutionary press release. China has now officially entered the gold market.”

It gets even better than that at Bloomberg.com, which had the headline “China Plans to Help Bullion Producers Expand Overseas, Central Bank Says”! Wow!

Literally, China is going to provide the financing of expansions of gold, as, “China, the world’s largest gold producer, will support overseas investment plans by ‘large- scale’ bullion companies by backing them financially.” Wow! The Chinese are going to buy up the gold mines, too!

I know you, clever Junior Mogambo Ranger (JMR) that you are, have made special note of ending that last sentence using the word “too,” which implies that an unnamed something else, perhaps some mysterious “something else,” was also bought.

And it was! And rather than suffer the barrage of your questions about it, *Bloomberg* quickly continues that “Chinese companies spent more than \$30 billion last year buying mining assets and oil deposits to help secure raw material supplies to feed the nation’s growing economy.”

Well, I gotta admit that \$30 billion seems like chump change to a country that had a trade surplus of over \$100 billion last year, which is not to mention the \$1 trillion in foreign reserves that the Chinese got after years and years of growing trade surpluses versus America’s \$700 billion trade deficits. So, wow! Talk about “room to the upside”!

Ed Steer’s *Gold & Silver Daily* looks at this news and says, “Well, it appears that China has publicly come out of the closet regarding its gold market,” which I thought was some kind of coded message that I should come out of some kind of closet about something, probably about the shameful way that I cannot stop eating cookies until I have, one by one over a surprisingly short time, consumed the whole bag, no matter how crappy the cookie.

In my own defense, you know how I am, so if you left some stupid bag of cookies locked in your stupid desk and then carelessly left it unattended, you have nobody to blame but yourself.

However, it was, thankfully, not a call for me to confess to something, so disregard anything I said about any cookies, about which I deny everything.

Instead, Mr. Steer went on that the Chinese making a public announcement of financing the buying of gold mines and establishing a distributed market for gold through the banks, as astonishing as it is, may be just the tip of the iceberg of China “coming out of the closet,” about gold, with the caveat that that we know “at least the part of it that they want us to know about.”

[Rocky Vega](#) here at *The Daily Reckoning* adds, “...if China were to suddenly announce a huge increase in its gold reserves it wouldn’t be the first nation to do so. Saudi Arabia already set the precedent in late June when it restated gold reserves and revealed it holds about twice as much gold as previously thought.”

Not coincidentally, perhaps, the winner of this week's Mogambo Award For Sheer Understatement (MAFSU) goes to Mr. Steer, whose winning entry was, "I expect that all this news will be gold positive going forward!" Hahaha! Perfect, and delivered with perfect timing, too! Congratulations, Mr. Steer!

I twist Mr. Vega's words to make it look like he proposes a conspiracy as, according to Mineweb, the World Gold Council had earlier this year "entered an agreement with China's, and the world's, largest bank the Industrial & Commercial Bank of China (ICBC) (state-owned of course) to co-operate to promote gold investments in China. Yesterday we learnt that China is further loosening its controls on the import and export of gold on the one hand, and on the other that it is also going to support Chinese company investment in overseas gold mining projects."

He asks, perhaps conspiratorially, "Does anyone notice a pattern emerging here?"

Well, I sure do! And because of that, I can barely conceal my glee at the prospect of buying gold, too, which, because such a profound, dramatic increase in demand for gold versus a relatively static supply of world gold makes it all so childishly simple that I shout in glee, "Whee! This investing stuff is easy!"