

# Paper-Gold Investment Portfolio

By [The Mogambo Guru](#)

08/09/10 Tampa, Florida – I was looking at July’s slide in the price of gold and silver versus the rise in the prices of equities through, in a surprising literary turn of phrase, the prism of insane fiscal and monetary policies, and wondering to myself “What is that supposed to mean, prism? And does it mean that the doctor still doesn’t have my medications adjusted correctly, and soon I will again be hearing voices in my head saying, ‘Burn! Burn everything!’?”

Since I had nothing but suspicions concerning this “medical conspiracy,” I soon gravitated back towards “insider conspiracy” to come up with something to explain why gold is down but common equities are up.

I admit that I am more comfortable with suspecting foul play from insiders, regulators, bullion banks, commercial banks, Federal Reserve, the International Monetary Fund, foreign central banks and Congress, all colluding to Screw Me Over Big Time (SMOBT).

Since I seem to have so much proof, it explains why I am so bold and brash in my hasty and rash denunciation and condemnation of them all – verily, a pox upon all their houses! – and I am further encouraged that “bold and brash in my hasty and rash” rhymes, too, proving that it can be made into a hit song, whereupon it would become, literally, true.

Realizing that this is not the place to discuss psychological phenomena, particularly the type I call The All You Need Is Love Crapola (TAYNILC), I unexpectedly swerve back to the topic, which was that I am sure that there is a huge conspiracy to keep the price of gold artificially down because So Much Money (SMM) can be made by merely “leasing” gold for 1% interest from the Federal Reserve, getting, in return, not gold, but paper-gold, which is a paper receipt for the gold, which was then sold into a marketplace already glutted with paper-gold, keeping prices down, and then investing the proceeds in something that paid more than 1%! It’s like a license to print money!

And then, in a real naked-short, you just scribbled “gold” on a piece of paper and sold that! Hahaha! What a racket!

Unfortunately, what we now have is a gigantic glob of accumulated naked-short positions, which means that, in the best case, the gold was sold by the guy who was only leasing it

So, being short gold when you own gold (to, for example, take advantage of a short down-leg in prices that you see coming) in a rising market for gold is bad enough, as your long-gold went up but your short-gold went down.

But being naked-short is bankruptcy and probable legal actions, and which also exposes the slimy manipulations of the Federal Reserve, all the central banks, and the International Monetary Fund when they lease out their gold, but still count the gold as “owned”! Strange, but true!

And I suspect, as perhaps another whole conspiracy, that the Chinese realize that a gold standard is their only hope of controlling inflation, and so they are telling the Federal Reserve to get these market insiders to hold the price of gold down while the Chinese central bank is accumulating it with their trillion dollars in foreign reserves, or (pause) else.

So there are many, many players in the game, and many motivations, plus the ones I don't even suspect yet, like radioactive mole-people who live underground and aliens from outer space bombarding Earth with a ray gun that shoots Stupid Rays.

Jim Sinclair at [jsmineset.com](http://jsmineset.com) was commenting about the sudden downdraft in the price of gold in the last month or so, and surprisingly agrees with me about gold, although apparently not with the mole-people or space aliens part, but with the theory that "The gold banks are engineering their short cover and will shift to the long side of gold," and then capitalize on gold when the price goes up! What a racket, huh?

To paraphrase the leather-clad Gestapo goon in the movie *Raiders of the Lost Ark*, "Dr. Jones did not tell you that there would be other parties interested in gold? No? Dr. Jones is – heh heh! – nefarious!"

Indeed! Ed Steer, in his *Gold & Silver Daily*, referring to the \$21 dollar drop in the price of gold a day earlier, seems to imply that there are a lot of nefarious goings-on, and asks, "So what are the odds that yesterday's take-down was engineered for the benefit of the bullion banks so that another big whack of call options would expire out-of-the-money?"

Dominic Frisby, in the *Money Morning* newsletter from MoneyWeek.com, probably hearing us talk about gold and insider scumbags, writes, "I have long argued that gold is not so much a hedge against inflation or deflation, but a hedge against governments."

I happily laugh because I assume that this was a joke, because not only is it true, but it also reminds me of saying, "I wear this football helmet not because when I go staggering home late after a night of hanging out with my hoodlum friends, after celebrating that I bought some more gold, that I am too wasted to effectively use my arms to deflect any punches my wife throws at me, (which are, parenthetically, more devastating than you would think because she is always cold sober, in much better physical condition, absolutely pumped with adrenaline, and usually angry as all hell), but I wear the helmet because I am afraid of my wife in general!" Hahaha!

This is funny, see, because no drunken man with a concealed weapon is actually afraid of an unarmed wife or anybody else who is unarmed, which is the whole point of the thing! Hahaha!

I abruptly stop laughing when I see that I am the only one who "gets" my joke, and even Ed Steer, of the *Gold & Silver Daily* newsletter, doesn't even crack a smile, and instead says that the plan is "now obvious that the bullion banks are going to complete the job they started and take out gold's 200-day moving average...and in the process, flush out as many tech fund longs as they can...and hopefully force them to go short, which they did in great numbers in the last Commitment of Traders report."

And these are just a few more, as if you needed any more, reasons to buy gold with a frenzy born of panic, and if you are not buying it, then I figure that there is something very, very wrong with you because in all the other thousands and thousands of times in history that a government spent huge amounts of borrowed money, especially when allowed to create the money to spend, gold always went ballistic in price as the buying power of the currency went down, which is such a seeming sure thing that it makes you giddy with delight, as in, “Whee! This investing stuff is easy!”