

The MILES FRANKLIN Report

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Written by David Schectman

Number 3



The Bull Market in Gold and Silver Is Alive and Well

I just finished checking prices at 8:30 a.m. It is September 15th and all of the metals are down. It has been that way for a few days and the “bull market is over” crowd is out in full force.

I have set up my home office in our new condo in Aventura, Florida. My iMac’s last data had been imported on July 16th. When I turned on the iMac, up popped the market close from July 16th. That gave me “perspective” — two months’ worth of perspective — and suddenly, the precious metals market looks pretty good to me.



David Schectman

Here are the prices from 7/16 and 9/15

Gold:	\$ 1601.90	\$ 1791.70
Silver:	\$ 40.11	\$ 40.21
Platinum:	\$ 1773.00	\$ 1797.00
Palladium:	\$ 793.00	\$ 716.00

Considering that the summer is the slowest time of the year and the metals usually don’t start to make their annual rise in price until September, the markets look surprisingly strong to me.

Gold is up \$523.90 (41.31%) in the last 12 months. Silver is up an even more impressive \$19.51 (95%) in the same time frame. Where else could you have realized these gains?

The best way to look at the gold and silver markets is to ask yourself what caused the decade-long bull market and has anything changed that could derail the bull market?

In the early stages of the bull market, it was all about the dollar. Since gold (and silver) is denominated in dollars, when the dollar fell, gold rose. Gold was not in a bull market in any major currency other than the US dollar. For the past several years, gold (and silver) has been rising in all of the fiat currencies, even the vaunted Swiss franc. What does that signify? It is a strong statement by the market that gold has become the world’s premiere “currency.” The central banks are losing the information war that is geared to keep investors in paper, not precious metals. Big money from China, India, Russia and the Middle East is pouring into PHYSICAL gold (and silver) in record amounts. Wealthy investors, and even several central banks, are unloading paper currency (mostly dollars) for real wealth — gold and silver.

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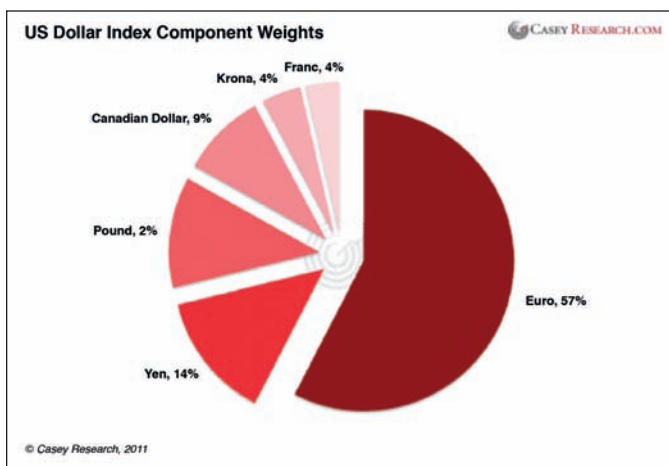
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Gold Nuggets

“The high price of gold will be accompanied by a dramatic fall in the US dollar. [Jim] Sinclair predicts the dollar will drop into the 40s in the USD_X (currently at 76.62) and anyone on a “fixed” income will see their standard of living dramatically reduced. People who invest in dollar-based assets such as bonds, CDs and stocks will not fare well.”

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With the current bank problems and sovereign government debt problems in Greece, Italy, Portugal and Ireland, the euro is losing its luster as a “stable store of value currency.” This will not end well for the EU or the euro. As a result of the recent fall of the euro, the dollar has moved up in the USD_X. The euro is 57.6% of the USD_X weighting, so when the euro falls, the dollar rises.



What is happening now is not a result of a strong dollar; it is the result of a weak and tanking euro. So we now have two opposing forces pulling on gold — the “rising” dollar is negative for gold and the falling euro is directing wealthy investors in Europe out of the euro and into gold and silver. The markets are very schizophrenic now.

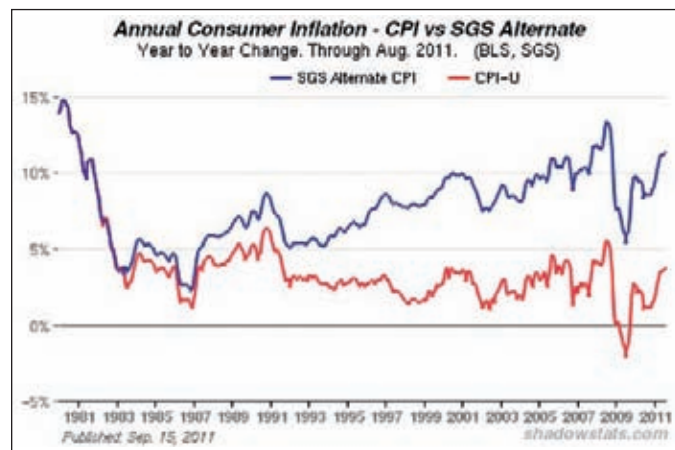
All of the recent volatility can scare investors out of the market if they do not understand the big picture. I would suggest they pay no heed to the major trend and buckle up and ignore the volatility. Actually, takedowns like the one we are currently caught up in present the savvy investor with great opportunities to add to their positions at very attractive prices. As long as you pay cash for your gold (and silver) and are not margined, the up and down moves don't matter. Look ahead to the end of the year and be ready for \$2,000+ gold and \$50+ silver.

Is gold overvalued?

Is the 11-year bull market nearing an end?

Gold peaked in January, 1980 at \$850 an ounce. Gold is currently selling for around \$1,800 so the commonly accepted view is that gold is way overpriced. But is it? Leveling the playing field, if we factor in the last 31 years worth of inflation, gold has to reach \$2,282 in CPI inflation-adjusted dollars to match the previous bull market top of \$850. But we all know that the CPI is an inaccurate gauge, biased to the low side.

John Williams publishes an indispensable website called Shadowstats. Here is a more accurate view of inflation, since 1980.



Inflation is actually running around 12%, not 3.5% as stated by the BLS. You can build a strong case that the \$2,282 gold target is way too low, maybe even by a factor of four!

In 2004, with gold selling for \$400 an ounce, “Mr. Gold,” Jim Sinclair, calmly stated that gold would hit \$1,650 in 2011. Now that was a bold prediction and most people rolled their eyes when we mentioned \$1,650 as a target. It was more than four times the then current price and twice the 1980 all-time high. Fast forward to 2011 — gold topped \$1,650 by July and has been rising ever since. I call that one of the great “calls” of all-time. Sinclair should have your attention and he certainly has established a high degree of credibility. Looking forward, Sinclair again calmly states that gold could top \$12,000 in the next four to five years! I can see some of you “rolling your eyes” in disbelief. Just like the people who rolled their eyes in 2004 when he predicted gold would hit \$1,650.

The high price of gold will be accompanied by a dramatic fall in the US dollar. Sinclair predicts the dollar will drop into the 40s in the USD_X (currently at 76.62) and anyone on a “fixed” income will see their standard of living dramatically reduced. People who invest in dollar-based assets such as bonds, CDs and stocks will not fare well. Under this scenario a Mercedes or Porsche will cost over \$200,000 and a gallon of gas will cost \$6 or \$7 a gallon. Is this hard to believe? Not for me. I remember paying \$0.25 a gallon for gas and I bought my first Mercedes, a 250SL roadster in 1972 for around \$10,000. Today the Mercedes roadster costs well over \$100,000. In 1973 I purchased a new yellow Corvette convertible for \$4,500. It costs over \$70,000 now.

We have all lived with inflation and have become indifferent to its pressure. I was very well to do in 1971 with an income of \$30,000. I got along O.K. in 1984 with earnings of \$75,000 (and my wife was earning \$25,000 too). To maintain the standard of living I enjoyed in those days, I need to earn at least \$300,000 but even that is not enough since taxes now take a much bigger bite out of the amount I get to keep.

The point of all of this is to get you to acknowledge that we have been living with inflation for decades, and accept that fact. And we will continue to live with inflation in the future but it will be more severe. Viewed from this perspective, gold at \$3,000 or \$6,000 or even \$12,000 is not out of line.

My view is a simple one. Either you preserve your wealth in precious metals or you don't.

It is a simple choice but one with enormous consequences if you make the wrong choice. You see, gold is NOT an investment. Gold is MONEY. We live day-to-day with dollars. We pay our rent, we buy food, clothing and cars with dollars, but it is impossible to SAVE in dollars without losing buying power over time. Using John William's 12% inflation number, if you are not making at least 12% more per year AFTER TAXES you are losing buying power. You can't hit that number with bonds, or even with a conservative stock portfolio. How can you safely earn 12% or more per year? Well, gold has averaged 18% for the past 11 years. Silver has done much better.

The Dow has returned nothing since 2001. That is when the bull market in gold and silver commenced. Gold was \$252 and silver was \$4.00. Here is the decade-long scorecard: Gold from \$252 to \$1,900 and silver from \$4.00 to \$50.00 (the recent highs in gold and silver will be left in the dust before the year is over).

Why should gold or silver cost more today than they did in 2001? An ounce of gold or silver is exactly the same today as it was ten years ago, so really what has happened is that it takes MORE dollars to buy the same thing. The dollar is losing value at a very rapid pace. That is what gold and silver prices are telling you. But are you listening? How many of you have 25% of your net worth in precious metals? How about 50%? How about 75% or more? Are you content to have most of your wealth denominated in dollars? You should think about this very carefully. You still have time to trade in rapidly depreciating dollars for relatively cheap gold and silver.

I measure my wealth in OUNCES, not in dollars. The name of the game is to acquire as many ounces as you

can and hold as few dollars as possible. This philosophy has served me very well for a decade. My net worth has increased many-fold.

But the question remains: "What if I am wrong?"

I do hear that all of the time. People want me to guarantee them that gold will go up. Funny, but they never ask for a guarantee that the dollar will hold its value, but they want a guarantee that gold will go up. Nothing in life is certain (except death and taxes) but we have to make educated choices and I am as certain as I can possibly be that gold and silver have a long way to go in this bull market and the dollar's days as the world's reserve currency are numbered. One way or another, we have to make a choice. Either we choose to stay in dollars or we choose to move wealth out of dollars into tangible assets like gold and silver. There are no "guarantees" either way but after looking carefully at the facts for the last 28 years, I am as certain as I can be that my approach is the right one. I invest accordingly.

Why am I so certain that gold hasn't peaked and that it won't come tumbling back down, as it did in \$1980?

Ask yourself why gold peaked in 1980 and then retreated, ending the bull market of the 1970s. The reason was Paul Volcker. Paul Volcker, a Democrat, was appointed Chairman of the Federal Reserve in August 1979 by President Jimmy Carter and reappointed in 1983 by President Ronald Reagan.

Volcker's Fed is widely credited with ending the United States' stagflation crisis of the 1970s. Inflation, which peaked at 13.5% in 1981, was successfully lowered to 3.2% by 1983.

Volcker raised the federal funds rate, which had averaged 11.2% in 1979, to a peak of 20% in June 1981. The prime rate rose to 21.5% in 1981 as well. When interest rates are higher than the rate of inflation, gold loses its luster as a store of value. It took 20% interest rates to stop the bull market in gold. Is that possible today? The Fed's stated policy is to hold interest rates close to zero which is exactly the opposite of the policy needed to stem the rise in gold.

Why can't the Fed allow interest rates to rise, say to 10%? The National Debt is approaching \$14.8 trillion and a balanced budget amendment has no chance of passing Congress. Every 1% rise in interest rates will cost the Treasury \$148,000,000,000 in extra interest per year. A 10% rise will add an additional \$1.48 trillion in interest to the deficit, apart from all other

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spending. In other words, the Fed must contain interest rates which means that cannot contain the rise in gold and silver. If they change policy, or lose control of interest rates, then the Treasury will have to MONETIZE much of the out-of-control debt by selling its bonds to the Fed, which will create the money to make the purchases out of thin air. That is what is commonly referred to as hyperinflation. We are already early into that process. In the last year the Fed has purchased nearly 80% of the Treasury bonds! Do you still wonder why gold is rising? Do you really think that there is a way to halt the rise in gold, or the fall in the dollar?

The dollar's weakness is masked by an even weaker euro. The weaker the euro, the stronger the dollar appears in the USDX. But gold is RISING in all currencies, not just the dollar. Gold has emerged as the world's preferred currency.

Who is holding down the price of gold and silver?

You need look no further than JPMorgan. They are short over 17 million ounces of gold and over 210 million ounces of silver (on the Comex). Let's put that number into dollars — JPMorgan is on the hook for \$30.855 billion in gold and for \$8.610 billion in silver. They are fighting tooth and nail to hold down the prices but are continually shorting the metals. There is no way out for them. There are no buyers for the contracts that they hold. When they finally decide to close out their positions, the price of gold and silver will explode!

Ted Butler wrote the following about the highly manipulated silver market.

“Don't look for, or expect, legitimate supply/demand explanations for any silver sell-off. I can't say that there will never be a legitimate supply/demand explanation in the future, but I can tell you I have never found one yet in 30 years of close observation. The price has gone up in the broad sweep because of the force of supply and demand, but has only declined on crooked games in the paper markets. I realize that's an extreme view, but it is one on which I am convinced to my core. I further believe that if you come to accept this as a core belief as well, you will be doing yourself a favor. What it means is that you should come to expect, simultaneously, that silver has done and will do as well as it has in the past because of the real fundamentals, but that the crooks running the paper game will engineer sell-offs at will to shake (leveraged) paper silver holders out of their positions. If you think you can out smart them by short-term trading, you have my best wishes for success, but little in the way of my expectations. Faced with the real-

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ity of the opposing forces, my solution is holding on a fully paid for basis (with an occasional options fling). If anyone has a better approach, I'm all ears.

“The most salient feature to the silver paper trading mechanism is that the short side of the derivatives equation is extremely concentrated, while the long side exhibits very little indication of concentration. In other words, the silver longs are diverse and unrelated to one another. This is the hallmark of a free market.. The short position is dominated by large financial institutions, led by JPMorgan, that are few in number but hold very large positions; the very definition of concentration. This is as far from a free market as it gets. Further, the shorts appear to act collusively, generally buying and selling in unison. Even the exchange mechanism, run by the CME Group, is closely related in mutual interests to the large shorts who dominate. Criminal enterprise is a measured description of this arrangement.”

“I look at silver differently than gold. It will be volatile, but silver contains explosive upside potential that I don't presently see in gold (barring an outside development). The potential of a severe physical shortage in silver and not in gold is the main difference why I advocate a switch from gold to silver. The potential investment flow into silver versus gold is much more favorable than when I wrote about it back on March 30 (in the archives). As a result of the sharply higher price for gold since that date, the amount of money needed to sustain the gold price is much greater now, making it easier for silver to advance relative to gold. The silver COT structure is not wildly bullish, but it is much more bullish than it is bearish. Even though I study it with a microscope, there are more important potential influences at play in silver. Yes, if we sell-off, it will be because of crooked commercials games on the COMEX. I admit it would be better if I could pinpoint short term moves in advance, but I can't.

“In terms of explosive potential factors in silver, I'd like to discuss two new developments this week. First, there was the news of a revised civil lawsuit being filed against JPMorgan for manipulating the price of silver.

Although I am not directly involved in the suit, it closely follows the script I've written over the past few years. As such, you should know who I'm rooting for. There is no question in my mind as to which side should prevail, as I have been accusing JPMorgan of manipulating silver before anyone. In fact, I don't think there would even be a lawsuit if I hadn't first identified JPMorgan as the big concentrated short three years ago. But what I know to be true as an analyst is not the same as proving that in a court of law. That outcome is in the hands of the legal professionals on either side.

"Still, I consider the lawsuit to be important in many ways. As is my habit, I'd like to discuss the case in ways I haven't seen discussed to date. My first observation is in regards to media coverage. Just like occurred when the lawsuits were first filed last fall, I was struck by the lack of media coverage and the spin on the story where it was reported. Make no mistake, this is a significant story. Manipulation is the most serious market crime of all, more serious than insider trading or even rogue trading. Silver is not an obscure security, but a widely followed market. JPMorgan is a master of the universe, not some minor financial player. Therefore, news of a lawsuit alleging a long-term manipulation of a popular market by the likes of a JPMorgan should have the media in a reporting frenzy. Instead, the opposite occurred — there appeared to be a media embargo on the story. Why? Again, the most plausible explanation appears to me due to JPMorgan's financial relationship to the media.

"There is no doubt that JPMorgan provides substantial revenue flow, in the form of advertising, to newspapers and broadcasters. Widespread coverage of a lawsuit alleging such a serious market crime would not be in JPMorgan's interest. Nor would it be in newspapers' and broadcasters' interest to lose advertising revenue. There was some spotty coverage in the Financial Times (of London) and the Wall Street Journal, which ran an almost identical story (by different authors) that spun the story's importance as being HSBC's removal from the suit and not the significance of JPMorgan being named. It seems to me that JPMorgan has succeeded in burying the story, but the biggest shame rests on journalistic integrity. The story here is that there has been no legitimate story published.

"The most significant fact in all this is that this lawsuit had been filed at all. Remember, this is a civil lawsuit. Market manipulation is a criminal offense and the regulators' number one mission and responsibility. There has never been before, to my knowledge, any civil lawsuit filed in a case that involved the manipulation of an important commodity before the government first filed charges of its own, either civil and/or criminal. I haven't

seen anyone mention this. In other words, where the heck are the CFTC and/or the Justice Department? Has the state of regulation and criminal enforcement slumped so low that the private sector must intercede in the enforcement of the law? I am also struck with the silence from the CME Group. The civil lawsuit makes it quite clear that the alleged manipulation took place on the COMEX, which is owned by the CME. I have this crazy thought that the CME might be interested enough to comment on the most serious market charge possible. Crazier yet is the thought that they might investigate independently. Of course, that might interfere with their efforts to increase HFT capabilities.

"Let me be very clear here — JPMorgan (and the CME Group) have not been found guilty of manipulating the silver market. But there are open allegations that they have manipulated the price of silver by me and now there are private lawsuits alleging JPMorgan has as well. The real story here is that the regulators who should be deciding this are missing in action. Let's resolve this important issue. If there is no manipulation, let's reach that finding. If there is and has been a manipulation, let's determine that as well and fix it. This is too important a matter for the CFTC to see, hear or speak no evil. It is shameful for the Commission to remain, literally, so out of it, while the public is clamoring for justice and private lawyers are filling in for the CFTC's Enforcement Division.

"The other new development this week also concerns the CFTC. A scheduled public meeting for September 22 has been postponed to October 4. Presumably, this was the meeting at which the matter of position limits was to be decided. In addition, a disturbing story appeared that suggested great internal turmoil within the agency on this issue, replete with whistleblowers and the Inspector General.

http://m.yahoo.com/w/news_america/exclusive-cftc-insiders-blow-whistle-position-limit-rule-165706682.html?orig_host_hdr=news.yahoo.com&.intl=us&.lang=en-us

"I am not privy to what goes on within the Commission, but there is no question that the matter of position limits is a source of great contention. I have been petitioning the Commission and the exchange to adopt legitimate position limits in silver for 20 years, long before I started doing so on the Internet. That the issue of enacting position limits in the few commodities of finite supply that don't already have limits is so controversial is both surprising and not surprising to me.

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“I am surprised that it is so controversial because it is such a straight-forward matter and has been a matter of black letter commodity law since the 1930s.

Concentration is the root of all evil when it comes to manipulation, which is the regulators’ primary mission to prevent. The only possible way to prevent concentration, and therefore manipulation, is by having legitimate speculative position limits in place. This is so basic as to question the motive of anyone opposed to position limits. Besides, we already have position limits in place for many commodities of finite supply, such as the grains and I am unaware of any call to remove them. What’s the big deal about installing position limits in the energies and the metals? The proposed limits are so high as to only impact a handful of traders in every market. Yet position limits has turned into the most contentious matter of all. Why?

“I have to speculate a bit here and you are forewarned that what comes next is my speculation. But, as in keeping with the thrust of this report, I’m talking about what is the most plausible explanation possible. The opposition to position limits and the turmoil it has caused is a false flag operation in my opinion. On the merits alone, position limits are good for our markets and good for almost everyone. There are no legitimate grounds for opposition. Those opposed to position limits are not telling the truth. What they are really opposed to are legitimate position limits in one market only and that market is silver. Silver is the only market with a manipulative concentration, that legitimate position limits would undermine. But so extreme is the concentration on the short side of COMEX silver that specific and open debate on it is simply not possible. The only alternative for those opposed to ending the concentration in silver is to deal with it by not getting into a legitimate debate in the first place. Don’t allow a fair and open debate on the silver concentration and position limits by characterizing the issue as something else, namely, a debate on position limits in general.

“I think that is what’s behind all the turmoil at the Commission on position limits. It isn’t about position limits in general, it’s only about silver, but no one can admit to that as the key is to not discuss silver in the hopes it will go away or be postponed indefinitely. You know, this is a common theme in silver, this don’t dare utter that most vile of words. JPMorgan won’t discuss it, even after being repeatedly and publicly accused and now sued. The CME won’t discuss it, even though they are labeled a criminal enterprise. BlackRock won’t go there either. Certainly the CFTC is in the same camp of ignoble silence in the face of an obvious crime. That three years have passed on the latest investigation with no comment is deplorable.

The only possible way to prevent concentration, and therefore manipulation, is by having legitimate speculative position limits in place. This is so basic as to question the motive of anyone opposed to position limits. Besides, we already have position limits in place for many commodities of finite supply, such as the grains and I am unaware of any call to remove them. What’s the big deal about installing position limits in the energies and the metals?

“Only the public seems interested in discussing and resolving the matter. The good news is that, in the end, the public will prevail. We are at the point where a specific public debate on silver could happen shortly. Everyone but the public seems interested in keeping the matter of position limits and concentration in silver in the dark. But this is not an issue that is taboo. This is an issue that goes to the heart of the rule of law and what is fair. This is an issue that when openly discussed will result in substantially higher prices. We must continue to press for that fair and open debate.”

Gold and silver are in the VERY EARLY STAGES of a potentially MULTI-DECADE bull market.

Our friend Andy Hoffman writes with great passion and conviction. He understands that the gold and silver markets are manipulated. For that matter, so are interest rates and the stock market. As our friend Chris Powell says, “There are no free markets anymore, just manipulation.” Here are Andy’s latest “rants.” There is a lot of insight here, and he shows wisdom that belies his age.

Precious metals investors are licking their wounds from yesterday’s Cartel attack; just another day at the office as far as I’m concerned. Today, I wanted to help you understand the planning, execution, and most importantly, mindset of such attacks, as they pertain to the overall GOVERNMENT STRATEGY of keeping precious metals MOMENTUM to a minimum. And mind you, the key word is MOMENTUM, not suppression!

My decade of experience in this sector, which as you know incorporates an exhaustive level of research, tells me the MOST IMPORTANT FACTOR in gold and silver trading is MANIPULATION, hands down. PHYSICAL gold and silver demand has EXPLODED over the past 11 years, and thus it is IMPOSSIBLE to prevent prices from rising. However, by exponentially increasing

the PAPER supply of FAKE gold and silver (via creation of OTC derivatives and unbacked ETFs, plus naked shorting of ETFs and futures contracts), TPTB (The Powers That Be) have been able to not only slow gold and silver's ascent, but make trading in all related securities mind-numbingly volatile and enigmatic.

I have to laugh when I read so-called pundits conclude that "if they are really conspiring to keep prices down, how come they keep rising?" As well as, "how can they continue to be short if they are losing so much money?" These are two of the most asinine statements I have heard, made worse when coming from people who spend their time analyzing and often publicly commenting on the myriad other frauds and corruptive practices of the world's bankers and politicians.

To refute the first statement (per my above commentary), the goal of TPTB is NOT to keep gold and silver from actually rising, but to PREVENT THE PUBLIC FROM THINKING OF THEM AS SAFE HAVEN ASSETS! Not only are Precious Metals fundamentals stronger than at any time in recorded history (going out on a limb, but certainly arguable), but essentially EVERY COMMODITY has been in a strong uptrend for the past decade as well. So no, they can't stop it from RISING, just from rising TOO QUICKLY, and with AS LITTLE FANFARE as possible.

Remember, humanity has 6,000 years of history with Precious Metals, which not only meet the actual DEFINITIONS of wealth, fortune, and MONEY, but have also become synonymous with these concepts in the same generic fashion as the brand names Band-Aid or Q-Tip (i.e. "good as gold," "worth its weight in gold," "gold star," "gold standard," "silver lining," etc.). This association has become so ingrained in the human psyche, that it in some ways can almost be considered GENETIC. And history demonstrates this "gold gene" can get turned on extremely quickly when prompted by either FEAR (depression, hyperinflation) or GREED (gold rushes, soaring prices).

More importantly, just as investors have been conditioned that the DOW JONES INDUSTRIAL AVERAGE is a "barometer of economic health" (which is why it is so maniacally supported by the PPT), gold is seen as a "barometer of bad tidings." My STRONG belief is that even the least sophisticated investors in the world, and even most "Joe Six-Packs" with little or no investing experience, understand that a rising Dow and falling gold price are considered "good," while a falling Dow and rising gold price infer something "bad." THAT is the fundamental precept behind what Jim Sinclair calls MOPE, or "Management of Perspective Economics," or per Bill Murphy of GATA, "behavioral finance." In other

words, if the government can cause you to PERCEIVE economic improvement by propping the Dow and attacking gold, you are less likely to sell your stocks, protest against TPTB, and stay quiet and submissive to their whims.

As I've written NUMEROUS times in the past, the Dow ALWAYS seems to be rising (care of the PPT), but never goes anywhere due to its poor fundamentals, while gold ALWAYS seems to be falling (care of the Cartel), yet rises each year due to exponentially rising demand and stagnant supply. Moreover, the Dow's volatility has in recent years reached all-time lows thanks to these manipulations (which tend to have a calming effect on investors and the public in general), while gold and silver prices, and even more so the mining shares, are among the most volatile in the market thanks to these constant (think 24/7) suppression.

Moreover, the Cartel plays on your EMOTIONS by making sure the sector never does what it SHOULD do, constantly COLLAPSING when a new high is achieved and not only falling, but often PLUMMETING upon the release of gold-bullish news (yesterday's bank stock collapses are a perfect example). Moreover, they employ dozens of other "dirty tricks," many of which I have described EXHAUSTIVELY in the past such as "Don't let it turn green" and "never let gold, silver and the PM stocks rise sharply SIMULTANEOUSLY." Cumulatively, these attacks wear you down, so one must not only be savvy to both SURVIVE and PROTECT ONESELF, they must also be MENTALLY STRONG — the opposite of what is required to invest in GOVERNMENT-SUPPORTED MARKETS such as the Dow and U.S. Treasury Bonds.

I'd bet 95% of all investors that have touched mining stocks have lost money over the course of this 11-year bull market, as the constant enigmatic attacks, "technical breakdowns," and fear-mongering via both "official" and Wall Street lies and propaganda takes its toll financially and psychologically. That is why you MUST have a core position in the actual, physical metal (you will NEVER sell it), and why you need to resist blind purchasing of mining stocks on "technical breakouts," contrary to the investing mantra most investors utilize for essentially every other asset class. Mining stocks are as historically cheap as at any time in the past decade, but one must adjust his accumulation patterns to escape the continuous rain of Cartel daggers, acquiring more when prices DECLINE and less when they rise.

As for the second flawed "guru conclusion" that no suppression could possibly occur due to the losses generated

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by such activities, that has got to be one of the stupidest statements EVER. For one, the U.S. government has an unfettered printing press, with essential carte blanche from the rest of the world (for now) to not only permit \$2 trillion annual deficits upon \$16 trillion of public debt and \$100+ trillion of “unfunded liabilities,” but also to monetize essentially ALL Treasury bonds, nationalize ALL failed industries (FNM, GM, C, to name a few) and even perpetrate WAR on half a dozen nations at any given time.

ALL the gold EVER MINED on earth is worth just \$10 trillion or so, of which perhaps 5%-10% is actually SALEABLE and INVESTABLE. And in the case of silver, nearly all the silver EVER MINED has been consumed by industry, with the remaining SALEABLE and INVESTABLE silver (i.e. in bullion form) worth no more than \$40 billion at current prices. Thus, gold is just a tiny portion of global financial assets, while silver barely qualifies as a rounding error. So when commentators write things like “my god, the COMEX silver shorts are sitting on \$2 billion of losses, I have to laugh, as even \$2 TRILLION of losses is currently manageable by a combination of unfettered money printing and corrupt markets. Heck, the U.S government’s public debt rose by \$400 billion IN AUGUST!

And oh yeah, how much of those losses are offset by illicit, insider trading profits when engineered PM smashes are orchestrated, such as the past two weeks’ DEATH STAR ATTACKS or, even better, major operatives such as the SUNDAY NIGHT PAPER SILVER MASSACRE?

Which brings me to the point of this RANT, GOLD INVESTOR LIMBO.

If I could get online, I’d look up the precise definition of limbo to wow you with trivia, but I don’t know so I’ll wing it. The way I understand the concept, limbo is a place where one’s spirit goes before God’s decision to send it to heaven or hell. In other words, a time of great consternation, frustration, and reflection.

From my decade of Precious Metals investing (ALL, IN SINCE MAY 2002), I can tell you confidently I have been in the equivalent of investing limbo DOZENS OF TIMES thanks to the Gold Cartel and other market/media/public manipulating mechanisms that work synchronously to affect asset prices and investor psychology).

A typical example looks something like this (if it seems familiar, it’s because it just happened!):

After consolidating for weeks on end, with constant 3 am EST smashes, underperforming mining stocks, silver “flash crashes,” enigmatic, counterintuitive “technical

failures,” and of course endless “top” and “bubble” calling from “good” and “bad” guys alike, gold suddenly takes off on a nice run for a few weeks. The Cartel’s 1% and 2% cap rules are of course enforced each day, and no real excitement or, god forbid, “froth” ever enters the market, but once again gold’s price trend is again reflecting the relentlessly positive fundamentals by rising.

Thoughts of increasing gold mining stock positions race through your mind (even on margin!), as you ponder whether this is FINALLY the time when the sector BREAKS OUT for good, yielding the “Internet-like” mania that SHOULD finally occur. Chatter about rising gold prices, while reluctant, spans the airwaves and circulates on the Internet, ZeroHedge content becomes increasingly gold bullish, and each Sunday afternoon is enthralling as you wait for Asian markets to open, potentially yielding the elusive \$100+ gold opening print that you KNOW is coming, with gold NEVER to look back afterwards.

Then, just as the fundamentals AND market action SCREAM for this to occur (think 120% yield on Greek bonds and collapsing bank stocks yesterday), gold abruptly peaks at EXACTLY 3 am EST one night, or in the case of the aforementioned silver massacre, in the first hour of trading on a thinly traded Sunday night when China was closed for a holiday. Suddenly, the entire rally vanishes into thin air for ABSOLUTELY NO REASON while no other markets do ANYTHING significant, and you stare at your screen, at the PLUNGING metal prices and mining equities, cursing the world and thinking about which stocks you need to sell to prevent a margin call and the immediate loss of week’s worth of profits.

When you finally look up and catch your breath, you realize the Cartel has ILLEGALLY inflicted still more losses on you (THAT is where they make their profits). The gold top/bubble callers are again out in full force to rub salt in your wounds (pointing out “technical breakdowns” and “market action makes commentary” reasons), and, worst of all, it “feels” like the PM markets are ready for yet another long bout of doldrums. Or, as I view it, additional weeks and potentially months stolen from my life.

It is at these times that the INNER FORTITUDE noted above is required most, because believe me the whole world IS out to get you. However, you have one MAJOR arrow in your quiver, one that will likely REMAIN THROUGHOUT YOUR LIFETIME, and that is that gold and silver are in the VERY EARLY STAGES of a potentially MULTI-DECADE bull market.

I believe simple math regarding cumulative money supply creation GUARANTEES a gold price of AT LEAST \$10,000-\$20,000/oz. before economic equilibrium is reached, and likely dramatically more (perhaps infinitely so) if the current, seemingly inevitable path toward Western world hyperinflation is realized.

As for silver, given its level of scarcity (DRAMATICALLY less investable silver than gold), dual roles as both STRATEGIC INDUSTRIAL METAL and MONEY, and historic correlation to gold, I believe it is NEARLY IMPOSSIBLE that the gold/silver ratio, which fell as low as 31 in April, will NOT decline to AT LEAST 10-15 in the coming years. Do the math of \$10,000-\$20,000 gold and a 10-15/1 gold/silver ratio, and you get my “pre-hyperinflation” silver target price of \$650 at the low end and \$2,000 in the best-case scenario.

Hopefully, this RANT will help you to IDENTIFY with the emotions I have encountered for the past 9½ years, and to make the correct INVESTMENT options during periods of LIMBO, which is what the Cartel has tried to inflict on us since gold first broke above \$1,900/oz two weeks ago.

Remember, we have only spent a few WEEKS above \$1,800/oz. in gold’s HISTORY, and not more than a MONTH OR TWO above \$40/oz. silver. These are the EARLY STAGES of the Precious Metals bull, the time when 99% of the public STILL is not aware of it, and equally importantly when INVESTABLE SUPPLY remains for the taking (remember, gold and silver WILL go “no offer” at sometime in the future).

Use these periods to ACCUMULATE positions in the Precious Metals sector, making sure you have a core position in the metal, of course. Moreover, Gold mining stocks are trading at essentially all-time low multiples of earnings and reserves, so when you see a particularly hard SMASH of the sector, take a good hard look at the equities, making sure to do INTENSE DUE DILIGENCE before committing your capital.

I strongly believe gold will be above \$2,000/oz later this fall, and when it pierces that hallowed level, please make sure to take heed of the advice given in this RANT!

Finally, I wanted to end this missive with a piece of potentially good news, one I had forgotten over the summer. Bart Chilton of the CFTC, the “lone wolf” who earlier this year declared his belief that COMEX silver prices are manipulated, stated that if the CFTC has made no official conclusions regarding its ongoing, 2+ year investigation into this matter, he will personally make a public statement on the topic by the “third week of September,” i.e. next week.

Hopefully, this will be a positive catalyst for the group (as was his first silver manipulation announcement), even better if it occurs on my BIRTHDAY on the 22nd.

BOY, would I love to slow down my writing!

As much as I love it, sometimes the creative juices flow faster when given time to ponder...and REST. But then again, perhaps not, as there is no shortage of ideas running through the RANTING synapses in my head. Fortunately, GOVERNMENT MANIPULATION OPERATIONS in essentially EVERY FINANCIAL MARKET provide ample topics to discuss, such as this morning’s tour de force of heavy-handed “persuasion tactics.”

In Tuesday’s RANT, “GOLD INVESTOR LIMBO,” I recreated the never-ending scenario of CAPPING undertaken by the gold/silver Cartel to prevent major upside explosions, and subsequently the COUNTERATTACKS perpetrated once enough buyers have entered the market to make the technicals look “overbought.” Next, the typical 3:00 am EST takedown (as we saw yet again TODAY), the resistance to declines that hold PMs near their highs for a few days, and finally the massive capitulations during CRIMEX trading hours when stops are ran, creating margin calls and (media and Wall Street-aided) FEAR among PM investors. Once these capitulations occur, such as during last week’s DEATH STAR ATTACKS, the sector requires TIME to rebuild its base, and mettle, for the next run up. Fortunately for new investors (or dollar-cost averaging old investors), these bargain basement prices (AS WE ARE SEEING NOW, at just below \$1,800 for gold and \$40 for silver) provide OPPORTUNITIES to further PROTECT YOURSELVES. Unfortunately, however, these periods of GOLD INVESTOR LIMBO are the times when the aforementioned FEAR is its greatest, preventing investors from taking advantage of the temporarily low prices. A fear that, once one understands that gold and silver are MONEY, will NEVER return.

CONVERSELY, in the PPT-dominated stock market, the “never-ending scenario” is one of surreptitious (and often OVERT) OFFICIAL SUPPORT, to the point where the Dow is NEVER allowed to dramatically decline, even when global stock markets are in freefall, U.S. economic data is COLLAPSING, or an actual political or economic crisis is occurring. Eventually, the market gets tired of trying to push lower, as SHORTS simply CANNOT break the support wall funded with UNLIMITED PPT PAPER, eventually causing a short-squeeze like we saw in the Dow this week. Moreover, when a DOW decline is coupled with global market weakness (such as last week), the Dow is NEVER

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allowed to fall as much as the rest of the world, and the END of the decline ALWAYS occurs in EARLY NEW YORK TRADING, in this case the tail wagging the dog as the main global issue was EUROPEAN BANKS!

Of course, when such a reversal is achieved, the same INVESTOR LIMBO is experienced by short-sellers, whom once again were right but thwarted by the U.S. government's illegal manipulation tactics. Frankly, I can't say I feel any pity, as I believe the concept of short-selling is EVIL, a Wall Street-invented construct utilized solely to generate commissions, margin calls, and the destruction of a wide swath of investors and corporations (either via bankruptcy or capital starvation). To give a mea culpa, I disclosed a few weeks ago that I shorted 600 shares of Bank of America at \$7/share (a whopping \$4,200 trade), so I too have been guilty of short-selling. However, it was my first short sale since FANNIE MAE in 2001 (yes, I was bearish on real estate that far back), and done more as an affront to the criminality of the banking system than desire for a measly profit. Moreover, I covered at breakeven just days later when I realized how strong the PPT support was in that STRATEGIC, TBTF bank (which WILL fail, by the way!).

But the common thread between my Precious Metal long and Dow short stories is the same — GOVERNMENT MANIPULATION OPERATIONS use their unlimited PAPER resources and ILLEGAL trading platforms to change, on the simplest level, gold and stock prices; but more importantly, PERCEPTION by the public at large.

Alas, "behavioral finance" is a POWERFUL tool for buying time, even if the public at large is starting to figure out the hopelessness of the situation. In just the past three days, the only "positive news" to surface was a RUMOR the Chinese might buy Euro Bonds to stave off near-term default, which as I noted in yesterday's RANT, "THE LAST BAILOUT," will do ABSOLUTELY NOTHING to improve PIIGS economies, NOT NOW OR EVER. Additionally, adding irony to the situation, Germany and France stated yesterday that they would continue to support Greece, which somehow (with PPT aid, of course) yielded a HUGE STOCK RALLY!

OK, where do I start?

No matter how much money is thrown at Greece, it continues to drop like a stone, to the point where public riots are commonplace and sovereign bonds yield an astonishing 150%! Heck, Greek CDs yields actually ROSE yesterday, despite the "great news" that "Greece is saved." To make things worse, German and (particularly) French banks have ENORMOUS exposure to Greek sovereign

and commercial debt, which is why Deutsche Bank, SocGen, Credit Agricole, and Paribas (among others) are PLUMMETING toward zero and getting downgraded by ratings agencies. So how can ANYONE be surprised that Germany and France would not publicly state their intentions to support Greece, even if they didn't really mean it? As my friend Bill Holter put it yesterday, we are talking about three drunks holding each other up while they continue to throw back tequila shots!

Then, of course, we see STARTLINGLY bad economic news, much worse than expectations across the board, such as today's 8:30 am EST trifecta of jobless claims (much higher than expected), the CPI (twice expectations), and the NY Empire Manufacturing report (talk about an oxymoron!), which of course was hugely negative and worse than expectations. Of course, while the initial reaction of the Dow was to fall and gold to rise, amazingly just minutes later the Dow EXPLODED upward while gold had yet another DEATH STAR attack.

Then, less than a half hour later, this STARTINGLY gold-bullish, Dow-bearish news came out (<http://www.zerohedge.com/news/global-liquidity-bailout-arrives-ecb-announces-emergency-liquidity-providing-operations-conjunc>). Yes, yet ANOTHER emergency GLOBAL QE initiative, which incredibly caused stocks to SURGE further and gold to continue to plunge!

Yes, this is the beauty of a market based on CRIMINALITY on all levels, but particularly the gold and silver markets due to their TINY SIZES and STRATEGIC IMPORTANCE, and the consequent changes in PERCEPTION that are immediately reflected by essentially all media outlets, as well as, of course, Wall Street and Washington, the TWIN TOWERS OF EVIL.

Remember readers, per my RANT earlier this week, "PATIENCE," it is impossible to accurately predict the timing of the final collapse, despite its seeming inevitability. TPTB (The Powers That Be) have UNLIMITED PAPER RESOURCES at their disposal, a bought and paid for media, a compliant Wall Street propaganda machine, and of course the co-operation of EVIL counterparts around the world (including China, which is happy to manipulate PAPER gold lower if it helps them buy more PHYSICAL gold). So while I am quite confident the system is damaged enough to yield \$2,000 gold this Fall, I am not sure when the Cartel (and PPT/ESF/etc., for that matter) will be permanently broken. I am CERTAIN that it will, but cannot tell if it will be later this year, in 2012, or in the WORST-CASE scenario, 2013.

But either way, there are three things I am CERTAIN of:

1. The prices of PHYSICAL gold and silver are going higher, in the last four months of 2011, in 2012, and 2013
2. Inflation of things we NEED to live on, such as FOOD, ENERGY, and OTHER LIFE NECESSITIES will continue unabated. Don't believe me? Then consider that RICE, which per my February 1st RANT, "RICE — NOT OIL, THE WORLD'S MOST IMPORTANT COMMODITY," is at multi-year highs, eclipsed only by the brief, broad commodity spike in early 2008 (try to tell the CHINESE there's no inflation!).



3. Outside of long positions in PRECIOUS METALS, investors are likely to lose money in essentially ANY OTHER MARKET they attempt to trade, from the stock market to the bond market to commodities to currencies. Between the volatility created by non-stop manipulation, the downside bias that tends to destroy the majority of investors, whom by nature are "long-oriented," tax and commission burdens, rising counterparty risks thanks to the spreading economic contagion, and the huge leverage typically employed in today's financial markets, you are nearly guaranteeing losses by trading nearly ANYTHING ELSE.

Hopefully, these RANTS will inspire new readers to INITIATE gold and silver positions at these BARGAIN-BASEMENT PRICES, and more experienced PM investors to DOLLAR-COST AVERAGE before the next, INEVITABLE surge forward!

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