

## NZ Gold Market Commentary For Sunday September 21st 2008

What was it that the great British poet Rudyard Kipling told us? *"If you can keep your head when all about you are losing theirs"*. Well, dare we suggest there has been the **appearance** of rather a lot of heads being lost in the gold and silver markets since our last update on Sunday July 27th. At that point we noted gold closing on Friday July 25th at **US\$928.40** and silver at **US\$17.34**. Since then there has been a 'massacre of the metals' with gold - and especially silver - falling in price dramatically. At close on Friday 19th September 2008 we noted gold at **US\$871.80** and silver at **US\$12.62** - **and these are prices that represent significant recovery from recent lows!**

Yet, in that market update of 27th July, we again reminded our readers of a theme often visited at **NZ Gold**: *"fundamentally the precious metals are undervalued against paper... price volatility reminds us that investing in gold and silver needs a cool and disciplined approach"*

So has the recent 'metals mayhem' caused us to alter our long-term view, on the importance of holding gold and silver as timeless financial insurance. In a 'nutshell' **no!** On the contrary. As we noted in our July 6th update, and reiterated on July 27th, *"something is afoot"*. Well now we know what that something is - **the largest financial 'bailout' in history!** Perhaps we can allow ourselves a moment of self-congratulation. At **NZ Gold** we did foresee this in our article from 9th September 2007 *"Is Operation Bernhard about to restart"*. In that update we offered our readers this observation: *"In essence we have, at NZ Gold, always been suspicious that a contemporary 'Operation Bernhard' was waiting - apparition-like in the wings - to be summoned by vested interests when the great 'easy money con' began to unwind"*. (Access via **About Gold**)

Interestingly, Stefan Ruzowitzky's Academy Award winning film **The Counterfeiters**, which tells the story of Operation Bernhard, has recently been promoted in New Zealand - as an account of *"the biggest counterfeit money scam of all time"*. Certainly, the Nazi plan to flood Britain with forged Sterling banknotes, to the tune of some 130 million pounds, was outrageous in its audacity - **at the time**. It was the actions of desperate men, who had learned from Germany's Weimar experience that a hyperinflationary nightmare can wreak havoc on a nation - especially upon its values. At **NZ Gold** we would suggest the lessons of history have not been lost on those who, last week, put in place arrangements that will ultimately make Operation Bernhard look like mere 'loose change' when compared to the coming tsunami of new money creation.

Have recent events scared you out of gold and silver? - we sincerely hope not! Although we can't be sure, historical and logical analysis - **of what occurs when unimaginable debts are dishonestly repudiated** - infers both hyperinflation and the conditions in which fascism can thrive. At **NZ Gold** we suggest our readers **remember Kipling and keep their heads** - for a time may well be coming when all around you start losing theirs.