



## **Live Webinar Event Today – Black Swan discusses the fate of the Euro courtesy of the ISE**

Time: Today, June 2<sup>nd</sup>, at 4:30 p.m. Eastern

To register: [Click here](#)

### **Quotable**

“This can end only in two ways. Either Germany tolerates massive monetary reflation by the ECB or Spain will be forced out of EMU, setting off a catastrophic chain-reaction through north Europe's banking system.”

Ambrose Evans-Pritchard

### **FX Trading – The Gold-Scotch Connection!**

Now even Iran is jumping on this dollar bull market...

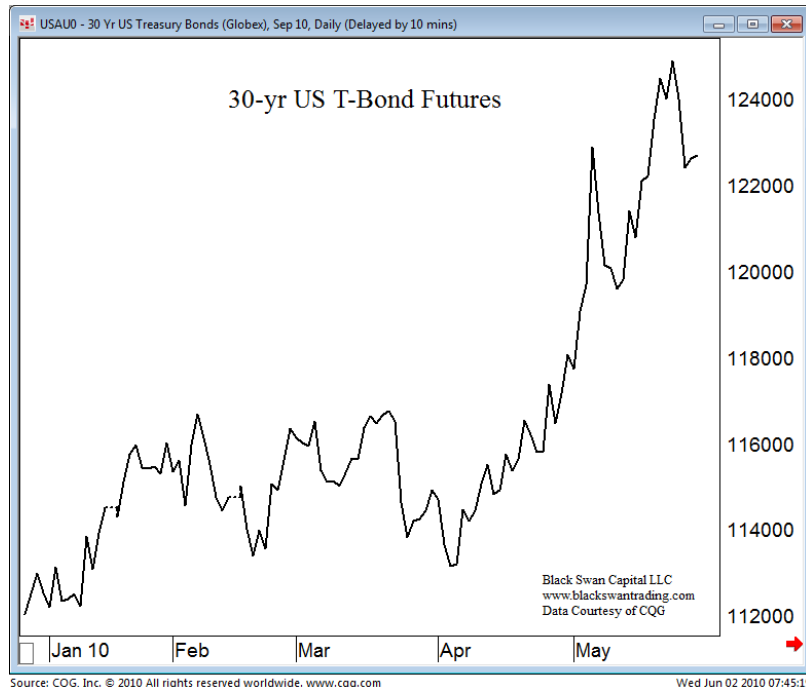
The [Iranian central bank has announced](#) that it will sell 45 billion euros from its foreign exchange reserves to buy dollars and gold, China's official Xinhua news agency reported on Wednesday, citing unspecified Iranian media reports, Reuters reported.

Helps explain why the dollar and gold have been moving in the same direction.

### **Gold vs. US\$ Index Weekly:**



Can this trend continue? Of course it can; at least until we see some type of normalization of global systemic risks, is our guess. Both the dollar and gold seem to be beneficiaries of the potential implosion of the euro. That is no surprise. All one need do is look at the **price action in US Treasuries**, in the daily futures chart below. Notice the rally in Treasuries has coincided with the move in gold and the dollar i.e. money running to the deepest capital markets to hide...



Since today's missive is supposed to be focused on gold, let me share with you an excerpt from a recent piece by Gluskin Sheff Chief Economist David Rosenberg, which was sent to us from a good and very smart friend in Vancouver. This should get the gold bug juices flowing [our emphasis]:

Compare and contrast that backdrop to what we have seen unfold in this latest round of financial market turbulence — the U.S. dollar has rallied 8% and we have seen the CRB slide 10%, but lo' and behold, the gold price has not only risen 10% against the U.S. dollar but has made new highs in every currency. This is yet another sign from the market that gold is indeed being treated as a monetary metal — a currency of its own as opposed to solely being part of the commodity complex.

However, the bottom line is that quite unlike the growth rate of paper currency around the globe, mined production of gold is down 9% over the past 12 months. So maybe the demand side is overdone but the supply backdrop is highly constructive for this bull market in gold — **we still see \$3,000 per ounce and believe this to be a rather conservative forecast.**

Bullish on gold, to say the least!

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I sent this piece along to my father-in-law (FIL), who is quite a bug in his own right. If you haven't been a reader for long, let me just fill you in a bit: my FIL is a person that actually hid precious metals in his walls for safekeeping back in the old days. I kid you not. I wish it were not true, thus I would be spared the anguish of my past bearish gold forecasts. But, I do deserve it, and I got the best part of the deal anyway—his daughter.

So pleased with \$3,000 gold, said FIL sent the following note to me after I forwarded Mr. Rosenberg's very bullish thoughts:

Good Jack

Thanks for the gold info. Without getting over confident this may suggest moving you up to Glenfiddich 15 year from 12!

Luv' Dad

[For the record, I am a huge scotch fan. John Ross, David, and I are looking forward to doing the distillery tour in Scotland on the cheap, once the euro falls to par against the buck. Our trip may be sooner than later, we hope.]

In this market you don't see many bearish arguments for gold. I was pleasantly surprised to finally witness a few in *Barron's* over the weekend. [They can suffer the bunker-digging, can-stocking, end-of-the-world forecasting, gold nut email for a change.] The basic bearish arguments in *Barron's* are as follows...

1. Gold in a bubble
2. No real value but greater fool theory as it provides no yield
3. Industrial usage falling fast as composites better anyway

Gold goes through stages; we have all seen that. At times, it acts as nothing more than a liquidity-driven asset, just as the other major asset classes. Now it is acting as a safe haven asset. We tend to attach monetary significance during current times, that I'm not sure exists or will ever again given politics ability to conjure credit on demand.

Though we haven't run the stats on this, I would say during the last major liquidity cycle, measured by the beginning of the bear market in the US dollar, gold has acted much more as a liquidity-driven asset.

The point is this: I think there are very good reasons--related to growth and money flow--to suggest once risks in the global economy normalize (when that is I have no clue) we will see a divergence in the path of gold and the dollar. Gold going down—fast!

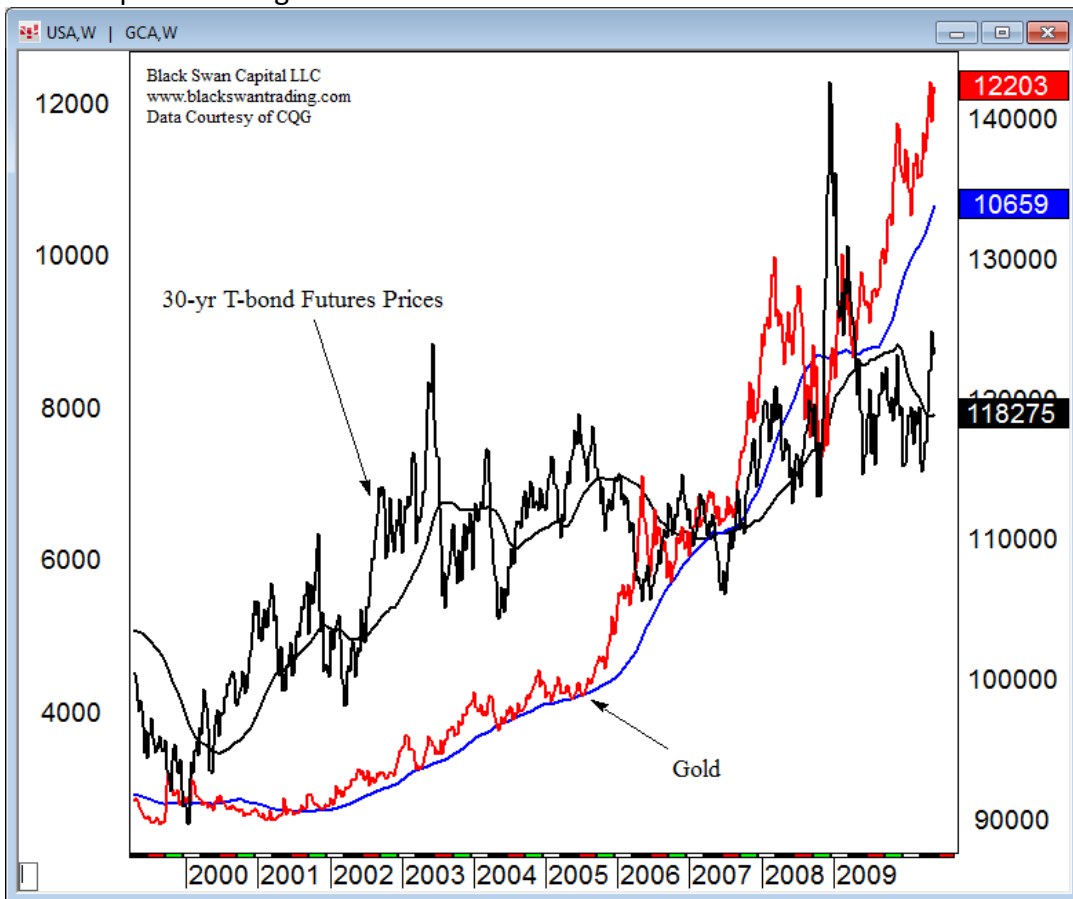
For growth normalization suggests rising interest rates—which will look quite attractive in a world where said growth is likely subdued in the industrialized world—investors will again stretch for yield in the emerging world.

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Are we confident about this? Medium confidence at best, but most likely path still we think. What to watch here? Interest rates of course.

We know it is very precarious to draw any direct relationships based on correlation. But the idea of gold having to compete for money that will likely; A) stretch for real yield; and B) be put to work in the real economy once risks normalize, suggests the long rates could be an important lead indicator.

**Gold vs. 30-yr T-Bond Futures Prices Weekly: Rising bond prices (lower yield) means less competition for gold.**



I would appreciate it if no one sent today's issue to my father in law, who is still basking in the glow of gold at \$3,000, until the 15-yr scotch is secured.

Jack Crooks  
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**Have you heard about *PositionTrader FX*?**

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We've been getting the same question a lot over the last few days: is it too late to profit from the euro crash; and what about the Aussie ... or yen?

And our answer is:

No.

We've done well in 2010. And we expect to do even better as the halfway point approaches.

For good measure, I've included our [year-to-date track record and profit curve here](#), reflecting through Thursday, May 20.

Here's the bottom line...

**We think the Euro is going to par with the dollar – 1:1 – or maybe even lower.**

If you've been waiting on the sidelines, now is time to jump in.

If you're not sure how to implement a currency trading strategy, we've got you covered. And we offer a 30-day 100% money-back guarantee if this isn't for you. After that we prorate your refund on a weekly basis if it's not working for you.

This is speculative trading and is not for everybody. If you're cut out for this, [jump over now and give it a try](#).

All the best,

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