



The Gold StandardTM Weekly

Brien Lundin is the editor and publisher of Gold Newsletter, a publication that has ranked among the world's leading precious metals and resource stock advisories since 1971

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Gold “Insiders” Poised For Another Crushing Defeat

Plus, why gold is headed much higher in the days and weeks ahead

I just got my hands on the latest Commitments of Traders report from the Comex and drilled deep into what the Large Commercials were up to. Why? Because this group of sophisticated gold investors are at the most “inside” of gold’s top “insiders.” They are supposed to have their finger on the pulse of the yellow metal — and therefore know if it’s likely headed up or down — like no other gold investor group out there.

Large Commercials are made up of companies that use physical gold — fabricators, jewelers, mints and the like. Their gold investment strategies and decisions are supposedly ruled by the iron hand of emotion-free fundamental and technical gold investing. They aren’t easily swayed by emotions and they’re not about to bite on the latest trend in gold investing.

To a lot of people, these factors make gold’s Large Commercials smarter than the rest of us. But when they’re wrong, they are *spectacularly* wrong. And right now, the Commitments of Traders report clearly signals the Large Commercials are likely headed for a crushing defeat. Here’s why...

As of last Tuesday, February 6, the Commitments of Traders report revealed that the Large Commercials increased their net short positions in gold futures contracts by a whopping 8% — or roughly 11,000 contracts — compared to the week previous. That brought the Large Commercials Net Short (LCNS) position in gold futures to a stunning 146,664 contracts.

In other words, gold’s Large Commercials had placed big bets that gold was headed down. Were they right? Not by a long shot. Gold shot up 1.1%, or more than \$7 an ounce, over the same weekly period.

So, as the Large Commercials were betting that the yellow metal was headed down, it actually went up — and considerably so. That’s a huge miss in my book. Score strike one for the Large Commercials.

This kind of off-the-target investing by gold's Large Commercials is nothing new. Since the January 9, 2007 Commitments of Traders report — when gold was selling just a hair over \$613 an ounce — the Large Commercials have added nearly 65,000 contracts to the net short exposure in gold. That's a staggering 80% increase and a massive downside bet.

In fact, for every dollar that gold advanced since the January 9th Commitments of Traders report, the Large Commercials have added over 1,600 net short futures contracts. That translates to a whopping 202 metric tonnes — or \$4.2 billion worth of bets — that gold is headed down.

What has the most resilient and valuable of all metals done since the gold's top "insiders" placed those huge downside bets? It advanced over \$52 an ounce, or more than 8%! That's another huge miss and counts as strike two for the Large Commercials.

I know what you are wondering. With the Large Commercials sitting on this massive amount of downside bets on gold — and gold heading practically straight up in the meantime — those net short positions have got to be getting hammered.

You're exactly right. In fact, most of the \$4.2 billion in short side bets the Large Commercials have on the books right now are underwater in a big, big way. Score strike three for the Large Commercials. You're out!

I'm as bullish as ever on the yellow metal. And the fact that the Large Commercials keep throwing good money after bad isn't my only reason.

This week the largest gold exchange traded fund (ETF) out there — streetTRACKS Gold Shares (GLD; \$65.65) — added a net 2.9 tonnes of gold bars to its gold stock held by a London custodian. That's on top of the 8.3 tonnes the fund added to its stores the week prior and, together, amounts to just over 461 tonnes. That's a whopping 2.4% increase in just two weeks and is a bullish sign indeed.

Meanwhile, the gold holdings for the U.K. version of GLD — LyxOR Gold Bullion Securities Limited — held their gold stores steady at 87 tonnes and Barclay's iShares COMEX Gold Trust (IAU; \$65.70) did the same at 44 tonnes.

Also adding strong support for my bullish outlook on gold is the solid buying by Silver ETFs. The big U.S. silver ETF — Barclay's iShares Silver Trust (SLV; \$137.78) — added 169 tonnes to its silver holdings. That brings its stores to 3,889 tonnes or a staggering 125,030,899 ounces. That amounts to a massive \$1.7 billion in silver and is big evidence positive money flows are heading into silver like there's no tomorrow.

Word on the street is that local and regional bullion dealers are reporting a brisk physical gold business. On both the buy and sell side, the activity is strong, but demand has been getting the edge over supply. And reports are that buyers are piling into silver as well. Adding even more upside pressure: Firmer premiums on electronic bourses for physical gold and silver.

As gold continues its march higher, the Large Commercials will have no choice but to begin covering their short positions. That means a potentially stunning amount of new buying of long gold futures contracts. That translates to huge upward pressure on gold prices from the paper market.

In fact, you can pretty much bet on a significant upsurge in paper-market buying once gold breaks above near-term resistance at \$678 on a weekly chart, because this technical breakout should bring on massive short covering by the Large Commercials. (To some degree, I believe that they are *already* beginning to cover their short positions, so the big price-spike I'm expecting could come at any time...)

And don't forget. The *longer-term* bullish forces powering gold higher — including skyrocketing global demand, spectacular growth in Asia, a tumbling dollar, and geopolitical uncertainty — are likely headed up, not down, in the days and weeks ahead.

That's why I urge you to make sure you have the latest edition of my Gold Newsletter on your desk right now. It's packed with insights on the gold and metals markets. Plus, it has my top gold recommendations that are primed for a big move up. You will also receive hundreds of dollars of free bonuses and exclusive reports if you sign up today. [Click Here To Learn About Gold Newsletter](#).

Yours in enduring wealth!



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Brien Lundin is the editor and publisher of Gold Newsletter, a publication that has ranked among the world's leading precious metals and resource stock advisories since 1971. To learn more about Gold Newsletter, visit www.goldnewsletter.com.

Mr. Lundin is also the host of the famed New Orleans Investment Conference, the world's oldest and most respected gold investment event. This year's New Orleans Conference featured Steve Forbes, Jim Rogers, Dr. Marc Faber and Dennis Gartman...plus dozens of today's top gold and resource stock analysts...and a blockbuster debate between Doug Casey and Newt Gingrich. To learn more, visit www.neworleansconference.com.

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