Soros Dumps Gold, Inciting Fear of Plummeting Price

George Soros, the hedge fund investor who called gold "the ultimate bubble," has divested his portfolio of nearly its entire investment in the precious metal, inciting many to fear that the price will very soon plummet, devaluing the specie-heavy portfolios of millions of investors.

Like it or not, like him or not, attention must be paid to his movements. It can be very expensive to ignore the predictions of Soros. For example, on September 16, 1992 (a date subsequently known as "Black Wednesday"), one of the investment funds of Soros sold short more than $10 billion worth of pounds sterling, profiting from the British government's reluctance to adjust its interest rates to levels comparable to those of other European Exchange Rate Mechanism countries.

Defiantly, the UK withdrew from the European Exchange Rate Mechanism, triggering an unsettling devaluation of the pound. Not everyone was harmed by this plummet, however. George Soros earned over $1 billion in the ordeal. Consequently, he was described by the media as "the man who broke the Bank of England." In 1997, the UK Treasury estimated the cost of Black Wednesday at £3.4 billion.

Witness this [account](#) of the foresight of Soros:

> On Monday, October 26, 1992, *The Times* quoted Soros as saying: "Our total position by Black Wednesday had to be worth almost $10 billion. We planned to sell more than that. In fact, when Norman Lamont said just before the devaluation that he would borrow nearly $15 billion to defend sterling, we were amused because that was about how much we wanted to sell."

This latest move to take a position against a indefatigable investment may have similar repercussions around the globe.

Regarding gold, the "ultimate bubble" description was made by Soros in January 2010; the Hungarian-born financier of numerous leftist causes made the move to cut his holdings of gold only in the first quarter of 2011.

As with most things this Marxist King Midas touches, the price per ounce of gold has skyrocketed during the period of his investment in it. While at the beginning of last year gold was trading at $1,100 an ounce, the trading price in 2011 has risen to as much $1,450.

The exact date of the dramatic divestment by Soros is unknown. It is known that the majority of those holdings are managed through the Soros Fund Management company. According to a report published in the British newspaper *The Telegraph*:

> Filings to the Securities and Exchange Commission (SEC), the American regulator, showed that he had sold 99% of his holding in SPDR Gold Trust, an exchange-traded fund (ETF) backed by gold bullion, by the end of March.
>
> The New York-based fund sold its entire holding in iShares Gold Trust, a similar investment. But Mr Soros bought shares in two mining companies, Freeport-McMoRan Copper & Gold and Goldcorp.

Despite the potential for a devastating global impact of such a move by one so influential, there are those on Wall Street praising the prospicience of Soros. "As the precious metals rally ends, you'll get transition toward related equities," James Dailey of Pennsylvania-based Team Financial Asset Management, told Bloomberg. "You don't see any speculative appetite for gold stocks yet."

Predictably, the price of an ounce of gold began its descent immediately after the announcement of the selling spree of Soros was made public.

There are those not entirely convinced of the sagacity of Soros. Again, from *The Telegraph*:

> Paulson & Co, the US hedge fund run by John Paulson, left its holding in the SPDR Gold Trust unchanged, filings to the SEC showed. And Hal Lehr, a commodity trader at Deutsche Bank, was quoted by Bloomberg as saying: 'I'm bullish on gold despite its current levels. It could reach $2,000 an ounce in the next eight months.'

In fact, gold ETF holdings fell by 3.3 percent in the first quarter of 2011 and there are reliable indications that some of that investment was used to purchase gold bullion itself — directly.

A worldwide devaluation of gold could create a ripple of financial insecurity. For example, gold is viewed by a majority of the world as a very safe and trustworthy investment, one that only increases in value. This sort of reasoned speculation has undoubtedly fueled the bullish ballooning of the price per ounce of the metal.

If the actions of Soros and other global power brokers have the effect of devaluing gold, then the legitimacy and appeal of the call of many to return to a gold standard for the value of paper currency or to abolish the Federal Reserve (and other similar central banks around the world) and its money-printing carte blanche, will be similarly devalued.

Once the worth of both gold and paper currency is eviscerated by the conspiring machinations of financiers, globalists, multinational corporations, central bank boards, and other likeminded and equally influential monied interests, then there will be nowhere to turn for an object of value. This complete obliteration of specie and currency will leave those who create such catastrophes as the sole site of economic recurrence for those cast headlong into the maelstrom of boom and bust cycles and the cyclonic devastation that comes in their wake.

One of the most noxious elements present in this font of bitter water is a worthless money supply. The Federal Reserve creates this non-potable problem by engaging in a practice known euphemistically as "quantitative easing" — a policy that plain-speaking men would call "printing worthless money." A brief description of the method of monetary manipulation known as quantitative easing follows:

> Quantitative easing (QE) is an unconventional monetary policy tool used by some central banks to stimulate the national economy when conventional monetary policy has become ineffective. A central bank implements quantitative easing by purchasing financial assets from banks and other private sector businesses with new money that it creates electronically.

There is no governor on the engine of the Federal Reserve's printing press and the speed with which it can crank out reams of worthless paper money is dizzying. However, unlike paper money, gold cannot be manufactured and it is of finite quantity. While this bodes well for the eventual rebound of the price of gold (assuming that it soon begins to descend), there can be little expectation that those who benefit most from a world marketplace dependent on dollars and pounds will allow gold to supplant these currencies as the coin of the realm. From their point of view, access to that resource must be restricted and dependence on printed money must be perpetuated.

The current debt crisis in Europe is an example of how the price of gold can benefit from currency's shortfall. The millions upon millions of dollars owed by Greece, Ireland, Portugal, and others in the eurozone devalues paper currency while artificially (perhaps) propelling the price of gold into the stratosphere.

That said, there is a good chance that any effort to sell off holdings in the precious metal by George Soros and others may convince others to dump their own investments in gold rather than run the risk of being found on the outside of the bubble looking in.

Photo:George Soros at the World Economic Forum Annual Meeting 2010