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## Shelter From The Storm Bob Moriarty on Gold's Comeback and the Dow's Collapse

Kevin Michael Grace

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Moriarty: Beware the madness of crowds.

Kevin Michael Grace spoke with [Bob Moriarty](#), founder and President of [321Gold.com](#), February 25.

**RW:** You [called a bottom](#) on February 21.

**BM:** Yes.

**RW:** We've been bombarded with negative sentiment regarding gold. Where is it coming from?

**BM:** It actually feeds on itself. Have you read Nate Silver's [The Signal and the Noise](#)?

**RW:** I've read several reviews, but I haven't read the book itself.

**BM:** You should read it because the guy is brilliant. As a matter of fact, the very best investing book ever written is probably [Extraordinary Popular Delusions and The Madness of Crowds](#). I went to Southern Methodist, and they had less required books to read, so I read it as a sophomore. Essentially, it says that whatever people do they're always wrong. In simple terms, when everybody is negative, there are no more sellers left, only buyers.

Last August, I went to Australia, and there was a guy on the trip who manages probably a \$500-million fund, and he was getting into a deal in Africa and needed \$30 million cash; so he started to unload. He was finding it difficult to do because for a lot of reasons the market

has been ugly in the last 1.5 to 2 years. For the last month, believe it or not, the reason gold and silver went down was because [Eric Sprott](#) and [Frank Holmes](#) were dumping shares like crazy because of redemptions.

So it wasn't magic or people negative on the market; it was because they were getting redemptions. So it fed on itself, and it will feed on itself until you have a day of total capitulation. I think that Wednesday of last week was the day of total capitulation. There simply were no more sellers left.

**RW:** Who is investing in gold, not physical gold but paper gold? How broad or narrow is this market?

**BM:** It's pretty narrow, and that's a big factor. There are too many companies out there, too much money being squandered, and the hedge funds have all backed away from the industry. It's been pretty dismal. I think we're about to go into Phase 3 of the market, and I think the public is about to get involved, which means gold will go to heights that no one ever dreamed of before. I'm not saying that's necessarily a good thing because it will be a blowoff top.

**RW:** As I mentioned in [my column last week](#), I keep coming across the establishment view (such as from [Reuters](#)) that, economically, things are getting better and will get continue to get better and better. Frankly, I'm beginning to think these people are insane. I look at the US and Europe, and I don't see any good news.

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**BM:** They're talking up their butt. They're afraid to say what the real story is. When you look at unemployment among the youth in Spain and Greece, you have to say, oh shit, where is the bunker? And to know we have it coming to us in the US... The funny thing is that all the doomsayers, the guys who've run around preaching for years that the sky is falling, they're all way too optimistic. It's going to get fugly. Boy, if there was ever a time to need a natural resources insurance policy, it would be now.

**RW:** So much of the discussion of the health of the US economy seems to be based on whatever the Dow Jones is at that particular day. This is such a narrow gauge of economic health. It doesn't measure the number of people [going on foodstamps](#), the skyrocketing number of [people on disability](#), the number of people looking for jobs who can't find them and have given up or the people who work an hour a week and are counted as semi-employed. It's a complete divorce from reality.

**BM:** Kevin, you're exactly correct. The news media in the US is controlled by either five or six corporations, and they own about 94% of it. You're not hearing the opinions of 200 people; you're hearing the opinions of five people. They've been told this is what you will say, and so you need to say it. We never had a situation where the Secretary of the Treasury and the head of the Federal Reserve have been so detached from reality. It's going to make 2008 look like a kid's party. Do you follow [Kyle Bass](#)?

**RW:** Yeah.

**BM:** He's brilliant. [He's saying](#) you can't just run a printing press until the cows come home, when the percentage of people over 65 is going up every day. We have so many black swans circling that one of these days one of them will land. I believe that resource stocks and the Dow are going to go countercyclical. The Dow will start tumbling down any day, and when it does, and bonds continue going up, the shit will hit the fan.

**RW:** I read that the Federal Reserve is now at a point where the outflows due to interest payable to reserve banks is going to surpass the cash inflows from their asset portfolio, which means ([as I've seen it described](#)) that they're going to have to print money just to be able to print money.

**BM:** Do you know [that book](#) about German hyperinflation? They just republished it recently. [[Dying of Money](#) by Jens Parsson.]

**RW:** I'm not familiar with the book, but I am familiar with [the Weimar inflation](#).

**BM:** I've always wondered how the Germans could have possibly been that stupid, but you can look at the [Japanese Central Bank](#) and you can look at their Finance Minister and look at the Spanish and the Argentine Finance Minister who said printing money doesn't causes inflation.

**RW:** Where do you stand in the great debate between the deflationists and inflationists?

**BM:** That's a really great question, but unfortunately I'm going to have to dodge it. You've got about \$700 trillion in derivatives, and by everything that makes sense financially, we should have a credit market crash and total deflation. On the other hand, we're printing to beat the band, and sooner or later that will cause hyperinflation.

It's like asking are you worried about dying of cancer, or are you worried about dying of a heart attack. The answer should be I'm worried about dying. So it doesn't make any difference how the financial system is destroyed, but it is going to be destroyed—Bob Moriarty

The only question is does the [\\$700 trillion in derivatives](#) blow up first, or does the hyperinflation take off? When the US longterm bonds are about 3%, it's going to cost \$800 billion a year in interest. That's on a tax income of \$1.6 trillion. We're in Never Never Land, and it's like asking are you worried about dying of cancer, or are you worried about dying of a heart attack. The answer should be I'm worried about dying. So it doesn't make any difference how the financial system is destroyed, but it is going to be destroyed.

**RW:** Did you see the interview with [John Kaiser](#) two weeks ago in which he predicted the TSX Venture Exchange could be destroyed because of the weakness of so many hundreds of resource companies?

**BM:** John Kaiser is a great guy, but I'm not sure I would agree with his prediction. He said that about 500 companies will disappear. I hope he's right in that because I wish there would be some consolidation in the industry.

**RW:** I've been interviewing juniors for 2.5 years, and, increasingly, I get a sense of desperation from them. I know people who have invested in the market, and a bunch of

them told me "I'm done." They've been told again and again it was going to turn around, but it hasn't, and they say they're getting out. How much of a problem do you think this is?

**BM:** I don't think it's a problem. People say that, but everybody who could sell has sold. I wrote that in every top there are 100 reasons to buy, and in every bottom there are 100 reasons to sell. You give me two or three reasons to sell, but the fact is I'm looking at 100 of them, and this tells me that it's a great time to buy. Everybody is going to be shocked by how much stocks go up, even the poorly run companies.

**RW:** Do you think the problem of companies not being able to borrow money to finance exploration or get projects to production will likely turnaround when their stocks start going up in a big way?

**BM:** Most of the selling in the last month has been forced selling by people from large accounts. All it's going to take is the Dow crashing, and it's going to crash. It's been on life support since 2008, and when the Dow turns, people are going to look to a place of safety, and it's going to be resource stocks.

**RW:** It happened during the Great Depression.

**BM:** It did, for very real reasons. Here is the key—Joe Schmo Exploration Company is down 90%, but so are Barrick [T.ABX](#), Newmont [T.NMC](#) and Goldcorp [T.G](#). Those are not down for real reasons; they're down simply because people could sell them. They're still great stocks and the right place to be, and like [Homestake](#) during the [Depression](#), they're going to be the ones that go up the most.

**RW:** I asked you this the [last time I talked to you](#), and I'm going to ask you again. Since 2007, it's been evident that the Western economies are broken, and yet all that we've got from the economists, the politicians and all the people who know best is to double down on the policies that led to the crisis. My question then and now is, when are we going to see the alternatives to failed policies?

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**BM:** Not until we have a total collapse, when there is rioting in streets in the US that matches the [rioting in the streets in Spain](#). Let me give you a number that is really scary. Since Obama took office, the number of people in the US government who make over \$150,000 a year has increased twelvefold. And the number of government employees has increased 17% since 2008. I am going to suggest to you that these guys are totally incompetent and clueless.

Now, one axiom of business is you simply cannot spend more money than you take in. But there isn't a single government in the world saying we need to cut down how much we're spending to match what we're bringing in.

You, as an individual, know that's true, most mining companies know it's true, but governments around the world are saying we can spend our way to prosperity. You simply can't.

**RW:** You mentioned the number of government employees and their salaries. Now, President Obama famously called Jon Corzine "[our Wall Street guy.](#)" Goldman Sachs loves Obama, and yet the Obama administration and its friends are somehow seen as the champions of the little guy. Can you explain this?

**BM:** It's just good propaganda. I will compliment Canada here and say that your news media is probably 20, 50 or 100 times better than the news media in the US. This isn't just the *Financial Post*, your newspapers in general are far better than in the United States. We have nothing in the US that compares to what you have and what your publication does. The *Wall Street Journal*, which I used to have a lot of respect for, has turned into a pure propaganda rag for the rightwing nutcases.

**RW:** Europe seems to have some understanding of the harsh realities it faces, but America seems to think it's doing so much better. Do you think it will take some sort of event to change this perception?

**BM:** Yes. We're going to have to crash. It's like two guys jumping off the Empire State Building. The guy who's fallen to the fifth floor looks down at the guy who's fallen to the third floor and says he's headed for trouble. He doesn't realize that the difference between them is about an eighth of a second.

Anybody that looks at Japan, which says it is going to deliberately cause inflation, just has to say, "Oh, my God." But then you look at the \$85 billion a month in quantitative easing in the US. How do they expect that to end? Everybody in the United States looks at the Spanish riots, and they think they're looking at the World Cup.

**RW:** Bob, thanks so much.

**BM:** Kevin, it's always fun.

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## Comments from a Reader

Bob Moriarty

[Archives](#)

Feb 23, 2013

I got an email from a reader on Friday the 22nd. I asked his permission to share the comments with you.

*Bob since you have been buying gold since 1969 so you would remember the 1975-77-price action. Gold was about 10 years into a bull market and prices had risen from \$35/oz. Then it declined from \$185-190 to \$105-110, depending on whether you use an intraday high or closing high.*

*This time around about 10 years into the bull and gold has dropped from \$1900 to about \$1550, again depending on the high/low used. There has*

*been more money printing than the 70's time frame so a decline to \$1100 seems unlikely. When gold peaked at \$1900 back in Sept 2011 I went back to that 1975-77 chart. The time count suggests a bottom is near or here.*

*All those who cry manipulation have never looked at history. I consider them poor losers because poor losers blame others for things in life that do not go their way.*

*After gold bottomed in 1976, it only took 12-18 months to best the \$190. By March of 2014 we should be ready for new highs and all those crying manipulation will have forgotten their tears, for if gold hits new highs in 2014 manipulation was obviously not successful.*

*Brad P*

All that I can offer is that tops tend to be blow off tops where something goes vertical and then crashes down. Silver in late April of 2011 was a classical top. But bottoms tend to be shallow and subtle. The bottom in silver and gold from 1999 to 2001 was typical of bottoms. The actual low for gold was August of 1999. The actual low for silver was November of 2001. Between the two dates, the market just wandered along.

This time is different. This was a sudden plunge similar to how the stock market crashed in May of 1970 where I first invested on the very day of the bottom. Look for a rise just as violent.

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