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Catherine: So I am in western Tennessee, but Franklin has been off traveling around the nation with his lovely wife, Susan, and he is in Chattanooga. Are you with us, Franklin?

Franklin: Im here. Im full of good food. We went to eat at one of the best restaurants in the world, and I want to say that without one bit of exaggeration. And that restaurant is the Boathouse run by Lawton Haygood. It is one of the best restaurants in the country and the world! It is so unique. Its not like anyplace youve ever eaten, and Lawton is just an entrepreneur whos been doing this all his life, and it was just fabulous. We had supper with him and his wife, Karen, and just if you ever get to Chattanooga, you have to eat at the Boathouse.

Catherine: Well, you know, the last time I was in Chattanooga, I did eat at the Boathouse with you, and it was wonderful. You know, Chattanooga, as a town, I think is one of the great cities of America.

Franklin: They have been at work in recent years to restore the downtown, and they have a lot of great restaurants. They have the best aquarium Ive ever been to anywhere in the world, and its just a really interesting place. But its an example of what you can do with a local economy just with a little effort. I know that we concentrate on all of the losers of the world the people who are sucking off the government and so forth and all the clowns in the government who are trying to steal from us and make life impossible.

But the fact is that a lot of people like Lawton Haygood are out there who, it doesnt matter; nothing stops them. They just keep working. It doesnt matter how bad the atmosphere becomes; they just keep on working away, and I think every one of us ought to be thankful for folks like that.

Catherine: Well, you know, I think Chattanooga is an example of what happens with real leadership locally, because I remember when I was assistant secretary of housing, I knew some of the people who had been involved. You had a group of local families get together and say, You know, the economy is changing. What do we need to make Chattanooga a wonderful place to be? And they went to work over many, many years, and invested a great deal of time, and their personal time and money to really sit down and say, you know, What are the 100,000 things that make a place wonderful for everybody?

And I think Chattanooga is one of the great examples in the country of local leadership, so Im excited that youre enjoying it. Okay so Franklin, bring us up to date on the market since we talked last. Hows the market doing?

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Franklin: Well, let me answer that question obliquely by answering how I'm doing. And I use myself the same way miners used to use a canary in a mine, you know. They would take a canary down in the mine with them because if the canary keels over and dies they knew there was too much methane in the mine, and they had to get out. And I think I'm kind of the canary in the mine. And so I've learned to watch myself, and if I start to keel over I know something's going on.

I think the situation today is a lot like the situation was in December of 2008 or January of 2009, we had a terrible bottom in the gold market—gold and silver in November. We didn't know that was the bottom. Gold went as low as \$880.00. Now, those are the paper prices; the physical prices never went that low. And it looked like the end of the world. Stocks kept on going down from then until April, I think, when they bottomed. And it was just scary, Catherine.

There's just no other way to put it. It was just completely frightening, and I found myself having to force my reasonable mind onto the situation and onto my emotions because my emotions said, Run for cover! There's nothing you can do. And my better mind said, No, you're in the middle of a bull market, and you've got to go with that, and these are the kinds of terrors that periodically pass over bull markets and make us think that they're over. And it's nothing more than the bull trying to shake off as many riders as possible.

I've really been thinking about this a lot and struggling through it trying to get my mind right because we've been in a direction since August in both gold and silver—or rather, I'm sorry, not since August, but since the first of October, and it appeared that they had broken out of their long corrections. And indeed, they have, but they've come back in this direction. I sent you some charts, and I specifically sent weekly charts because that's a longer term view of the market.

If you look at the weekly gold chart, you see, Okay, there's nothing you know, nothing's happened. Gold could go down to \$1,500.00 and actually nearly \$1,400.00 and still remain in the same uptrend it has been in since 2001.

Catherine: Franklin, I just wanted to mention, we have three charts up on the blog that are ten-year charts, and the charts that Franklin's referring to will be up on the blog by tomorrow morning and will be in the transcript. Sorry, go ahead.

Franklin: Sorry, I was a little late getting them to you. But if you look at the monthly silver chart, you see the same kind of pattern. You see that we've come down to the bottom of the channel of the trading channel, haven't broken through and even sometimes markets break through that bottom line for a little bit. You can see they did



that in 2008. And it is frightening, but you have to keep reminding yourself our strategy is not to trade in and out of daily or even monthly or even six-monthly trends.

What we were doing is we were riding a long-term primary trend, and that's where our profit is. And we have to ask ourselves, Has this long-term primary trend changed? and the answer is, No, because the drivers have not changed. And I probably say this every time we talk on this *Solari* program that you have to keep going back to these fundamentals and asking yourself, Did I make a mistake? Has anything changed? and the answer is, No, and you've just seen that in fiscal cliff ridiculous fiscal cliff farce.

They didn't change anything. They can't change anything. You mentioned just a few minutes ago how many people somewhere over 50 percent of the people take their income from the federal government. You know? I mean, you the institutional structure is such that the inflation is built in; and therefore, silver and gold will continue to rise.

And as scary as it gets sometimes when we get these deflation scares or it appears that things have turned, you still have to keep looking and asking yourself that one, basic, fundamental question, What drivers have changed? And if the drivers have not changed, then the trend hasn't changed. So

Catherine: Well, you know, I look at things much more politically.

Franklin: Oh, okay.

Catherine: So I tend to look at economic warfare more than the charts, and I think the big question for me was, What caused the down in December? And my assessment is I think the Department of Justice made a deal with HSBC to knock the price down. I think that was part of the settlement over the money laundering because you had the announcement in the you know, that morning, and that day suddenly massive sales of gold. Well, who is HSBC? They're the custodian for GLD.

So I think there was a real intervention, and my guess is that it was critical to getting the fiscal cliff deal negotiated. But I think if you look at all the different tea leaves, Franklin well, let me step back, because I don't want to get ahead to 2013. Let's just go back, and let me just say to everyone I went back and took a look at what my predictions were for 2012, and I have to tell you I was I was not right, because I thought the precious metals market was going to clearly outperform the equity markets.

And this is the first time we're talking about gold as though things were tough in 2012. You have to remember that they were up gold, depending on which numbers you use, was up four to seven percent. So we did get a positive return. So we were so used to positive

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returns, Franklin, that I think there's some markets where if you get four percent you're thrilled.

Franklin: Right.

Catherine: But this is the first year that you know, if you go back and you look at the ten-year trend that's why I put it up the gold and precious metals has so outperformed the equity markets, whether it's U.S., Europe, even Asia, it so outperformed it's mindboggling, the extent to which they've outperformed. But this was the first year they didn't, and I think that's kind of what's got everybody shaking their heads.

And me, too, because I went back I told you this last year. I went back and I said over the last 12 years, there's been a pattern of being up double digits every two years, and then up single digits; so this is the first time we've only been single digit on gold two years in a row. And I guess my sense of the thing is that a lot has been going on behind the scenes to clean up the financial coup. And they don't want to see inflation until after that's you know, they're in a position to let what they own now rise.

And I see a lot of movement to get that moving and done, and so to me I think there is a lot to say that we're going to be looking at re-inflation. And where the big question mark is for me because I said, Stock markets have trouble in 2012 with precious metals outperforming. I said it'd be \$2,000.00 by the end of the year and clearly was wrong. It was approximately \$1,650.00.

My big question going forward is, Will they let precious metals run too far ahead of the equity markets? because to keep the game going, they can't afford for the bond market to unravel, which means they can't afford for the stock market to unravel. So I think there was a real effort coming into the fiscal cliff deal to get the precious metals market, which was way ahead of equities and would have outperformed equity for the year sort of back in the tent.

And I think that's the big question in 2013, is can the central bankers manage it in lockstep with the other markets?

Franklin: Well, just a footnote to that, they did all of that between the end of November and the end of December.

Catherine: Right.

Franklin: Almost all of the move came in that period of time. I think that the stock market has another problem from my standpoint, and that is if you look at the very long



term chart of the stock market, you see a gigantic shoulders formation in not just in the U.S. stock markets, but in all world stock markets. And the downside targets on those you know, the measuring rule for head-and-shoulders top is to take the height of the head and apply that to the breakout point of the neckline. And if you do that, you get ridiculous targets.

You get zero targets, basically, or below zero targets, which is extremely disturbing, because it implies that theres some sort of catastrophe out there. And Im not making this up from some preconception. Im just talking about what the technical pattern describes. And so in the last, oh, five years or so, the stock market has formed a broadening top, which is also called the jaws of death formation, and it appears by March or so it will hit the top of that the Dow will hit the top of that jaws of death formation, and once it does I mean, its a multi-century top.

When I say multi-century, I mean since, oh, 1720. And so that would be that would indicate a long, long period to follow when stocks will fall. In addition to that, theres the problem of the bond market that you mentioned. In the last two weeks, the bond market the yield on the ten-year treasury has broken out to the upside. Now, what is significant about that? Well, whats significant about that is that the feds whole program has been zero interest rate policy, and one of the questions that you had sent to me that one of your subscribers forwarded was in response to my comment that the Fed does not control interest rates.

And I dont think they do; I think the market does. They control things at the margin. If masses of people in the market say, You know, I dont want to hold these bonds anymore, then theyre going to start selling bonds, and when they sell bonds that means interest rates are going to rise. And so I think thats the biggest problem.

Catherine: But heres the question. Because what were looking at is were looking at a huge upside-down pyramid of paper in the bond market, in the derivatives market, and when that money when it leaves, its got to go to real estate. Its got to go to the stock market. Its got to go to precious metals. Its got to go somewhere, and I think Im not as negative on the stock market as you, but if you look at the trends, one of the most positive trends in the stock market is money leaving the bond market looking for someplace to go.

Because even if a long bond offers five percent yield, youre better off getting a five percent yield in a real company thats doing something real, you know, thats not just a piece of paper. And its a financial asset, so its not a coin you put in your pocket. But its a real group of people doing something thats useful, whereas a lot of the bond paper is so thats the big question. If the money starts to leave the bond market, where is it going to go?

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Franklin: Well, exactly, and that, of course, would be good for stocks, but at the same time it would indicate the beginning of a flight out of dollar, which is the whole you know, brings with it a whole basket of other problems. So the Fed is they've painted themselves, as usual, into a corner where they must keep interest rates low or risk unleashing catastrophe on not just one market, but across all markets. And that you know, there's no question in my mind I keep looking at these cards.

I look at the currency charts, the three major currencies, and the two major U.S. stock indices, and the treasury bond the ten-year treasury yield, and gold and silver, and I watch those all the time, and they don't look right. And what I mean when I say, They don't look right, in the last six months to a year they have been so filled with these jerky gaps, and markets don't usually gap. You know, gaps are if you read some one of the classic works on technical analysis, like Edwards Magee, you'll see them talking about gaps.

But gaps are really supposed to be unusual, and yet I see them constantly in these markets, and what it says to me is that the government is manipulating markets. They're in there buying and selling to push them one way or the other. Either that or the people who are trading are so confused and so driven by the latest news item that they jump from one thing to the other immediately, and that leaves these gaps on the chart. But it's not normal.

Catherine: Well, I would say it a different way. I wanted to go back because you were much more bullish on precious metals last year than I was, and I think you are right now still.

Franklin: Yes

Catherine: I think we both strongly feel that this is in a long-term bull market, and the bull is far from over. But if you look at what we got wrong last year, we underestimated the ability of the system to manage the markets and control them and direct them. Is that fair to say?

Franklin: It might be. That certainly is the most obvious hypothesis to explain the failure because if you look at the corrections that we saw in silver and gold, you just have the now it might be natural in the market, but I get the impression that somebody kept driving those markets down to that \$1,526.00 point and that \$26.00 point the \$1,526.00 in gold and the \$26.00 point in silver over and over and over. And usually that doesn't happen. You know, usually if you hit a mark three times, the third time it breaks through it breaks down.



Catherine: Well, I guess I've watched these folks manage the markets for years, but never this centrally, never this controlled, never this blatantly. Of course, as you know, I think they want a rising gold price, because once you've stolen all the assets, you want to go back to a sound currency. You use a fiat currency to get that control, but once you get control, sound currency works in your favor. So I've always thought they wanted a managed rise.

They just want to hold things together. And another way to look at what has happened with what I call the financial coup d'état you know, they've moved they've sucked a huge amount of money out of the machine, and one of the reasons they did it, Franklin, was they couldn't figure out a way to get the American federal government budget on a financially responsible basis. The theory being you had tremendous number of constituencies, whether powerful or not powerful, all of who just wanted their check.

And nobody was willing to take responsibility for the whole, so they said, Fine, well just pull the money, and the way we'll pull the money is we'll issue lots of fraudulent paper, we'll stuff it in your retirement accounts and pension funds, and then you'll wake up and you're basically a contingent liability owed to yourself. You know, there's a perfect virtuous circle of phony-baloney paper in your retirement pensions, and when you screw yourself, you'll you know, it just goes around in a big circle.

So the big question has always been, What's the end game? and nobody knows what that is. But that's what we're sitting and watching you know, all the different political constituencies coming into Washington to argue to battle this out, and for the first time we're not going to be able to just print more paper and hand it out. So somebody's going to have to get cut, and there's going to have to be a certain amount of accountability, whether it's positive or negative or smart or stupid.

But for the first time, it's going to behave like you have to optimize a real budget and there's limited resources. So I kind of see one pot of money that's now \$20 trillion to \$40 trillion offshore free and clear and another pot of paper that's all stuck and yelling at each other. It's almost as though they're a complete divide and separation within the economy between these two pots of money. And the second pot is ready to come in and have a party, and if they decide to do it, \$20 trillion to \$40 trillion is enough to keep a lot of things floating around.

Franklin: Oh, yes! Yes. Well, you know, I confess I'm a double-minded man, and there are a lot of things that I can see both sides of, and I can't really come to one conclusion or the other, but one of the things that I think is true at some level of management is that the debt doesn't matter, and it doesn't from their standpoint, it doesn't



have to be run like a household economy because a household economy cannot print money, whereas they can.

The problem is that does not mean that they can just keep printing money forever because if they go too far, then they wind up in hyperinflation, and it destroys it blows up everything. So their situation is different, but its still limited. There are still certain natural limitations of it.

Catherine: Well, whats your prediction for 2013? What do you think we have to look forward to?

Franklin: Okay Im going to talk about numbers only, and I ran some numbers on gold and silver, and you know that you know what Elliott wave theory is, and I know what Elliott wave technician I dont know sic em from come near about Elliott wave, just a little bit but mainly you can see in any analysis of the way markets move that they go up in three waves. They go up one wave, down one, up the third, down the fourth and up the fifth, and generally the third wave is never the shortest, and the fifth wave is oftentimes the very longest.

And were in the third wave now, and a third wave is never shorter than a _____ [00:25:15] wave. And so looking at and thinking about that and looking about looking at what the timeframes that moves in the first wave took, how long they lasted and the percentage moves they made, I keep coming back to this \$2,300.00 price by the first of June. And I wish I could come up to something else, but there it is. It just shows up, \$2,300.00 by the first of June, and the target for this move is about \$4,500.00. And thats just based on last the first wave up.

And so these prices in this wave ought to exceed the percentage gains in that way. Now, you know, its just numbers. Thats the only thing I can go from is just those numbers.

Catherine: Well, for a long time now, Ive been looking because I have clients whove been in for a long, long time, and so they have very high percentages just because its done so well. And for a long time, Ive wanted to rebalance at \$1,850.00, and it hasnt gotten there. So Im very keen to see \$1,850.00 by mid-March. And I think March I think the first and second quarter will tell us a great deal about what the wherewithal of the system is to keep the price kind of rising with general inflation. And I dont you know, I dont know, Franklin.

Im confident that its going to keep rising. Im confident that were in a long-term bull market, but I know theres tremendous political pressure to keep it somewhat in the same inflation range with the U.S. equity markets. And I dont know the extent to which they



can keep it within that range or not. But I do think were coming into a significant inflation, and theyre looking for a lot of money in the bond market to be free to shift into other things, and real estate one of them.

So I think the environments going to be generally inflation. And as youve always said, these guys have a deep, deep commitment to inflation.

Franklin: Well, yes, theres a deep structure.

Catherine: Yes.

Franklin: Theres deep structure.

Catherine: So I think if the market was free to trade, your charts would make a lot of sense. And the question is how much can they sit on it and manage it down so that it keeps track with the other markets? Thats a big question for me, and I think well see a lot in the first two quarters. And of course, the big surprise were in for the wildcard is if interest rates shoot up, and then everybodys in trouble everywhere.

Franklin: Yes, the Fed certainly does not want to see that happen. The worst they would accept is a slow rise in the interest rate. They certainly dont want them to shoot up, because that would hurt the stock market, too.

Catherine: Its going to hurt and its going to hurt precious metals. It will hurt everything. It will be across the board. My feeling is if the precious metals market price were to spike up too fast or interest rates were to spike up too fast because those are really the smoke alarms, if they spike up too fast, I think theres war. I dont think markets clear with prices; they clear with war. Ill just say my goal is by the end of June, Id be most grateful if we could hit \$1,850.00, and I think theres a reasonably good chance. I hope Im wrong, and I hope youre right. Im rooting for you, Franklin!

Franklin: Well, let me go back to something you just said, you know. I dont think most people I think most people do not realize that if you look at the world in 1913 or 1914, what you would see is almost an ideal world, and nobody would think that Germany would go to war with France and Great Britain. And then nobody would think that they would go to war with Russia because some interlocking alliances were so tight and the threat of war so overwhelming you know, the forces were so evenly balanced, nobody would have expected that.

Well, today youve got the European Union and everybody just hugging and kissing each other over there and Oh what a lovely day, and, How could a war ever happen? Dont kid



yourself! It turns around overnight, and so when you say that war would be the trump card that they would pull out to play, I think you're absolutely right. I have no doubt about that.

Catherine: Right and I think we've seen tremendous covert wars going on. I mean, we have boots on the ground in the Middle East, but I think the covert warfare has risen steadily and will continue. So this could be a very violent period. And of course, that's my chief concern. Well, let me turn to some of the questions, because we have some really good questions. One is, Will the value of precious metals be threatened if we move to another type of currency, whether carbon-based or not?

Franklin: No, you know, given that there would be fluctuations, the reason that you want to buy precious metals is because they are currencies themselves. They are alternatives to every other currency. So they offer us a way to carry across currency transitions from one currency to another, so even though there might be some loss there, I don't know any better way you could do it. Maybe by D-cell batteries or something I don't know! But I don't know of a better way you could carry value across.

Catherine: To me, the big threat to precious metals is technology. If we were to get extraordinary amounts of new technology being made available particularly that would drop the energy price dramatically, that could change the fundamentals on a lot of things, including precious metals. That's certainly unlikely in 2013. Another question - Paul Craig Roberts suggests that one of the ways the Fed keeps the price of gold depressed is by naked short selling on the futures market, perfectly willing to pay the penalty for defaulting on the contract. What happens when a party sells shorts and then defaults on the contract?

Franklin: Well, if they can't deliver, they have to go buy at market price and deliver. But generally, one of the things I hate to say this, but I have to. One of the things that you have to understand is that the game is rigged, and so what the futures market often does is that when there are a lot of people who - especially dealers on the futures market who can't deliver - they change the rules in some way so that those people are bailed out. And one of the ways they do that is by so-called cash settlement.

Catherine: Right and they've done that before.

Franklin: Oh, gosh, yes! That's the reason there's no longer a potato market! Well, used to there were potato futures, and they did that in the potato futures.

Catherine: Yes.



Franklin: But what happens is they say well, lets say youre the other youre the long on the other side of my short, and I owe you five 1,000-ounce bars of silver, and they say, Well, he cant pay, and so he can just give you cash the cash equivalent for whatever the market price is right now. Well, you and I both know that by doing that you take huge pressure off of the physical supply. The futures markets are run for the benefit of the futures merchants; they are not run for the benefit of the public, and the public doesnt generally understand that.

But they will figure out a way to bail everybody out. And this question though goes more to, What about the government short selling? And the answer is theres more than one way to sell short. You dont necessarily have to sell short on futures you know, the COMEX futures market. You can sell short in the over-the-counter market just as well, or you can sell SLV or GLD short and accomplish the same thing. Im convinced thats the way they manipulate the stock market. They dont go in and buy 10,000 shares of General Motors.

They go in, and they if they want to buy, they buy the futures. They buy the SBY futures or Dow futures, and when arbitrageurs see that futures price rising against the index price, then they will rush in and buy the underlying index the underlying stocks in order to take advantage of that little spread difference. And so thats the way that the markets manipulated. So they dont just have to sell in the futures market, but the answer to the question Im sorry, Ive wandered. The answer to the question is they just decree cash settlement and screw all of the longs. Thats the way its done.

Catherine: Okay January 4th saw an early market disparity between physical prices and paper equivalents. Physical was up 1 percent and paper was down 1.5 percent. I heard you say this happens frequently. What is the cause? And on this one, hes talking about the silver market.

Franklin: Right well, let me just say that people who think that the paper price of silver and the physical price of silver are the same are tremendously misled. The most blatant example of that occurred in the fall of 2008 when there was a 50 percent or more difference between the price of physical silver and the price of paper silver. I mean, literally, you had \$12.00 physical silver and \$8.00 or \$9.00 paper silver.

And what weve seen since October, beginning of November at least, is a shortage of almost all low premium gold coins and a shortage of 90 percent silver coins that have taken the premium on 90 percent silver coins from \$0.05 under spot at wholesale to today \$0.95 over spot if you can find it, and many dealers are not selling 90 percent silver coin because they cant they dont know when theyll be able to buy. In other words, these low prices have driven all of those coins into hiding the silver coins and the small gold coins.



Fifty pesos Mexican 50 pesos thats a coin that we love to sell because it has the low premium; there are not any of them out there; 90 percent coin is the same way.

Catherine: Weve seen this happen so many times.

Franklin: See, what that tells me is they I dont care what the paper price is doing. There is a shortage and I actually hear analysts who I otherwise have respect for saying that theres no physical shortage for silver. I dont know what theyre talking about! I really dont, because in my world when the price of something goes up, that means that theres higher physical demand for it.

So anyway, I when you see that disparity, what it usually tells me is if the paper price is down more than the physical price, then what it tells me is that either the nice government men are manipulating the price or else theres some kind of panic in the market on that gets paper investors that convinces paper they ought to sell. But its not a its not an independent

Catherine: Were getting a flood of questions, Franklin. Can we go longer?

Franklin: Sure. Im sorry. Oh, yes.

Catherine: Okay so, Historically, mining stocks are very cheap right now, but analysts are divided as to their potential. Some look for a big rise. Others say high cost of mining, labor agitation, risk of government seizing newly discovered deposits, delution of shares due to executive stock options and new precious metal taxes is reasons why mining shares will continue to fall in value. What do you think? If already holding gold and silver bullion, what would you suggest to replace mining stocks in a portfolio?

Franklin: If you get a big decline in the stock market, theyll go down. In addition to that, Ian McAvity, whos a oh, gosh, hes a great technical analyst whos been around since dirt, and he he keeps pointing out he points out over and over that if you look at the performance of gold and silver stock indices in the 1980s or 19 the period from 1970 to 1980, they do not outperform bullion.

So youre just adding an additional layer of enterprise risk into your investment when you buy gold and silver stocks or mining stocks instead of bullion. Unless youre a very good

Catherine: Well, there you know, the mining stocks significantly underperform not just gold and silver, but the equity markets. So they didnt in any way track with equities this year. So if you look at the Tocqueville Gold fund, for example, it was down 11 percent



this year versus gold being up 4 to 7 percent, so you know, and equity markets being even stronger.

Franklin: Well, the mining stocks suffer from another problem, and that is that SLV and GLD have taken out all of the logic of investing in mining stocks. They've trumped that logic. Why would you buy mining stocks when you can get the direct kick of gold and silver by investing in the ETFs? And in the mining stock, of course, you had the added enterprise risk. So I think that's one of the things that made mining stocks underperform for the last what ten years nearly.

Catherine: Right. Although, if you look at the current price, I'm not sure now is the time to switch. They're pretty far down. Okay. Will the value of precious metals oh, no, I've asked that one. I'm looking forward to the webcast tonight. I've recently learned about hidden gold in the Philippines: Chinese gold looted by the Japanese and then hidden in tunnels during World War II. To me, the story sounds like it could be true. I'm wondering if Catherine and Franklin buy into the story as well, and if so what is the potential impact of these hidden treasures to the rest of the world, particularly precious metals investors?

Franklin: Well, can I take a second and explain the background of this?

Catherine: You bet.

Franklin: Okay. I have just finished reading a book called *Gold Warriors* by Barry Seagraves, and if anybody wants to know about this issue, I recommend they read that. But basically what happened was that the Japanese with the most brutal efficiency looted all of Asia that came under their power. And when I say looted, I mean they appointed they had army squads who literally went door to door gathering up all the gold, silver and foreign currency they could get.

In addition, they had criminal syndicates that they worked with they worked with Japanese criminal syndicates that in turn worked with the with native like the native syndicates in China and in other places to get to collect all the gold and silver they could get from individuals. Add to that that they ran the heroin and morphine opium trade the Japanese ran that from Manchuria into China and into Asia. So they collected enormous amounts of gold and silver.

They built these tunnels in Japan, and they used slave labor to do it, including allied prisoners of war, Chinese and Koreans, and then they would herd once they got the tunnel filled, they would herd these people into them and blow the tunnels explode explosives to seal the tunnels and seal the workers inside. The problem with this gold is

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that after the war, they elected they arrested the allies under MacArthur, arrested General Yamashita, who was the last Japanese general in charge in the Philippines, and they couldn't torture him, but they got his driver, Major Kojima, and they tortured out of him the location of some of these caches.

And then MacArthur knew about this. This was reported to Washington, and instead of making it public, what they did was they used the gold that they recovered as a fund to fund the Cold War. That is an off-budget fund black money, you'd call it to fund the Cold War. Now, they did the same thing in Europe with the so-called Black Eagle gold that the Nazis had gathered. There's still more caches in the Philippines that have never been recovered. Some have been recovered.

Marcos recovered some, and the story goes on, but the point is that the CIA apparently or American Intelligence got control of the gold and used it, and it's very difficult to get an idea of what amount of gold were talking about. But clearly, it is maybe as much as ten times what the central banks of the west were of the world report in reserves, and they report about what 25,000 tons something like that.

The question that erupts in my mind is this book appeared in 2003, and I'm just suspicious enough to wonder if during 2003 when they were trying to suppress the gold price when the United States government was trying to suppress the gold price anyway if they would not have let something like this be published with the idea that the kernel of the story is, Oh, my, there's ten times as much gold out there as anybody thought there was; and therefore, don't buy gold because there's much more supply than anyone suspects. I don't know.

Who knows what which is real and which is Memorex? Who can ever tell? But the point is that there's a huge amount of gold out there. It was used to fund American undercover operations or intelligence operations all through the 1950s, 60s, 70s and til today. And so that's the burden of the story of Yamashita's gold.

Catherine: Well, you know, the kernel of truth that I've always believed is everything I've ever seen throughout my life, Franklin, is that the secret cash you know, the gold is the currency for the black budget, and the people trying to control and manage the world. It is the ultimate dark pool, and those gold caches so in that sense, it fits with the story. And I never told you about the evening I spent with Imelda Marcos in her townhouse in New York, did I?

Franklin: No, but the Marcoses were you know, they were very much involved with that gold.

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Catherine: Yes.

Franklin: Was it Marcos found some of those caches, and he was always looking for the rest of them.

Catherine: Yes. Okay two comments on some of your chart comments. Gaps may be a reflection of the futures market manipulation just a timing issue of the open/close of U.S. markets. Regarding charts, looking at the correlation of the price of gold and debt, it would appear that the price of gold has to rise. So I think he agrees with us. With J.P. Morgan holding such a huge short position and controlling the price of silver, when and how can this control be broken? You want me to take?

Franklin: Yes, go ahead. Yes.

Catherine: I've never believed it's a J.P. Morgan Chase position. I think it's an exchange stabilization fund position. And if you don't understand the exchange stabilization fund, it really pays to take the time. There's a video that someone did on it that we put up on the blog. My favorite story on the exchange stabilization fund is in Christopher Simpson's book, *Blowback*.

The exchange stabilization fund is a U.S. government fund which is managed by the New York Fed, reporting directly to the Secretary of Treasury, which is why Mr. Jack Lew's position is so important here, but is managed by J.P. Morgan Chase and any other private bank anointed by the New York Fed. Remember, New York Fed is owned by J.P. Morgan Chase and the other member banks. And so they are acting as agents of the U.S. government, and so literally that short position is managed for the benefit of somebody who has a standing army and a nuclear arsenal.

I don't see how that position can be broken without breaking the U.S. federal credit and the U.S. military. So that's quite a strong position. In Christopher Simpson's book, *Franklin*, they seize the money from the Nazis, they put it in the exchange stabilization fund, it's sitting in the exchange stabilization fund, and the Dulles Brothers are sitting at Sullivan & Cromwell and decide to use it to rig the Italian elections at the request of the Vatican.

And I've often said that the history of U.S. finances since that time is a story of the different manipulations done to replenish that slush fund. But that I think that's a U.S. government position. I think the idea that J.P. Morgan Chase has that position and it can be broken is not a feasible view of the world. And it was very interesting because we had the head of commodity markets at Morgan giving a speech I think it was sometime last year saying that they don't have big long positions or big short positions.



And then a big brouhaha, because everybody's saying, Well, Morgan must be lying. I don't think they're lying because I think they're taking that position as an agent, not as a principal.

Franklin: I mean, the person who charges that they have this big short position doesn't understand that nobody carries no trader carries a big short position. You carry a flat position, and so if you've got a position that's short what you're trying to do is work out of it all the time. So J.P. Morgan Chase certainly is bright enough to know not to carry a huge unhedged short position. If there is a short position, it has to be the federal government. It can't be J.P. Morgan. I mean, logically.

Catherine: I'm interested in hearing if Franklin believes 2013 should be a time to sell and if he believes that 2015.75 is a turning point for the global economy.

Franklin: I don't have a date in mind. What I've got are targets in mind, and I'll be glad to share my targets with you.

Catherine: Please do.

Franklin: It's very simple. Whenever you see the price of gold in terms of silver at less than 16 ounces, the price of the entire Dow at less than 1 ounce of gold or 16 ounces of silver, then it's time to sell.

Catherine: Oh, see, I'm a much bigger chicken than you; I'm at 25. I'll start doing it at 25. Okay, one more, one of the problems that we have with silver is that silver becomes illiquid at the top. And so I have two plans for getting out of silver before the top because silver becomes very liquid. So my question is will you look at the ratio to make your decision, or what exactly will be the driver that screams sell? So I'm at 25, and you're at 16. That's okay. Traditionally, my history is I get out early.

Franklin: Well, let me just point out there's another way around that, and a way that I've just recently explored, and that is that you can put your silver in a vault in a COMEX-acceptable vault, you can swap to and swap it into 1,000-ounce bars and do it that way. The other alternative is to swap into gold when the ratio is about 20:1 and ride out the balance of the market in gold instead of silver. So that's two ways to do it. But you can't hold the silver yourself in your own hands and expect to get out at full value at the top of the market. That would be a mistake.

Catherine: Right or you're running quite a risk. One more question. Trillion-dollar platinum coin do you or Franklin have light to shed on this proposal? Are you familiar with the proposal, Franklin?

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Franklin: Oh, my, yes, I am!

Catherine: What?

Franklin: Oh, I am! Yes, I'm laughing, because what they say is that they would because they the law is written in such a way that they can print they can mint a platinum coin with any denomination they want, that all they have to do is mint one that says \$1 trillion, and the federal government deposit that with the Fed and all its troubles are over. Well, that's ridiculous. It's completely ridiculous, because that's doing the same thing that they're already doing.

It's just printing one piece of something instead of a billion or a trillion pieces of something. But that idea is not going to go anywhere. I mean, they've talked about it, but that shows you how desperate they are if they are talking about things like that.

Catherine: Okay. Franklin, let's turn to *Lets Go to the Movies*. You have not seen this, but I think it reminds me tremendously of you, so I want to draw you into the conversation. Ken Burns in 1994 made a ten-DVD series on the history of baseball, and interestingly enough it is a wonder if you're interested in the history of America in the United States, it's a wonderful way of experiencing the history of the country through the history of one of the sports it loves. And it's fascinating.

Ken Burns knows how to make a great documentary. It's fascinating. There is a tremendous amount of individual people that are long-time heroes in America through the sport, and it's something that's very interesting and very enjoyable to watch. And the reason I wanted to recommend it to you is that it takes you back into a world where there was much less corruption. The corruption that existed was much less evident in our day-to-day life, and I was just telling Mr. Franklin earlier, before 1996, one of the most common expressions in America was, Hey, it's a free country!

So somebody does something crazy or stupid or something you think is wild and nuts, and your attitude is, Fine well, it's this is America. Americans were big people. They were generous. They were open-hearted, and there was a real spirit of community; and of course, sports and baseball was one of the places where people from every different background and walk of life could get together and enjoy each other's company and a real community spirit.

And you get that it takes you back, and you remember that world of what it meant to really be proud to be an American not because of who or what the government was, but because who or what the American people were. We were a people who liked each other, respected each other, and respected each other's rights, and respected each other's right to

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speaking our mind. And it's I can't recommend it to you enough. If you want to go back to that time and enjoy what that felt like, it was a wonderful, wonderful feeling. And Franklin, I know you haven't seen it, but I know you know a lot about the American spirit and American community, and so I didn't know if you wanted to add anything.

But it reminds me a lot of what it's like to be over at a big to-do at the you know, like going to the hoedown at the Sanders Farm. And suddenly, you're back in that feeling of tremendous community spirit. And the hot dogs at your place aren't cheap; they're high quality pork. But you have you've managed to preserve that special decor for all of us.

Franklin: Well, you know, you touched on something, though. I'm 65, and when I was growing up in the 50s, everything was possible, and people pretty much did leave you alone. I mean, the kind of freedoms that people enjoyed then or even 15 years ago when you could get on an airplane and nobody asked you if you were carrying a pair of fingernail clippers or anything like that it's just a different world.

Catherine: Yes it was a good world. I like that world. Anyway, if you want to get a sense of what that world felt like you want to be reminded, I recommend it: Ken Burns DVD series on baseball. Okay well, Franklin, we know you're over in Chattanooga. We want you to have a wonderful trip, and we can't wait to see what happens in the next month. And we'll talk to you for the February Precious Metals Market Report. Have a wonderful trip, and thank you very much.

Franklin: Thank you.

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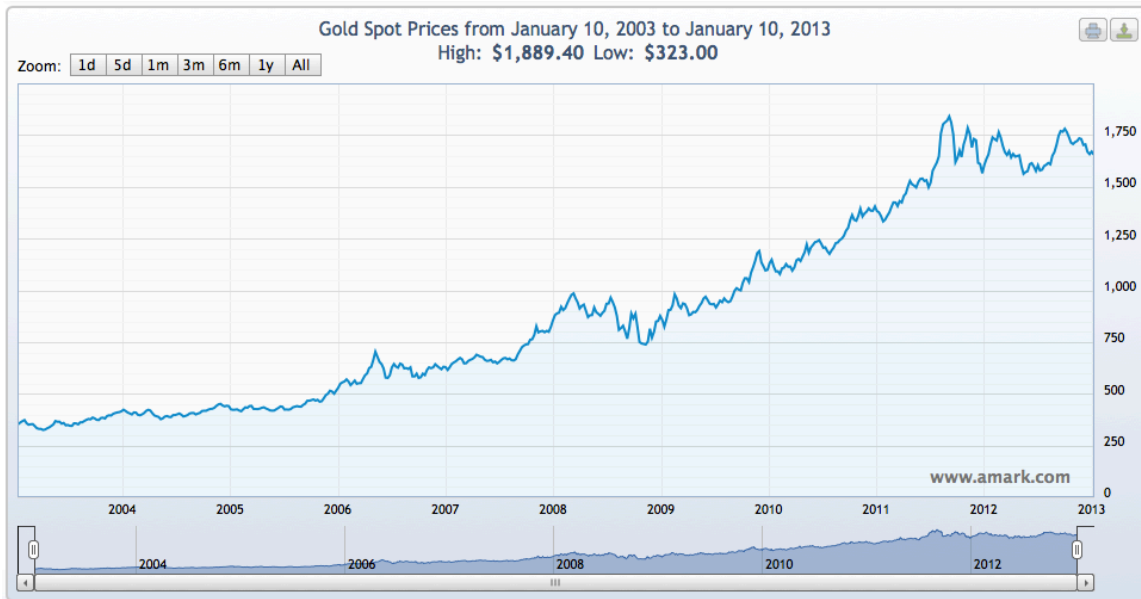


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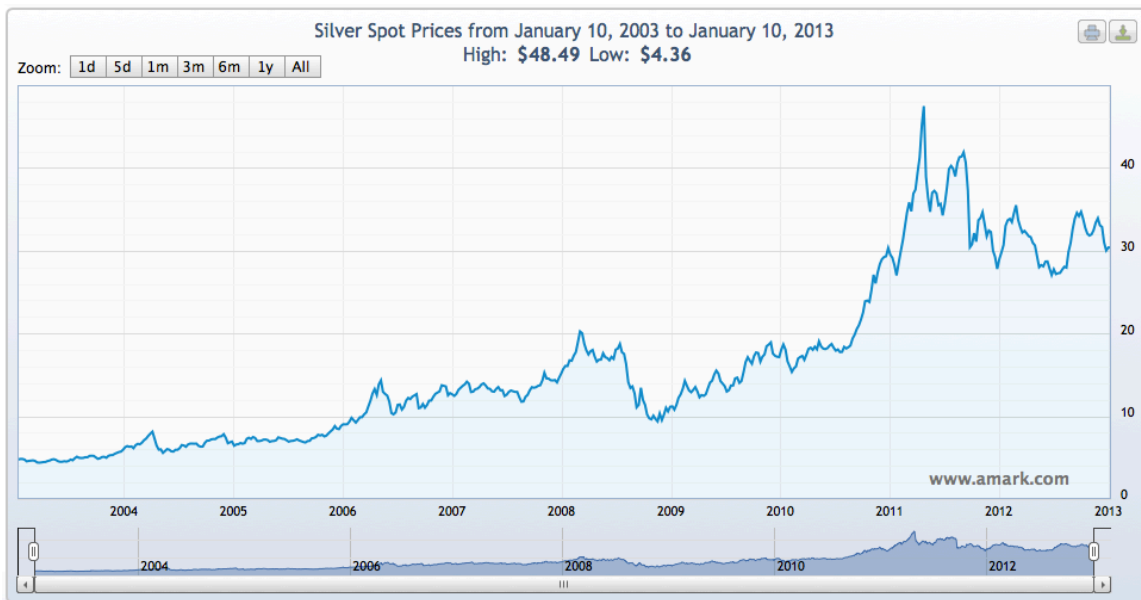




10 Year Gold Spot Prices



10 Year Silver Spot Prices



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