September 26, 2014 – A Big Change Is Coming To The Gold Market – By Jeffrey Hagenmeier

The continuing **manipulation of the gold markets** by bankers, institutional traders and politicians is going to be more challenging from now on. The *Shanghai Gold Exchange* is already open to all international traders of gold, located in the city's new free trade zone. This is a major expansion in the global market for gold and silver. The emphasis will be on the trading of precious metals in their physical form.

The ultimate goal of the Chinese government is to finally break the monopoly, that a number of Western governments have held over the gold and silver markets for the last 300 years. China is already the largest producer of gold in the world. It is important to note however, that all gold produced in China is purchased by institutions of the Chinese government. China is also the largest importer of gold in the world. This makes China the largest global consumer of gold. At the very least, China would like to dominate the gold market in Asia.

In second place, India is the second largest buyer of gold in the world.

The Western practices of **gold futures** and **options** which is actually ***paper gold***, make it much easier for markets and customers to be manipulated. There is a growing suspicion among individual investors, that the same gold is being sold to numerous clients. That is one part of the scheme. The second part goes something like this. The government or central bank will announce it is selling gold. This will place more gold on the market. Major investment houses are then told to advise their clients to sell their holdings, before the price drops. When these individuals do sell, it becomes a self fulfilling prophecy. The international price of gold then does drop. The amazing thing is that little actual gold changed hands. It was mostly achieved through paper gold and gold futures.

The real losers in this scenario are the individuals who own physical gold and those investors who were unable to get out of the market, before the price dropped. The third and final part of the scheme is that the central bankers and the government can now purchase gold at a lower price. It is also a way to maintain the value of the currency of the country engaged in the practice. Both the United States and the United Kingdom have been accused of this practice.

One of the biggest advantages to this strategy of market manipulation, is that it can employed numerous times.

Since China has made major investments in gold over the past few years, they are not in favor of this constant market manipulation by Western countries.

The Shanghai Gold Exchange is allowing foreign investors to trade all forms of gold, including physical gold. Transactions will be made in yuan, which is the currency of China. This is a major change in the world of precious metals especially gold and silver. Under these conditions the **market fix** which was recently abandoned for silver, but is still in place for gold, becomes less effective.

The global gold fix is officially done in the United Kingdom. The city of London has been an investment and financial capital for centuries. Along with New York City in the United States, these two cities dominant the trade in gold. This is because they possess the power of pricing that can be manipulated on a daily basis. As a result, the United Kingdom imports and exports more gold then any other country in the world. What happens in London matters much more then what happens in China, with the full explanation given below. The same is true for silver.

Investors in gold need to understand the limits to what the Shanghai Gold Exchange will be able to achieve. Although China has plenty of gold on hand it cannot be exported. This is because the Chinese government has listed it as a strategic metal. This will limit the influence of the Gold Exchange in China. Here is why. The inability to export gold puts a big barrier in China's ability to affect world gold prices. If prices in gold are higher in China than what is the fixed price of gold in London, the metal will naturally flow to Asia. However, it cannot flow the other way, when prices may be lower in China. Therefore, traders can only exploit the price gap in one direction. This will need to change, if China is going to fully challenge the investment bankers in London and New York.

Singapore also plans to open a gold exchange market in October in competition to China. There is talk that Thailand may soon follow suit with a spot gold exchange.

One thing is certain. Investors in gold and silver can look for increasing transparency in the overall market. This is because the power to manipulate prices becomes more difficult, with an increasing number of world players in trading exchanges.