

# Will Gold and Oil Soon Take a Dive?

**Note: This article is now out of date.**

It was originally written on Friday July 14th when Gold was at \$663, and was sent to subscribers on the 17th and 18th after some deliberation on my part.

Gold closed at roughly \$619 on July 21st (a loss of about 7% in one week), after making a low for the day at about \$612. Then, on Monday, July 22nd, gold fell still further nearly touching \$600 (a loss of about 10%). As of July 26th, gold trades somewhat higher at about \$623.

Though less impressive, oil fell nearly \$5/barrel between July 14th and July 20th, from ~\$78 to ~\$73/barrel (a loss of about 6%). As of July 26th, oil trades near \$74/barrel.

Meanwhile the DJIA has risen from 10739 (July 14th) to 11,103 (July 26th), for a gain of nearly 4%. Also, Bernanke has indicated that interest rate hikes may stop (short term).

Despite my strong feelings, I personally only purchased one put option in GFI. I exercised it for a 100% return on July 20th planning to buy it back in the morning the next day. Computer problems prevented me from following through with my plan and before knew it the gold price had fallen by about \$10 in 10 minutes. Hopefully some of you were more fortunate, considering that I would have made an extra 400% profit had I repurchased that GFI put option.

Although I did not purchase many options on gold and oil, I did build up a cash position accounting for about 25% of my portfolio. I plan to reinvest this money over the next month.

**The Original Unedited Article Follows...**

**Gold always disappoints, both up and down, or so I was reminded recently by a subscriber to this newsletter.**

The Middle East is in turmoil...The DOW is falling...World Markets are falling just as hard or harder...Gold and Oil are rising to record highs, along with interest rates (of special note, the Bank of Japan raised rates for the first time in over 6 years, from 0% to 0.25%).

All in all, volatility reigns supreme.

**...but what if the Mid-East Crisis is resolved?**

Interest rates might actually go down...the DOW would likely rise as liquidity returned to the markets...and Gold and Oil could take a severe hit.

**Consider this...**

What if the Arab nations were well aware of what is now erupting in that region of the world? Would they not take that opportunity to begin heavily buying oil and gold futures? It sounds like a perfect plan, and indeed, they would have already made a bundle of money. Successful terrorist activity would make them all rich, and the outbreak of a larger scale war would make them even richer. And the motivation would not only be greed, but economic revenge. Sustained and significantly higher oil prices would be deadly for the West.

But if they are wrong, and large scale war does not break out and/or their terrorist activities are unsuccessful, then gold and oil will likely experience sharp declines. The resultant vacuum created by a sudden retreat of speculative buying could create one of the best entry points for the newcomer in this commodities bull market, which I still believe will last *at least* another 5-10 years.

I cannot give specific advice, but I may personally begin selling my positions in silver, gold, and base metals stocks in this next week or so [as of July 17th I have already begun to do so]. If the speculative fervor continues as I expect, then I will strongly consider purchasing gold and oil put options through index funds\* and the OTC options\*\* market. I would plan on buying far out of the money contracts that expire in the nearest contract month, expecting a brief but painful drop in the price of both oil and gold [the last day to trade July options is this coming Friday, July 21, so out-of-the-money options purchased later in the week will be dirt cheap]. I would then quickly reinvest any profit into what would be dramatically oversold penny commodities stocks.

\*Examples:

Gold – **XAU** [preferred], **GDX**, and HUI

Oil – **XOI**, **XLE**, and OSX

\*\*Examples:

Gold – NEM, GLG, HMY, **GFI** [I already purchased a small amount], AU, and **AEM**

Oil – CVX and XO

A more conservative strategy I might also implement would be to maintain positions in most of my penny gold/silver equities while covering some of this risk by buying put options in some of the equities/indexes listed above.

I could be terribly wrong, and my plan could fail miserably, but I wanted to make my intentions known to all of you beforehand. I intend to buy July put options, but I may also purchase some that expire in August. At the very least, I'll be acquiring a more significant cash position.

Also, please note that COMEX removed all fluctuation limits on commodities as of June 5, which means extreme volatility could rip through the markets without anything to stop it.

A subscriber wrote the following to me:

The derivatives market is just like mortal combat, it is a zero sum game, all or nothing.

Just like the Midianites [read the story of Gideon, Judges 6-8], the cartel will be positioned to loot

the land, and the Lord of Hosts will cause them to panic killing each other. This will be something that will be impossible with man, but as we both know "All things are possible with God".

As you well know the Lord says: "All the silver and all the gold is Mine" (Haggai 2:8). There are those extremely rich and powerful people and organizations who manipulate and control this wealth to their own ends. They are the ones that rig the futures and options market, and control the entire paper gold/silver market. It is these individuals, families and groups that the Lord is going to relieve of their wealth.

I continue to seek guidance from the Holy Spirit as to the next steps that I should take, and if my plans should change drastically I will do my best to keep you all informed.

This may all sound a bit kooky to many of you, especially those who are not believers, and indeed I wasn't so easily persuaded myself at first either. It wasn't until I had an interesting confirmation in late June while camping with my family that I truly began to take this whole idea seriously.

You see, the anonymous source referred to above has contacted me a number of times. On one such occasion, he mentioned that he had a certain 'codeword', if you will, for this situation that was developing. That word was waterfall.

Now, I live in Wisconsin, in a moderate sized city. I've lived here all my life. As a result, I don't see waterfalls very often, because there simply aren't many around, and in my life I haven't traveled very much. So you can see that it was a bit surprising during our family camping trip (planned by my parents unbeknownst to me until days before) that I counted a total of 6 waterfalls while hiking amongst canyons at Starved Rock State Park in Illinois. These weren't huge waterfalls, mind you, but it was confirmation as far as I was concerned, especially considering that I had been fasting several days prior to the hikes.

Take it for what it's worth. I don't claim to be a clairvoyant, a prophet, or anything else, but I did feel I should share this with all of you.

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