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"Oil Skyrockets to New Highs, War Erupts in the Middle East, Gold Rebounds and Then Swings Wildly…Is This the Beginning of the End for the Dollar?"

James DiGeorgia, Editor

"Meanwhile, gold and oil could hardly be more bullish! Are you prepared?"

- **Our oil supply: held hostage by a dictator?**
- **Middle East oil expert predicts oil as high as $300**
- **Chinese official warns: we're going to dump our dollars, and buy gold!**

Two months ago, I told you oil was going up, even though the media said it would subside. Last month I said gold's price fall was temporary, even though everybody else said no. And I've been warning of coming trouble in the Middle East since last summer.

Well, sometimes I hate to be so right. Oil has now hit an all-time record high of $78 per barrel. Gold rebounded back up by $100, and is swinging wildly as I write this. Israel is fighting a two-front war against Hamas in Gaza and Hezbollah terrorists in Lebanon.

It's the war that concerns me the most. Syria, and then Iran, might enter or be sucked into it soon. (Actually, they're already involved, since they started this war in the first place by giving missiles and other weapons to the murderous Hezbollah thugs.)

Right now Syria and Iran are laughing on the sidelines, but Israeli bombs might soon wipe the smirks off their faces.

Of course, we ourselves are still at war in Iraq, right next door. There's a strong chance we'll jump into the war on Israel's side, especially if Iran gets involved more openly.

With Iran on the verge of going nuclear, our leaders are already looking for an excuse to take out the Iranian program and prevent the nutjob mullahs from getting nukes.

All this is NOT good news for the U.S. dollar!

As I've been warning here in *GEA*, the dollar was already under severe pressure, and has been for years. So far, Washington has managed to (barely) keep the greenback afloat, and avoid the agony of a dollar collapse.

That is now looking like the wrong decision. If Washington had allowed the dollar to fall earlier, there wouldn't be so much accumulated pressure on our currency. It would have been painful then, but we'd be in much better shape to withstand these new problems now.

THE GOLD AND ENERGY ADVISOR

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But that's not what happened. Instead of fixing the problems, our political leaders made them worse. They've continued to spend, spend, spend, printing more dollars with abandon. Our dollar is now like a huge balloon that's already grotesquely overinflated, but still continues to swell. The eventual bust will be catastrophic.

Despite all this, the media stupidly continues to make happy-happy noises about our economy. "Our economy is still growing," they coo. "Everything will turn out all right."

No, it won't. Happy-happy noises notwithstanding, the dollar is doomed. If not in the immediate future, then a lot sooner than anyone will like.

There are just too many forces lined up against the greenback for it to survive unscathed. In this issue, I'll discuss just a few.

A Hostile Dictator, Controlling Our Oil Supply

As I write this, the G-8 meeting of industrial democracies was just concluded, chaired this time by Russian President Vladimir Putin. Many commentators have noted that Russia, as the G-8's newest member, is *not* a democracy, and has no business being part of the G-8 (never mind chairing a meeting). Russia's membership in an organization of free countries is a sick joke.

In recent issues, I've mentioned Russian's return to tyranny. Putin has systematically crushed all opposition, and rules Russia as its new dictator.

He's also becoming more and more hostile to the United States. Putin is angry that countries along Russia's border are actually becoming democracies (for example, Ukraine and Georgia). There's an element of wounded pride to this: first, the Soviet Union collapsed, then a bankrupt Russia was forced to default on its national debt, and now the former Soviet slave countries (previously under Russia's heel) are throwing off their shackles and declaring themselves free from Russia's yoke.

Ex-KGB agent Putin has said that the dismantlement of the Soviet Union was a "national tragedy on an enormous scale." He's furious that his country, head of a glorious empire just a few years ago, fell and was humiliated…and he blames America for all of it.

But Russia is far away from here. Why should we care about this?

Because Russia has the world's largest natural gas reserves, and is also the world's second-largest producer of crude oil. It's all controlled by a belligerent dictator. And this is occurring at a time when world energy markets are stretched to the breaking point.

For example, have you ever heard of the Calcasieu Ship Channel in Louisiana? Me neither. But a minor oil spill there on June 20 caused crude oil and gasoline prices to surge up by *14.5 percent* across the country over the following 10 days.

Previously, nobody would have even noticed, or cared, about such a minor incident, but oil supplies are incredibly tight. Every ounce is desperately needed, and the slightest interruption sends shock waves through the markets.

A news story about the incident quoted an energy trader who warned, "There is no room for surprises. There are no cushions, no shock absorbers in the system. There is no spare capacity in crude oil, and no spare refining capacity. So if you've got a hiccup in a refinery in Europe, South America, or the U.S., you've got a problem."

This is the environment we're in. And Russia supplies almost 10 million barrels of oil to world markets each day—about 12 percent of the total supply, and only a few barrels shy of the leading producer, Saudi Arabia. We're utterly dependent on both countries for our oil (we consume 20 million barrels a day, equal to the combined output of both countries).

Being dependent on the corrupt Saudis is bad enough. But at least we know they're too greedy to restrict their oil sales to us by much.

Putin, however, is a different story. He's already blackmailed several countries (including, at least indirectly, parts of Europe), by shutting off their gas supplies until they met his demands. He obviously doesn't care about potential loss of revenue.

In fact, over the last six years Putin has restructured his nation's economy so well that Russia could probably shut down a good portion of its oil exports without missing the income too badly. (Unlike the U.S., Russia is actually running a budget surplus, and Putin has been paying off the national debt on an accelerated schedule.)

Obviously Putin wouldn't turn off the spigot completely—that would bring financial ruin to his country. But he wouldn't have to. Just restricting oil exports a little would turn the supply/demand curve upside down and make prices skyrocket in America.

Should we sleep well at night, knowing that an increasingly hostile Russian dictator could make American oil and gas prices double or even triple overnight, whenever he wanted? How long before the temptation to use this power against us becomes overwhelming?

Incidentally, America isn't the only nation Russia can hold hostage. Europe is under Putin's thumb too.

Years ago when natural gas was cheap, Europe switched over much of its electricity production to gas-burning plants. Western Europe alone now accounts for more than one-sixth of global gas consumption. At the same time, gas production on the Continent is declining.

As a result, the Europeans are dependent on gas supplies from Russia. Europe already gets a quarter of its gas from Russia, and that number is expected to rise to one-third in less than a decade.

In just the next six years, Europe's consumption is projected to rise by 220 billion cubic feet annually: about two and a half times the current consumption of all of Italy.

As Italian energy executive Paolo Scaroni recently said at an energy conference in Amsterdam: "Where are we going to find all that gas?"

Our utter dependence on foreign oil has emboldened even the petty little tyrants around the world.

I've talked before about Venezuela. People thought I was crazy for saying that its pathetic little dictator Hugo Chávez could actually hurt the U.S. economy if he wanted. (Not as much as he thinks, but he can still put a dent in our markets.)

Well, guess what. Citgo Petroleum Corp.—which you might not know is wholly owned by Venezuela—has decided to stop selling its gas to 1,800 U.S. gas stations. It will keep selling gas to its Citgo-branded stations for now, but all the independent American stations will be cut off by March of next year.

The Citgo brand will disappear completely from 10 states: Iowa, Kansas, Kentucky, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, and South Dakota.

Stations in Illinois, Texas, Arkansas, and Indiana will also be affected.

That's a substantial supply of gas taken off our markets, with a snap of Chávez's fingers. Still think Venezuela can't affect us?

Latest prices as GEA goes to press— July 26, 2006

Comex spot contract: silver $11.05, gold $621.75
Nymex spot platinum: $1219, palladium $310
Nymex Light Sweet Crude Oil $74.71

Silver coins			**Dealer will buy at this price**	**Dealer will sell at this price**
100 1 oz. silver American Eagles			$1,125	$1,280
100 1 oz. common rounds			$1,080	$1,250
$1,000 face value US pre-1965 coin bag (circulated)			$7,200	$7,980
$1,000 face value US circulated silver dollar bag (VG or better)			$10,500	$13,500
US Morgan silver dollars		PCGS MS64	$45	$65
		PCGS MS65	$110	$140
		PCGS MS66	$280	$375
Platinum coins				
U.S. Platinum Eagle:		1 oz.	$1,200	$1,295
		1/2 oz.	$590	$690
		1/4 oz.	$300	$375
		1/10 oz.	$118	$180
Gold coins				
Australian Kangaroo			$615	$647
British sovereign (Kings)			$125	$168
(Elizabeths)			$125	$168
Canadian Maple Leaf			$615	$680
Credit Suisse 1 oz. gold bar			$610	$645
Mexican 50 peso Centenario			$725	$800
South African Krugerrand			$610	$647
US Gold Eagle:		1 oz.	$589	$620
		1/2 oz.	$295	$325
		1/4 oz.	$145	$168
		1/10 oz.	$58	$68
US $20 double eagle:				
Liberty	Raw	MS60	$600	$775
	NGC	MS63	$800	$1,200
	NGC	MS64	$1,800	$1,950
	NGC	MS65	$4,150	$5,950
Saint Gaudens	Raw	MS60	$625	$725
	NGC	MS63	$800	$900
	NGC	MS64	$1,000	$1,100
	NGC	MS65	$1,100	$1,450

Prices courtesy of Universal Coin & Bullion
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It's no surprise then that the Europeans have been rather quiet about Russia's slide back into tyranny. They choose their words very carefully when talking to Putin now.

The U.S. has been a bit noisier about human-rights violations in Russia, but it's all bluster with no substance. Putin can crash our financial markets any time he wants. We know it, and he knows it. As the *Wall Street Journal* put it, Russia is now "using oil as a weapon to threaten its neighbors and global energy supplies." And we can't do a thing about it.

When will our tight energy markets loosen up? Not in the foreseeable future—the situation is getting worse instead of better.

Not only are we failing to replace our depleting oil supplies, the equipment needed to find more oil is itself disappearing. For example, jack-up oil rigs (shallow-water rigs that stand on stilts) and deep-water rigs are now getting scarce in the Gulf of Mexico. These massive platforms are used to drill for oil and gas, but their numbers have shrunk from 148 five years ago, down to just 90 today, with more scheduled to leave soon.

Is this from last summer's hurricanes? No—Katrina and Rita took out a handful of rigs last year, but that's not the source of this trend. Thanks to today's high oil prices, global demand for oil and gas drilling has skyrocketed. Rig owners are now asking—and receiving—astronomical prices around the world for their equipment, and the U.S. can't compete.

For example, Houston's GlobalSantaFe is about to send four jack-up rigs to the Persian Gulf, under contract to Aramco, the Saudi oil company. Aramco has agreed to pay a whopping $160,000 per day for the rigs, each day for the next four years. Ensco International will send a rig to Tunisia next year, for a two-year job at $200,000 per day.

Meanwhile, deep-water rigs are now going for over $500,000 per day. Prices have skyrocketed to breathtaking levels, seemingly overnight.

BP just leased a drilling ship in the Gulf of Mexico for $520,000 per day— the same ship it leased just two years ago for only $184,500!

And there's no relief in sight. You might expect that rig manufacturers would be frantically building more platforms to meet demand, and you'd be right…except that it takes years to build one of these behemoths. (A deep-water rig can be longer than three football fields, and be capable of drilling several miles deep underwater.) They're also tremendously expensive: $160-190 million for a jack-up rig, and $600 million for a deep-water platform.

Manufacturers are currently working on orders for 91 rigs—up from only 10 just three years ago—but no equipment is expected to be delivered until at least 2009. Even then, there's already some concern that the rigs will be delayed (just like the delays which happened during the last rig-building boom in the late 1980s and early 1990s).

We desperately need more oil, but can't get it!

As I explained in Chapter 12 of *Global War for Oil*, the world is expecting the wrong crisis.

The oil companies say that we have plenty of oil left—we'll be pumping for decades, they say. And they're absolutely right.

But that's not the crisis we're facing. We aren't running out of oil—we're running out of *cheap* oil. And that fact will cause a financial storm that hasn't been seen in this country since the Great Depression.

The cheapest oil comes from young, large fields. Unfortunately, all the large fields in the world are old—for example, the massive Ghawar field in Saudi Arabia (which all by itself produces six percent of the world's oil), has been producing for 55 years. All the super-giant fields in the world were found in the 1960s or before.

As a field ages, its pressure decreases, and it gets more expensive to extract the oil. The oil also comes out more slowly. So the large fields that the world has relied on for 50 years are getting more and more expensive to operate, and are producing less and less oil.

Meanwhile, all the new fields we've found since the 1960s have been small. Apparently all the giants are gone: oil companies have scoured the globe, and the big fields just aren't there to find.

Yes, occasionally the media will announce an exciting new "major oil discovery"—but what you don't hear is that these fields are always later found to be much smaller than originally thought. Sometimes they're outright duds.

For example, the biggest finds in the last 30 years are the Caspian Sea deposits. They were originally hailed as being "a new Middle East," but are now known to be much smaller. All their oil combined is only about one-third the size of Saudi Arabia's largest single field.

Here's a more recent example. Last March, Mexican President Vicente Fox stood on an oil platform 63 miles off the coast of Mexico and proudly announced a huge new find: up to 10 billion barrels of oil. But now that wells have actually been drilled, the "huge oil find" is neither huge, nor an oil find. It's turned out to be a modest-sized natural gas reserve instead.

So for the last 40 years, all we've found are small fields. Thanks to the shrinking size of these discoveries, the overall amount of oil discovered each year has plunged.

Worse, a small discovery costs a lot more to find (on a per-barrel basis) than a big one. Therefore, as we've found less and less oil, each barrel has become more and more expensive to find.

That's why the major oil companies have *lost* money on their exploration programs for several years now—the oil they've found is worth *less* than the money they've spent to find it. Pretty soon they won't bother looking for more oil at all.

Add all this up, and you'll find that global oil production can be accurately modeled by a bell-shaped curve. The oil comes fast and cheap at first, and production rises to a peak. Eventually, production tapers off, thanks to depleting older fields and the shrinking amount of oil found in new ones. Then it falls down the other side of the curve, never to recover.

This "peak production" curve is well-understood: even the major oil companies admit it will happen. After the peak occurs and production falls, that's when the financial tsunami hits our economy. Our global oil supply will shrink every year, even though demand will continue to rise. Obviously, prices will soar.

We've never seen such an event in history. For over 100 years, oil demand has risen year by year, but supply has risen too. Once peak production occurs, though, the supply/demand curve goes upside down permanently. Oil prices will go to the moon and stay there, *even though we'll still be pumping oil for decades afterwards* (that's the part people don't seem to understand).

This last point is especially hard for free-market thinkers. Normally, rising prices increase producer profits, and encourage them to ramp up their production. Supply is increased, and the prices fall again. So in a free market, a shortage will eventually be corrected.

But that won't happen for peak oil. This isn't a

Portfolio Updates

In Update #204, we sold our shares in Devon Corp. for a 10.2% profit.

We also sold our Suncor calls (SUIM). We made $240 per contract.

Finally, we sold our Global Santa Fe calls (GSFGI). We made $230 per contract.

In Update #205, we discussed our midyear performance for the GEA portfolio: up 9.02% for the first half of 2006. Since we started the portfolio in March of 2004, we're up 94.41%.

In Update #209, due to increasing risk for investors, we raised some cash by selling the following stocks:

- 100 (of our 300) shares of Talisman at $17.25, making 109% profit
- 100 (of our 200) shares of Anadarko at $44.85, making 74% profit
- 50 (of our 150) shares of Encore Acquisition at $27, making 83% profit.

In Update #213, for investors who own Noble Energy (NE) shares, we recommended writing options on them. We sold the August $70 calls (NEHN) for $4.20.

For investors who own Atwood Oceanics (ATW), we recommended writing options on them. We sold the August $45 calls (ATWHI) for $2.50.

In Update #214, for subscribers who sold options against Newfield Exploration (NFXGI) and EOG Resources (EOGGM), we bought them back at the market. Then we sold the stock as well.

In Update #215, we let our Anadarko Petroleum (APC) options expire worthless and kept the premiums.

We also sold one contract of August $45 calls (APCHI).

In Update #217, for subscribers who own Cimarex Energy (XEC), we recommended selling the August $40 calls (XECHH) for $1.20.

For subscribers who own Encore Acquisition (EAC), we recommended selling the August $25 calls (EACHE) for $3.60.

For subscribers who own Bill Barrett Corp (BBG), we recommended selling the August $30 calls (BBGHF) for $.90.

problem the free market can fix: it's caused by physics, not market dynamics.

Producers will be producing at full capacity, and *supply will still fall anyway* —it will be physically impossible for them to produce any more. It's the inevitable result of aging oil wells that aren't being replaced by new ones.

So the key question is: when will the peak occur?

Some oil experts say we're at peak production *right now*!

I quoted several of these experts in my book, but another one joined the chorus recently. Ali Samsam Bakhtiari, a former executive with Iran's state oil company, was just quoted in the Middle East's *Gulf Times*. He said world oil production is now at its peak, ready to fall.

Here's what he said about what will happen afterwards: "We don't know how far the price has to go for demand to begin to be dented; the normal economics don't work anymore. Is it $125? Is it $150? I don't know. I don't think it can go much higher than $300…

"In the short-term future production can only decline. It will not go up again because there's faster depletion in all these fields than new fields coming on stream."

Peak oil will drastically, and permanently, impact the world economy. And it might be upon us.

Despite all this, some "experts" are keeping their heads in the sand. Peak production is only a crude oil problem, they say. And we'll avoid it, because we'll surely develop viable alternative energies to replace oil Any Day Now.

But alternative energies are just wishful thinking!

If you listen to the media, we'll have all sorts of new energies available to us. Soon we won't even need crude any more, it seems—apparently we'll be drowning in ethanol, oil from Canadian oil sands, and other alternatives.

Well, this is nonsense. I debunked ethanol a few issues ago, and now it's time to talk about the oil sands. As I predicted in my book, the oil sands are turning out to be fantastically expensive to process—much more than previously claimed.

Shell Canada's Athabasca project was originally scheduled to increase capacity by 100,000 barrels per day (which sounds like a lot, but it's only a measly .1 percent of daily consumption). Shell just shocked the markets by admitting that this added capacity is now projected to cost an extra $11 *billion*.

To pay off this staggering investment over 10 years—which is much longer than a rational investor would like, and I won't even account for inflation and lost interest income—Shell will have to charge an extra $30 per barrel! This basically doubles the oil's cost, wipes out the entire profit margin, and removes any economic incentive to actually do the project.

Little wonder that other planned projects in the area are now being re-examined. Nobody wants to get knee-deep in frozen tarry gunk, only to discover later that it will cost billions more in investment to bring it to market.

Our anticipated supply of crude from oil sands just took a tremendous hit.

Meanwhile, oil is hitting record highs, and that's terrible news. High oil prices cripple our economy—slowly and quietly, perhaps, but it happens nonetheless. People are acting casual about oil's new record prices, but they shouldn't.

Think back to just six years ago. Here are some excerpts from a news story dated February 15, 2000, on BBC News Online: **"Oil reaches $30 a barrel…** US President Bill Clinton said the rise was "deeply troubling" and refused to rule out any US action to deal with the situation…"

The story talked about how worried everybody was about $30 oil. It quoted a London energy trader, who said, "The market is skeptical of words. It needs action in the form of physical oil." The article also pointed out, "Already the cost of heating oil in the Eastern United States has risen sharply, causing hardship and political controversy…"

$30 oil seems quaint now, doesn't it? Oil has more than *doubled* since then. Yet somehow, government officials are able to act nonchalant about it. Don't believe them. We're in serious trouble unless oil's price somehow takes a steep fall, and stays down there permanently. Which, unfortunately, I can't see happening.

The noose is tightening around our economy

On their own, record-high oil prices are enough to strangle our economy. But the economy was already gasping for air on its own.

Our natural gas situation isn't much better. Gazprom, the state-owned Russian energy giant, has announced it's building a gas pipeline from Iran to Pakistan and India. This project has been anticipated for 10 years, and it's finally coming to pass, at a whopping cost of $7 billion. Eventually, this "Pipelineistan" project will probably include China's Yunnan province as well.

This tightens the cozy relationship between Iran and Russia. Industry experts are worried that these two energy giants are forming a natural-gas equivalent of OPEC: a cartel to manipulate the commodity's price and keep it high.

There's good reason for worry. Russia's other recent announcement was about a new $10 billion gas pipeline to pump Siberian gas to China, bypassing Japan. And China just bought 49% of the Udmurtneft Russian oilfield for $2 billion

The overall goal of these projects seems to be to divert Russian and Iranian energy supplies into Asia, and bypass the West.

The Treasury Department just announced that our monthly budget surplus fell in June by 11% from a year earlier, down to $20.47 billion. This was portrayed as "oh well, this isn't necessarily great news, but it's not too bad. We still have a big surplus."

This is a bald-faced lie!

If we had a surplus of $20.47 billion, then why did our national debt go ***up*** by $63 billion during June? Because the government lies about our economy, that's why.

Washington collects extra money for future Social Security payments, *spends* it instead of saving it, but somehow "forgets" to count this spending in its bookkeeping. (Even though the money was counted as income when it was collected!)

Any CEO who kept his company's books like this would soon find himself in jail for criminal fraud. But Washington can do it with impunity.

Congress claims to be solvent, while covertly borrowing $2 billion *per day* to fund its continual porkfest party on Capitol Hill.

Most of this $2 billion in daily loans comes from foreigners. I've warned over and over again that this is a disaster waiting to happen—if the flow of funding dries up, our financial house of cards comes crashing down. We're putting ourselves completely at the mercy of people who in some cases *don't even like us*.

The scary part is…

Foreign lenders are now *warning* us that they're going to cut us off!

A few months ago, Yu Yongding (who sits on the Monetary Policy Committee of the People's Bank of China) warned us that China is going to diversify out of U.S. debt holdings, and into gold. He repeated the warning again last month.

Here's what he said originally:

"...in the first stage we must reduce accumulation [of U.S. dollar assets], then later we should reduce our reserves....[China and Asian countries] don't need that large an amount—more than $2 trillion—of foreign exchange reserves.... **This is a very big problem** and I think the Chinese government should take some action to reduce the growth rate of the accumulation of foreign exchange reserves as **we're still facing the possibility of a big devaluation of the U.S. dollar, so the capital losses will be huge.** If that happens, it will be tremendous hit to the Chinese economy...

"The trouble is, with such a huge amount of foreign exchange reserves, that there is no way to spend it very quickly and there's no plan to sell it of course—otherwise that inflicts damage on ourselves. You don't want to dump shares when the stock market has not collapsed yet and you are the biggest shareholder." Then he said, "all east Asian countries have tremendous foreign exchange reserves and **they all want to get rid of them**, but if you do this then you cause competitive devaluation, not of their own currencies, but of the U.S. dollar. So we should do this in an orderly fashion. **If Asian countries moved too fast, everyone would lose...** It would be utterly unfortunate if Japan sells a proportion [of their reserves, for] that causes problems. Then China panics and China sells a proportion—it would be very damaging."

Does any of this sound familiar? This is almost word-for-word what I've been warning about here in *GEA*!

The dollar is going to crash. Foreigners know this, and don't want to keep them any more, never mind buying any more. But they're stuck, because they've invested in dollar reserves so heavily.

Everybody who owns dollars wants to sell them—but if everybody tried, the dollar's value would collapse, and everybody would lose their entire investment. So they want to sell off their dollar reserves slowly, carefully, and quietly…while eyeing each other and making sure nobody else is selling theirs off too quickly. However, as soon as somebody panics (which will surely happen) and sells too many, the whole herd will spook and stampede for the exits simultaneously. The greenback will implode overnight. Yu wants to avoid this happening, which is why he's talking about it like this. (I think his comments were aimed mostly at his fellow dollar-owners.)

But if dollar-owners sell their greenbacks, where else will they invest their money? Yu spoke about this last month:

``China needs to establish a separate body to oversee and invest the reserves to seek higher returns and to avoid losses in case of a big depreciation in the U.S. dollar…

``We need to use some of the reserves to buy other assets such as gold, and strategic resources such as oil."

The warning couldn't be any clearer. Get ready for permanently high oil prices (and subsequent damage to the U.S. economy). Get out of the U.S. dollar and dollar-denominated assets before they tank. And get into gold while you still can.

Right now, China has a little over 600 metric tons of gold, representing a miniscule one percent of its foreign exchange reserves. (For comparison, the U.S. has 70 percent of its reserves in gold.)

If the Chinese decide to raise gold's share of their reserves to a mere 10 percent, they'd have to buy an additional 5,400 tons of the yellow metal…which is more than *twice* the world's entire annual production, and *almost one-fifth of the entire world's official reserves*!

Can you imagine what would happen in the gold markets? I can't. This is beyond anything any trader today has ever seen, in any market. Nobody has ever seen a single buyer vacuum every single ounce of production off a market for two entire years, or to try and take control of such a large percentage of existing stocks. Gold's price would shoot up to astronomical levels.

Obviously, we don't know how much gold the Chinese will buy. It might be less than this amount, or it might be more. Personally, I think 10 percent of reserves is a rather modest goal, but that's just me. In any case, though, it seems clear that gold's price is going to the stratosphere.

At least the Chinese are being nice enough to warn us before they do it. If you haven't invested in gold yet, do it now!