



TEMECULA VALLEY PROSPECTORS

A SOUTHERN CALIFORNIA CHAPTER OF GPAA



October 8, 2011

WELCOME ONE AND ALL TO THE TEMECULA VALLEY PROSPECTORS CLUB

Officers

President : Ken Hannan

Vice President : Gary Lawson

Secretary : Cathy Heflin

Treasurer : Tracy Snethen

Claims Director : Al Bauchner

Wagon Master : Jack Barber

Volunteer Positions

Newsletter : Jack Barber

Librarian : Mark Weaver

Web Master : Tracy Snethen

Merchandise : Carol Lisle & Sue Jeffrey

Refreshments : Linda Starr & Terri Young

Membership : Carol Fuller

Finds of the Month : Doug Balhorn

Metal Detecting Outings : John Bucholzer

Raffle Table : Ken Maltby, Don Brunt, Gary Larson

Equipment Managers : Arnold Shields, Frank Ramirez

Up Coming Outings

October 15 : Canyon Lake Bar-B-Que and Hunt

Nov : No Outing due to Thanksgiving

Dec : 26 - 30 Quartzsite, Arizona

Metal Detecting Outings

October 15 : Canyon Lake Bar-B-Que and Hunt

November 19 : 29 Palms

Dec : 26 - 30 Quartzsite, Arizona

Support our members stores

Executive Detectors - Lorrie Young

American Prospector & Treasure Seekers - Jim Jeffery

Nugget Hunters of America - Tracy Snethen

Legends Prospecting Supplies - John Bucholzer

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Temecula Valley Prospectors Group page

G.P.A.A. 2012 Gold Shows

Mark your calendars, Pomona will be the first stop in 2012 for the GPAA gold shows which will be expanding to 20 locations for 2012. Jan. 21-22 the gold show will return to the Fairplex in Pomona. The Las Vegas show will be on Ap. 21-22 at the South Point Hotel and Casino once again.

Upcoming Events for October

Saturday October 15th : Canyon Lake

Directions take the Railroad Canyon Exit off the 15 freeway north. Turn Left on Canyon Lake Dr. South, at the Guard Gate tell them your name, and show your drivers license (you must be signed up today to get in). When you are at the guard gate ask for a map to direct you to the Sierra Park.

You can start arriving as early as 8:00 a.m. with everything getting started around 10:00 a.m.

Don't forget to sign up for what you will be bring to eat, this will be a pot luck, bring enough food for 6 people. The Club will provide the drinks, and table settings. Bring Chairs to sit in and also if you have a folding table, we will need it as well to put all the food on.

Oct. 22 & 23 Big Horse Feed

Gold Panning at the Big Horse Corn Maze in Temecula. 33320 Temecula Parkway (Hiwy 79 South)

We need at least 5 people to help set up at 7:00 a.m. on Sat. the 22nd. It would be great if we could get at least 10 people to help work the both on both days. The hours we need to be there are from 10:00 a.m. to 4:00 p.m. Sign up sheet up front.

Sunday Nov. 6th Fall Back Festival

San Diego Gas Lamp District. Once again we will be doing the Gold Panning. We need volunteers to help set up and run the both, from 8:00 a.m. till 4:00 p.m.

Directions : 15 Freeway south, take the 163 south all the way to the end where it turns into 10th ave. Continue straight for approximately 8 blocks to Market Street and turn right. Find a place to park and look for us. We will all be in the same boat trying to figure out where we need to be when we show up.

Prospecting 101

Why Gold Isn't \$2000 yet...

The gold price went over \$1,900 and looked as though it was going to mount \$2,000, but since then has fallen back to \$1,600 and is in the process of consolidating around the lower \$1,600 area. It was expected that it would have moved a lot higher faster, but that hasn't happened, yet.

In the face of Italy's downgrade to A2 by the ratings Agency, Moody's summary that,

"There has been a profound loss of confidence in certain European sovereign debt markets, and Moody's considers that this extremely weak market sentiment will likely persist. It is no longer a temporary problem that might be addressed through liquidity support, and several euro-area governments are increasingly affected by the loss of confidence."

The downgrading was expected as are further downgrades for the different Eurozone members. Why shouldn't the gold price be on its way through \$2,000 to higher levels?

The 'Downturn'

The news over the last few weeks has sent global financial markets down heavily as a slow recovery morphed into a downturn and, at best, a flat economic future in the developed world. These falls have been accompanied by tremendous worries that there could be a major banking crisis that will cripple the Eurozone economy as a whole, not just the debt-distressed nations. In France, growth is now at zero; in Greece it's somewhere south of a 5% dip in growth, well into recession. Greater austerity simply adds to the fall in government revenues, defeating their purpose of reducing their deficit. All of this implies an ongoing shrinkage of the Eurozone economy. This hurts investor capacities in all financial markets and wealth throughout the Eurozone. Cash becomes "king" as investors flee markets to a holding position, waiting for much cheaper prices before re-entering markets at lower levels.

The path to deflation is then made. Deflation in its early stages causes tremendous de-leveraging. That's the selling of positions to pay off loans taken to increase positions. It may come about because of investor prudence, banks calling in loans, stop-loss triggers and margin calls (where the level of debt against positions becomes too high and forces sales). This often (and particularly in the case of precious metals) has nothing to do with the fundamentals of the market. It's simply the position of investors. This happened in the precious metal markets as well. This is why gold and silver prices fell.

De-leveraging

As was the case in 2008 and often through history, the process of de-leveraging is a short-lived one, even when it's savage. Downward pressure on prices disappears once an investor has sold the positions. Leveraged positions are the most vulnerable of investor-held positions and can make up the froth or 'surf' in the markets, which cause the volatility levels to increase when drama strikes. In 2008, these positions were huge because there had been two and a half decades of burgeoning markets that encouraged greater risk-taking. Since then, while leveraging has taken place, it has been less and rapidly removed when dramas hit.

In 2008 we saw a similar drop in prices from \$1,200 to \$1,000 [20%], which equates to the fall from \$1,910 to \$1,590 [16.9%]. In 2008, the precious metal prices then slowly rose as buyers started to come in from all over the world. It took over a year for prices to recover back to \$1,200.

Change in Market Structure

Today the shape of the precious metal markets is quite different and particularly that of gold. In 2008, central banks were sellers; today they are buyers. In 2008, the Chinese gold markets were small. Since then they've grown to such an extent that they're soon to overtake India. These are two dynamic features that give demand a totally different shape to 2008. More than that, the impact of the developed world, long-term, has diminished quite considerably. It now represents less than 21% of jewelry, bar, and coin demand. The emerging world, as a whole, represents over 70% of such demand now.

The bulk of the world's physical gold that comes to the market is dealt at the London twice daily Fixings. The balance that's traded outside the Fixings is the most short-term price influential amounts, producing the swings that resemble the waves on the seashore. It's these traders and speculators that often persuade long-term buyers to stand back and wait for the prices to swing to the point that persuades them to enter the market. The drop from \$1,900 had this effect on investors. Now that the fall has happened, we see a surge in demand from the emerging world to pick up the slack in the market. We've no doubt that central banks are buying the dips as well.

So once the selling from the developed world has stopped (emerging market demand waits for this before buying, allowing the fall to extend further) in come the buyers happy that they're entering the market at a good time. Because of this change in market shape, expect the market to take far less time to find its balance and allow demand to dominate.

2012 Recession Battle

The I.M.F. has just warned that the developed world will enter a recession in 2012. Will that be negative for the gold market? We don't think so. The world has seen the recovery peter out, the sovereign debt crisis arrive, and now sees the I.M.F. recommend that the Eurozone banks be recapitalized. What does this mean for precious metals?

Cast your minds back to the recapitalization of U.S. banks under the TARP measures whereby the Fed bought the toxic debt investments of the banks against fresh money. When we say fresh we mean just that, newly created money in the trillions. This did lower the perceived value of the dollar inside and outside the U.S. The effect on gold was palpable as it rose back through \$1,200 and onto new highs.

Already we're hearing rumors of an E.U. government minister's plan to walk the same or similar road. With the recent past in mind, we're certain that will lower the perceived value of the euro and see euro investors seek places to cling onto the value of the euro. This time round, expect markets to discount these actions in the same way. The downturn will therefore be fought with new money creation in the same way the U.S. did it from 2008 on.

By: Julian D. W. Phillips, GoldForecaster.com