

Commentary 21<sup>st</sup> January 2018

I have just returned from the St. Moritz crypto finance conference which was reported by Reuters here, <https://www.reuters.com/article/us-crypto-conference/virtual-currency-meets-finance-in-glitzy-swiss-resort-idUSKBN1F72SQ?il=0> but notably, excludes the massive excitement surrounding the announcement of our new **GAME CHANGING crypto currency, KINESIS**. The conference was attended by several members of the Forbes billionaires list, some of the largest global money managers including the largest Chinese crypto hedge fund who expressed immediate interest of the entire ICO offering.

As previously discussed, **Kinesis** is a game changer, the like of which has never been contemplated before. It is an entire gold/silver backed currency ecosystem. With proof of adoption by a CB and adoption by the largest independent Islamic organization in the world, the all-important velocity of this currency will be so large and so cash liquid, it will suck other cryptos looking for liquidity into it.

As promised last week, ALL members will have the opportunity to access to the PRE ICO tokens at a 25% discount, ahead of the public sale on March 1<sup>st</sup> 2018. The window to participate will be announced early next week, along with the finalised white paper.

Here are some excerpts from the presentation on Thursday night, the numbers, flowcharts and far more detail and the opportunity to invest will be published in the white paper next week.....

“In the same way our sun unconditionally delivers an indiscriminate share of energy to planet Earth that stimulates life, we present a comparative energy system to stimulate the movement of money, assets and hence overall commerce and economic activity in a fair, honest and rewarding process. It is an entirely new monetary system, which is based on movement, kinetics and velocity. We name our system **Kinesis**.”

Kinesis is “Kinetically Charged Asset Backed Yield Bearing Monetary System of Shared Economic Wealth for the People of the Digital Age”.

- The Kinesis system is an evolutionary step beyond any monetary and banking system available in the world today.
- It enhances money as both a store of value and a medium of exchange, and has been developed for the benefit of all.
- Core to the mechanics of our system is the perpetual incentive and thus stimulus for money velocity.
- Outside capital is attracted into Kinesis via a highly attractive risk/return ratio and then put into highly stimulated movement, promoting commerce and economic activity.
- This is achieved through giving money 1:1 (100%) direct allocated asset backing and then attaching a unique multifaceted yield system that fairly shares the wealth generated by the system according to participation and money velocity.
- Kinesis is a monetary and banking system focused on: minimising risk; maximising return; stimulating velocity and maximising the rate of adoption.

## **Bullion Backing**

- The primary currency chosen for the Kinesis monetary system is a kinetically charged physical gold backed currency.
- Gold being the greatest store of value, indestructible in every sense, physically rare in quantity and has been appreciated by human civilisation as money for longer than anything else.
- Gold is the undisputed champion of fair, honest and sustainable money.
- Put allocated gold on a kinetically charged decentralised rail system and you have a very special monetary system.
- We believe this is what we have achieved, and a lot more.

## The Currency Suite

Our 1:1 full-reserve asset backed cryptocurrency suite will have the following products incorporated:

### Reserve Currencies

- Physical Gold & Silver
- Wholesale Physical Gold & Silver
- Physical bank notes: To be advised
- Crypto Currencies: To be advised

### Investment currencies

- Pair: Physical Silver/Paper Silver
- A major contributing factor to the volatility in cryptocurrencies is that they are impossible to value. By intrinsically backing a currency, hence back-stopping the value and defining the risk, and then placing a yield on it, hence defining the return and providing superior value, then a safe, stable and rewarding currency is created with a highly attractive investment risk/return ratio attached.
- This form of currency has necessary real-world application in both commerce and private transactions, along with attracting capital from institutional and retail investors.
- We have not just developed a currency, we have developed a new parallel monetary and banking system to sit alongside but integrated into the legacy problematic centrally controlled fiat and fractional monetary and banking systems. Kinesis is the undeniable superior alternative.
- We believe our system highly revolutionary, however we also have in place a disruptive retail and institutional commercialisation strategy with unique distribution and adoption from day one of launch. Already in place are pre-existing investment commitments for our currency which will surpass the largest ICO to date.
- Kinesis is being developed and being brought to launch by a consortium of industry leading organisations in the precious metal, exchange, technology, blockchain, mobile banking, vaulting, postal system and marketing spheres. From launch the system will have extensive institutional and retail distribution, integration, liquidity and adoption.
- Our liquidity, which will be provided by professional bullion market participants and others, will enable billions of dollars of value to efficiently enter and exit the market.

Direct and indirect integrations will provide for immediate adoption into hundreds of millions of users, well beyond the current user base of the cryptocurrency markets.

- With the evolution of blockchain, cryptocurrencies and mobile devices the people of the world have been presented with a profound opportunity to be part of a new digital age. Such opportunities do not present themselves often in history and this is the very moment in time where the people can collectively act to bring about a person-centric revolution. There is precedent for this revolution and we believe we are delivering the right monetary and banking solution at the right time.

Welcome to Kinesis, the money, asset and banking system for the people of the digital age.”

The above outlines just a few points from the presentation which has not been distributed anywhere else and is exclusively shared with members ahead of the white papers release next week.

We have discussed in detail just what a game changer this revolutionary new currency is and how it will destroy the paper market price setting mechanism. Once launched, fresh physical demand will backwash into the fragile ‘at the margin’ paper market, forcing REAL ‘Exchange For Physicals’ to be physically delivered in London, not the paper market offsets/deferrals we are currently evidencing officials orchestrate backdoor through the EFP mechanism.

While looking at the EFP data, we may as well sum up the to date January massive scramble to cover undeliverable short positions into the opaque OTC flywheel. A ludicrous 4,462 tonnes of SI and an outrageous 370 tonnes of GC. (Note, I don’t categorise them as Silver or Gold). Why track this? Because it reveals just how desperately broken the paper market has become and **when weighed up against the footprints of the major BB’s, we are evidencing a scramble to go long both gold and silver bullion ahead of the inevitable cash market reset.** Only a fraction of the picture is revealed by Comex paper market positioning.

Tracking stoppers and issuers in Comex house accounts has its value, however, what it doesn’t track is how much physical bullion is actually exiting the vault doors. This is next to zero. NO ONE wants Comex 100oz 995 bars, they are simply not globally fungible. These 100z bars are just casino chips that are lent on credit, then rinsed from the punters who Vegas style ALWAYS lose 95% of all their bets, ultimately recirculating the chips back to the insiders.

The Comex casino was set up by officials to control the price of global bullion, diluting supply and the resulting price with trillions of dollars’ worth of undeliverable gold and silver, as long as the casino had enough punters to play. With +95% of all transactions now algorithmic, reality has become even farther distorted. So much so that the price setting global physical markets are forcing a discipline on the casino operators. The jaws between physical support and the dilutive supply are tightening as real market arbitragers compete with the casino operators.

As discussed last week, if single large tonnage orders for gold, (and especially silver), were demanded, the LBMA would simply refuse to deliver or severely delay fulfilling these transactions. However, with millions of micro transactions occurring from the bottom up through **Kinesis** via multiple ABX vaulting locations worldwide, these orders will get filled....

'at a price'..... What will the price be? It will be discovered in Realtime with an offer to sell real bullion for immediate delivery globally. Initially, we may see a 'bid only' market which will raise the price of bullion substantially higher, but then Arbitrage between all jurisdictions will establish a globally acceptable physical price. Any resulting discrepancy in the paper price will be immediately demanded for T+ 2 delivery in London, effectively closing any price gaps. This fresh physical demand will undoubtedly force a paper market price reset.

In the future, COT reports will be viewed completely differently, a rise in long or short OI will reflect real demand and hedging around a real deliverable future dated price. Any paper market divergences would be arbitrated. Essentially, the paper market supply demand equation will be turned on its head, exposing the underwater commercials hiding in the shadows to massive UNDELIVERABLE naked short positions at anywhere close to current paper centric prices.

Backing billions of dollars' worth of EXISTING paper market short positions, (let alone fresh demand the currency will attract), with 100% backed and individually allocated physical gold and silver bullion transactions, will force short covering and in doing so, force up the GLOBAL offer to sell and DELIVER real bullion into vaults outside the legacy LBMA system.

So, onto this week's stale dated COT report is like looking at an antique ticker tape and it reveals exactly what we expected. The major red flag raised last week certainly had the effect of influencing all participants. Specs read rising long OI as a reason to momo chase price higher, while as we know, this is in realty a contra indicator historically warning that collusive insiders were rigging the casino, once more adding cards to the stacked deck.

Drilling down into the data and weighing it up against the wholesale market last week, we observed 2 things. The aggregated wholesale physical support levels sub 1300 was severely lagging the speck driven momo ramp, (some of which was driven by short covering), while at the same time, we noted that the longer that GC and SI maintained support above the round #'s that real world physical demand would be forced to rise. This is exactly what has been happening.

Taken at face value, in GC during a week where OI rose by 26,878 lots and headline OI rose to 582,333 lots, this week's report captures the predatory swap dealers cutting their short position by 528 lots, resulting in a net short position of 42,489 lots, while, as will be seen in the MM section, hot money added to their net long position by 5,482 lots while PM's, (officials), increased net short positions by 12,764 lots.

Swap dealers are exposed to the physical market and as we noted during the week, looking at the opex footprints into Friday, based upon pricing and structure, VERY strong GC Opex support has now built above 1300, this will incentivise physical bidders and also incentivise COT short covering into a rising physical support. Note the rise in OI and the cutting of short bets by these predatory COT's which include the likes of GS and JPM.

I see GC physical support now rising into the 1305-1310 level which could easily morph into the 1320's by Monday's close. This is a big deal as it would force more COT short covering and build a solid staircase with little once vulnerable long stop ignition to target.

The COT snapshot captures hot money increasing their long position by 5,482 lots, expanding a net long position to 201,532 lots this was also fully expected.

This week, PM's, primarily led by 3 BB's, increased their net short position by 12,764 lots, raising their net short position to 190,018 lots. JPM acts as an agent for officials and has a foot in both Swap dealer and PM categories. However, given the footprints, (this is where some Comex data is of value), they are clearly accumulating bullion.

As a reminder, not all remaining COT short positions are naked, so the headline OI structure is not fully reflective of the true naked long short balance. The current OPEX positioning evidences a GC sweetspot now risen above 1305 which closes the gap a little more between the all-important physical market and the very short-term spec driven paper market overshoot. The battle for 1350 will be settled this week, however, there is no value to closing GC below 1300 at opex next Friday . A rise above 1320 will force a sweetspot closer to 1350.

In SI, during a week when headline OI increased by 1,502 lots, Swap Dealers cut also their net short position by 46 lots, leaving in a short position of 5,133 lots. SI was nowhere as structurally extended as GC, and as we stated last week, *"any dips sub 17,000 are IMO buyable and will not last long as there is Zero sub round # COT selling."* Silver is a spring coiled, the ratio reaching very bullish algo driven levels last week.

During the multiple 2-way targeted rinses of the 100 and 200 DMA's from the 9<sup>th</sup> through the 16<sup>th</sup>, MM's cut their net long position by 4,488 lots decreasing their net long position to 33,434 lots. As we also noted last week, *"structure in silver is still net bullish with COT's, not sellers, sub 17.000, which given that the OPEX sweetspot has also now risen above 17.000 makes any spec rinse forays as attractive. In fact, 17.500 looks to be the next sweetspot.* SI, still has a huge potential for a COT short covering exercise." I see silver as very attractive during this coiling process.

The PM's, as in GC, two of whom we know to have cornered the silver physical market added very little to their net short position, only 247 lots, increasing their net short position to 45,010 lots. As we know, JPM has been trolling spec long stops to add to their very large physical position.

In summary, physical market support is tightening the Comex ability to add limitless amounts of short OI to cap prices for much longer. The launch of **Kinesis** is going to speed up the paper market reset.

Lots more exciting developments to report next week.

**News**

## Monday

Chicago FED at 1330; previous was 0.15.

## Tuesday

3rd Tier Redbook at 1355; previous was 0.1%

## Wednesday

2<sup>nd</sup> Tier PMI at 1445; previous was 55. 1<sup>st</sup> Tier Existing Home Sales at 1500; est. down to 5.69M from 5.81M. 2<sup>nd</sup> Tier Existing Home Sales %age Change at 1500; previous was 5.6%.

## Thursday

1<sup>st</sup> Tier Jobless Claims at 1330 previous was 220K. 1<sup>st</sup> Tier New Home Sales at 1500; est. down to 707K from 733K.

## Friday

1<sup>st</sup> Durable Goods Total Orders at 1330; est. down to 0.8% from 1.3%. 1<sup>st</sup> Tier GDP Advanced at 1330; est. to have remained at 3%. 2<sup>nd</sup> Tier Durable Goods Ex-Transport at 1330; est. up to 0.3% from -0.1%. 2<sup>nd</sup> Tier GDP Core PCE Prices Index; previous being 1.3%. 3<sup>rd</sup> Tier ECRI at 1530; previous was 4.5%.

Warm regards

Andrew

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