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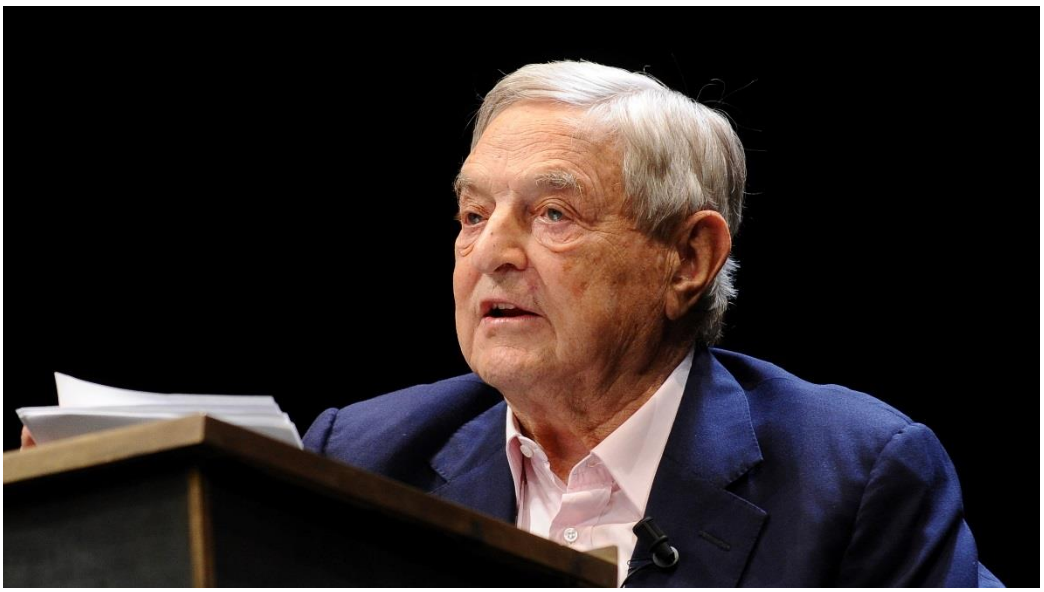
The Details Behind the Massive Soros Gold Bet – Mike Swanson

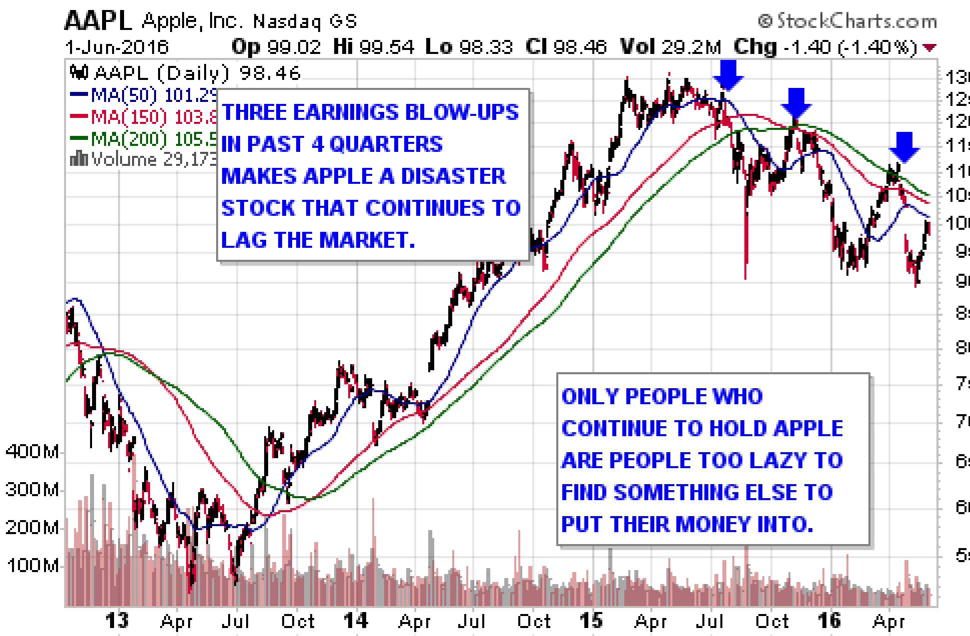


It pays to pay attention to what George Soros does in the markets. I know many people hate him, because of his politics, but the reality is that he is one of the most successful and largest operators in the financial markets. He also doesn't try to get on TV and just say what he thinks people want to hear so he will get invited back on again, but puts his money where his mouth is.

He is 85 years old and is proof that even if you get up in years you do not have to slow down. Now people such as Warren Buffett get more attention on CNBC, because Warren Buffett says the right things. He is always bullish on the stock market all of the time and telling people to buy, but the Warren Buffett you see on TV today is not the Warren Buffett of the 1960's and 1970's who made bold moves in the stock market to build a fortune. Today he basically is the figurehead of a giant conglomerate and lets other people manage his money for him.

Back when Buffett grew his money from millions to billions he would get out of the stock market when he thought it was too highly valued. In fact in the late 1960's he even shut down the fund he was running and gave the money back to his investors, because he said that he could find no more stocks worth buying as the stock market had become too wildly overvalued. He raised a lot of cash personally and began to pile back in after the big drop in 1974. He spent the time out of the market to research the buys he wanted to make spending all day reading reports. It was key a move that enabled him to build a giant fortune. The idea that he got rich by buying and never ever selling and that is all it takes to make money in the market is a giant myth. He worked. Lazy money eventually gets eaten live in the market.

But today he is not capable of making such big changes, because he is not a stock picker in a normal sense or market trader but, the figurehead of a giant conglomerate. So a few years ago CNBC made a giant deal that he made an investment in IBM. IBM has been one of the worst performing big cap DOW stocks since then. Now CNBC made a big deal last month that Buffett has made a big purchase in Apple while Apple insiders have sold over 16% of their own holdings in the past six months and the stock has had multiple earnings blow-ups and downgrades.



George Soros though is still the same type of guy he was in the past, because he still is in charge of one of the largest hedge funds on the planet. Yes he has traders and money managers working for him, but make no mistake about it at 85 years old he is in charge and at the top of his game.

I do not agree with his politics, but I do know that many of the investment types who hate him are simply jealous of his abilities and know that they will always be stock market small fries. There is nothing wrong with being a stock market small fry. Most people who make it big in the stock market start small and get big, because of years of work and by surviving the trials of the market. But most small stock market fries stay small forever because they are too lazy to do work (they just want the market to go in one direction for them forever) and lack the confidence to learn this game for real. So instead of trying to learn from what Soros is doing or examining his investing concepts and philosophies most stock market small fries just hate him.

There are people who will not even read this newsletter, because it has his name in the title. Someone whose investment strategy is putting half of their money in Apple and praying that it will go up for them forever simply has no chance in the stock market anymore.

Such a person can do ok during a giant bull market rally like the stairway to heaven rally that took place in 2013, but once the stock market changed at the start of last year they no long have a chance, because they refuse to adjust and adapt to what is going on. There is a reason the US stock market is now dead money and has gone nowhere for well over a year now.

That doesn't mean money cannot be made. You just gotta go to where new trends and new bull markets are emerging and be willing to bet against the stock market itself and individual market drops before they come. Yes the latter tactic is not easy, but Soros has shorted stocks in the past and is now hedging himself for another market drop.

Right now though the S&P 500 has gone up nears its highs of last year so the masses have no worry or concern in the world. To me the situation is much like it was in June of last year. Last year in the summer the market basically died out with most stocks falling and diverging away from the market averages. There was some excitement for a few days last July and then the market dumped into August and hurt a lot of people. Of course it had a fake rebound in the fall and dumped again in January and has since rebounded, with many stocks and the Nasdaq itself badly lagging the S&P 500.

When markets pause most people simply fall asleep and we are in a summer pause now. It's not just happening with stocks, but with gold too. Gold and mining stocks had a massive run, but are now digesting those gains and consolidating for another breakout. What I am going to do over the next 60-90 days is do a lot of research to find more individual mining stocks to buy in order to take advantage of this pause and total junk stocks to bet against for a coming market decline later in the summer. I will share these ideas with the private Power Investor group (it is closed and not accepting any new members), but they are not for the general public.

It is when markets pause and people fall asleep that it is time to do the work and research to get ready for the next real move.

With gold massive money has come into gold and mining stocks for real. If you look at the trading volume for the small cap mining stocks you can see the huge volume that has come in for yourself. All you need to do is go through the charts of a few hundred of them. I'd suggest you do that and then do the same thing for the couple hundred biotech stocks that are not in an ETF and see what the difference is for yourself. Do your homework.

Ok, hedge funds of massive size have to make filings with the SEC and reveal their holdings. If you look at their holdings each quarter than you can see the changes that they have made.

Thanks to this information we now know that George Soros bought a massive position in Barrick Gold. He started buying shares in January and owned 19.42 million shares at the end of March. He owns 1.67% of all of the outstanding shares in Barrick. It's the largest single stock position in his fund and accounts for 5.82% of all of his holdings.

He also purchased over a million in call options on GLD in the first quarter and hedged almost his entire portfolio by purchasing puts on SPY. 6% of his entire portfolio is SPY puts. He also has bought puts on IWM and calls on XLI. Over 3% of his portfolio is IWM puts and close to 3% is XLI.

Of course the size of these positions makes George Soros one of the biggest single individual owner of options on the planet. By the way, IWM is the ETF that tracks the Russell too and XLI is an industrial ETF, consisting mostly of railroads, transportation, freight and logistics.

So George Soros is now positioned to profit from a huge run in gold prices and protected himself fully from a potential stock market drop. You can see all of the details yourself here:

http://whalewisdom.com/filer/soros-fund-management-llc#/tabsummary_tab_link

In interviews Soros has said that he fears that stock markets all over the world could decline, because of China debts. He thinks that China is not in a recovery and is going to go through financial turmoil that could tip over the problems in the United States and Europe.

On Bloomberg he said that what's happening in China "eerily resembles what happened during the financial crisis in the U.S. in 2007-08, which was similarly fueled by credit growth," Soros said. "Most of the money that banks are supplying is needed to keep bad debts and loss-making enterprises alive."

Soros said China's banking system has more loans than deposits and has "troubles on the assets side but also increasingly troubles on the liabilities side."

"Other banks have to lend to each other and that's an additional source of uncertainty and instability," he said. "The problem has been deferred and it can be deferred for another year or two but its growing, and growing at an exponential rate."

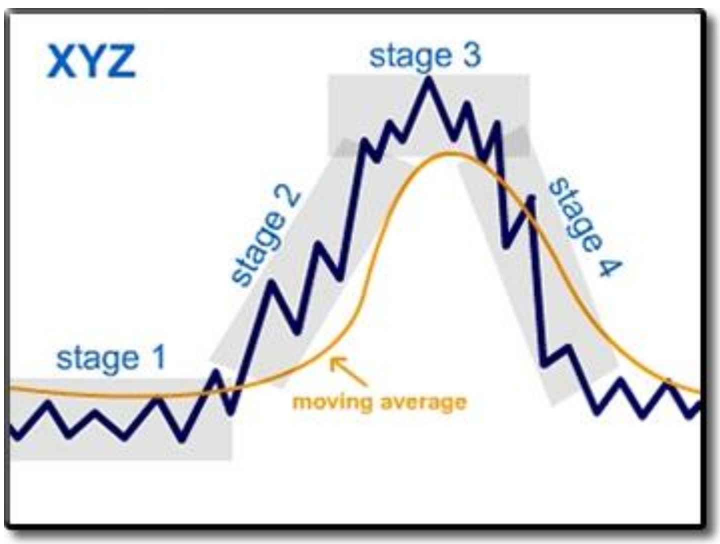
Of course there are signs of instability in the Chinese stock market. It not only crashed last year, but just this Tuesday there was an instant 10% flash crash in its futures market. It recovered within minutes, but it shows you that in investing Chinese stocks is not safe and Chinese currencies may prove to be wallpaper if Soros is right.

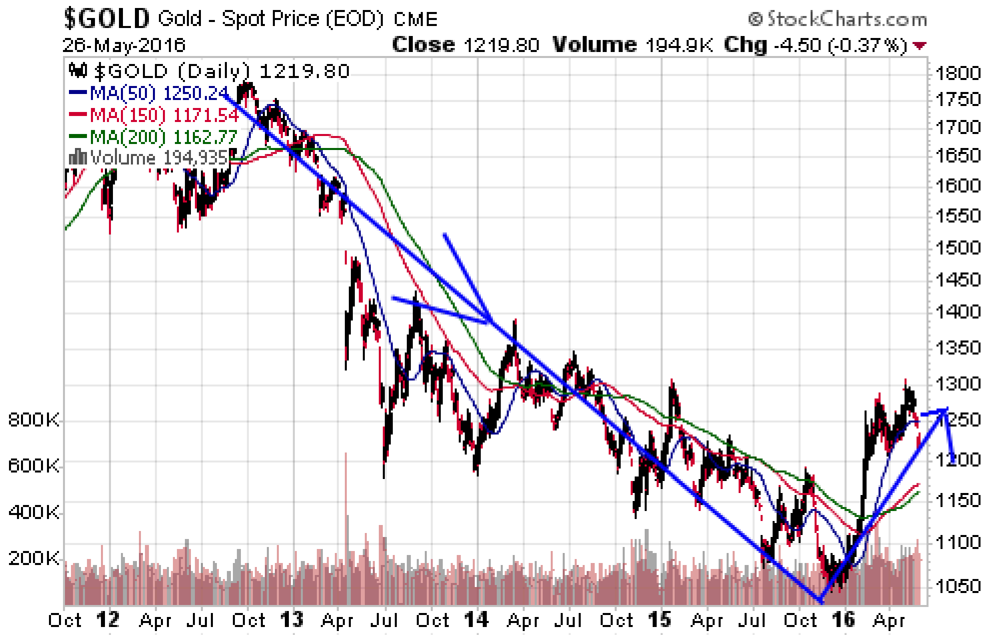
The Chinese traders themselves have reacted by piling into alternative currencies and gold and commodities. Bitcoin had a big run this weekend thanks to Chinese buying and the Chinese are keeping a floor all by themselves on gold prices.

I do not think anything meaningful is likely to happen in the financial markets this month or next month, but I do expect big huge changes to come after the next round of earnings reports and the July Fed meeting and am preparing for that by doing more research for stock ideas.

Everyone is obsessed with trying to buy the S&P 500, playing a triple ETF, or getting a Jim Cramer "Fast Money" type pick and totally ignoring what is happening in gold this year. Gold started a new bull market and so did mining stocks when they cleared there stage one basing pattern and began a full blown stage two bull market.

Most bull markets last three to five years, but in the first year of a bull market just about the only people who buy into it are professionals, insiders, and real people with a knowledge of the sector or market who understand that valuations are super low and so they accumulate.





The problem is most stock market small fries only get in after something has gone up for a long time and so have a tough time buying at the start of a bull market. With gold CNBC simply will not give them the permission they need.

What also happens at the start of a new bull market is many people who got hurt from the previous bear market become frozen and unable to buy until they see something go up for a year and then feel a need to chase in fear of missing out.

Instead of being excited like the big money they remain scared and angry by the bear market suffering they went through. This is why after big stock market drops and bear markets you often see a huge interest in the theme of financial manipulation among the masses.

I have been investing and trading since the late 1990's and after that 2000-2003 bear market I saw lots of people in the mainstream stock market world blame Wall Street analysts for their losses.

They became the demons of the day. People who held overvalued stocks for big losses blamed the analysts for telling them to hold instead of admitting to themselves that they were fools to have believed in them and the tech bubble in the first place. Then of course in 2008 people blamed the banks and stock manipulators instead of admitting to themselves that they missed the big change in trend.

You see what happens is that the meme of stock manipulation becomes popular when people lose money and get angry about it. You can track the rise and fall of the popularity of this meme by going to google trends and typing in "stock market manipulation" and "gold manipulation." Interest in the latter has climbed in the past few weeks.

I personally never thought about manipulation when I got into the trading world. I simply took it for granted that there is some degree of manipulation going on in all markets, but it doesn't really matter in the long-run and in the end you need some sort of strategy for making money and picking out individual stocks and trades.

The first time I bought a share in a mining stock was back in 2002, because stage analysis told me that gold stocks were going into a new bull market and they did. Around April of that year I went to my very first mining conference.

What I found surprised me, because just about everyone there was talking about gold manipulation, but the idea never entered my head before then and I thought it was really silly to worry about.

I couldn't see how anyone could make money trying to figure out the specifics of such things and it seemed like it was creating a giant fear for these people when they should have been bullish and buying more.

I was happy holding my stocks watching them go up while all of these people were just obsessed with manipulators.

What I see clearly now is that many of those people had suffered in the bear market before that and were simply using the meme of gold manipulation to make sense of the pain they suffered.

Now fast forward to today and you can see that while gold has begun a new bull market this year interest in gold manipulation has grown anyway in the past month according to Google trends.

That shows you that the masses are still skeptical and scared of gold and unable to pull the trigger and do buying. And it shows that people are getting shaken by the recent pullback.

When many people are scared of manipulation it makes for a good time to invest. Now that is not to say I think gold is going to go straight up from here. We appear to be in a summer pause period that will likely last until July. But dips and pauses are when smart money accumulate and when it is time to do the work to research and buy new stocks. The masses chase after something goes up for a long. You get in ahead of them.

So that is one of the main things I will be doing this summer. I'll let the small fry spend hours a week falling asleep watching CNBC, "Fast Money", while my friends and I go to work.

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