University of Texas Takes Possession of $1 Billion in Gold

The increased demand for gold and other metals in the investment sector with a limited quantity has not only driven the bull market for metals such as silver, gold, palladium, and platinum, it has also led to concern that ETF dealers on the commodity exchange (Comex) may not be able to fulfill all orders for gold.

Silver and gold both posted historic highs during Wednesday's trading, with gold topping $1,500 per ounce and silver over $44 per ounce (quadrupling in price since October 2008). Platinum, palladium, and copper have also experienced strong bull markets over the past year with heavy ETF trading. ETFs, or Exchange Traded Funds, are futures for delivery of stock indexes or commodities. Unlike the University of Texas, most ETF investors never take physical possession of the stocks or commodities in the ETFs.

"Open interest in gold futures and options traded on the Comex typically exceeds supplies held in its warehouses," Bloomberg.com claimed, citing Dallas hedge-fund manager J. Kyle Bass as a source for their information. "If the holders of just 5 percent of those contracts opted to take delivery of the metal, there wouldn't be enough to cover the demand," Bass was the same advisor who, according to Bloomberg, "helped advise the University of Texas Investment Management Co. on taking delivery of 6,643 gold bars, worth $991.7 million yesterday, that are stored in a bank warehouse in New York."

"Central banks are printing more money than they ever have, so what's the value of money in terms of purchases of goods and services," Bass told Bloomberg.com April 15 in a telephone interview. "I look at gold as just another currency that they can't print any more of." Bass echoes the longtime views of House Monetary Policy Subcommittee Chairman Ron Paul (R-Texas), who has long held that the Federal Reserve's suppression of interest rates and increased use of "quantitative easing" — creating more money — over the past year is the prime reason the dollar index has fallen to record lows since 2009 (despite a global currency devaluation). The dollar index is a measure of the U.S. dollar against a basket of foreign currencies, most of which are also falling in value.

The news of the spike in commodities prices, along with higher Consumer Price Index increases, coincides with rumblings from the Federal Reserve Bank to continue the inflationary "quantitative easing" program begun last year. London's *Financial Times* reported April 17, "When the rate-setting Federal Open Market Committee meets on April 27, it is unlikely to limit its options by ruling out asset purchases beyond the second $600bn "quantitative easing" programme — or "QE2" — that is due to finish by the end of the second quarter. Fed officials, however, know that announcing more asset purchases at the last minute would disrupt markets."

The University of Texas investments in gold and the subsequent bull market in gold increased the college's endowment to the second largest in the country; only Harvard University maintains a larger endowment.