WEALTH DAILY

Why Invest in Gold

Special Report

Why Holding Gold in Your Portfolio Isn't Advisable... It's a Must

15 Fundamental Reasons to Own Gold

1. Global Currency Debasement
The U.S. dollar is fundamentally and technically very weak and should fall dramatically over the next few years. However, other countries are very reluctant to see their currencies appreciate and are resisting the fall of the U.S. dollar. Thus, we are in the early stages of a massive global currency debasement which will see tangibles, and most particularly gold, rise significantly in price.

2. Rising Investment Demand
When the crowd recognizes what is unfolding, they will seek an alternative to paper currencies and financial assets and this will create an enormous investment demand for gold. Own both the physical metal and select mining shares.

3. Alarming Financial Deterioration in the U.S.
In the space of two years, the federal government budget surplus has been transformed into a yawning deficit, which will persist as far as the eye can see. At the same time, the current account deficit has reached levels, which has portended currency collapse in virtually every other instance in history.

4. Negative Real Interest Rates in Reserve Currency (U.S. Dollar)
To combat the deteriorating financial conditions in the U.S., interest rates have been dropped to rock bottom levels, real interest rates are now negative and, according to statements from the Fed spokesmen, are expected to remain so for some time. There has been a very strong historical relationship between negative real interest rates and stronger gold prices.

5. Dramatic Increases in Money Supply in the US and Other Nations
Authorities are terrified about the prospects for deflation given the unprecedented debt burden at all levels of society in the U.S. Fed Governor Ben Bernanke is on record as saying the Fed has a printing press and will use it to combat deflation if necessary. Other nations are following in the U.S.'s footsteps and global money supply is accelerating. This is very gold friendly.

6. Existence of a Huge and Growing Gap between Mine Supply and Traditional Demand
Mined gold is roughly 2,500 tons per year and traditional demand (jewelry, industrial users, etc.) has exceeded this by a considerable margin for a number of years. Some of this gap has been filled by recycled scrap but central bank gold has been the primary source of above-ground supply.

7. Mine Supply is Anticipated to Decline in the next Three to Four Years.
Even if traditional demand continues to erode due to ongoing worldwide economic weakness, the supply/demand imbalance is expected to persist due to a decline in mine supply. Mine supply will contract in the next several years, irrespective of gold prices, due to a dearth of exploration in the post Bre-X era, a shift away from high grading which was necessary for survival in the sub-economic gold price environment of the past five years and the natural exhaustion of existing mines.

8. Large Short Positions
To fill the gap between mine supply and demand, Central Bank gold has been mobilized primarily through the leasing mechanism, which facilitated producer hedging and financial speculation. Strong evidence suggests that between 10,000 and 16,000 tons (30-50% of all Central Bank gold) is currently in the market. This is owed to the Central Banks by the bullion banks, which are the counter party in the transactions.

9. Low Interest Rates Discourage Hedging
Rates are low and falling. With low rates, there isn't sufficient contango to create higher prices in the out years. Thus there is little incentive to hedge and gold producers are not only not hedging, they are reducing their existing hedge positions, thus removing gold from the market.

10. Rising Gold Prices and Low Interest Rates Discourage Financial Speculation on the Short Side.
When gold prices were continuously falling and financial speculators could access Central Bank gold at a minimal leasing rate (0.5 - 1% per year), sell it and reinvest the proceeds in a high yielding bond or Treasury bill, the trade was viewed as a lay-up. Everyone did it and now there are numerous stale short positions. However, these trades now make no sense with a rising gold price and declining interest rates.

11. The Central Banks are Nearing an Inflection Point when they will be Reluctant to Provide more Gold to the Market.
The Central Banks have supplied too much already via the leasing mechanism. In addition, Far Eastern Central Banks who are accumulating enormous quantities of U.S. Dollars are rumored to be buyers of gold to diversify away from the U.S. Dollar.

12. Gold is Increasing in Popularity
Gold is seen in a much more positive light in countries beginning to come to the forefront on the world scene. Prominent developing countries such as China, India and Russia have been accumulating gold. In fact, China with its 1.3 billion people recently established a National Gold Exchange and relaxed control over the asset. Demand in China is expected to rise sharply and could reach 500 tons in the next few years.

13. Gold as Money is Gaining Credence
Islamic nations are investigating a currency backed by gold (the Gold Dinar), the new President of Argentina proposed, during his campaign, a gold backed peso as an antidote for the financial catastrophe which his country has experienced and Russia is talking about a fully convertible currency with gold backing.

14. Rising Geopolitical Tensions
The deteriorating conditions in the Middle East, the U.S. occupation of Iraq, the nuclear ambitions of North Korea and the growing conflict between the U.S. and China due to China's refusal to allow its currency to appreciate

against the U.S. dollar headline the geopolitical issues, which could explode at anytime. A fearful public has a tendency to gravitate towards gold.

15. Limited Size of the Total Gold Market Provides Tremendous Leverage
All the physical gold in existence is worth somewhat more than $1 trillion U.S. Dollars while the value of all the publicly traded gold companies in the world is less than $100 billion US dollars. When the fundamentals ultimately encourage a strong flow of capital towards gold and gold equities, the trillions upon trillions worth of paper money could propel both to unfathomably high levels.

Conclusion
Gold is under-valued, under-owned and under-appreciated. It is most assuredly not well understood by most investors. At the beginning of the 1970's when gold was about to undertake its historic move from $35 to $800 per ounce in the succeeding ten years, the same observations would have been valid. The only difference this time is that the fundamentals for gold are actually better.

P.S. It's simple, really. Demand is soaring. Supplies are plummeting. And if you don't buy gold now, you may not get the chance to later. To get your limited-time discount on physical gold, plus access to our portfolio of incredibly bargain-priced junior gold stocks, simply follow this link .

You can view the HTML version here: Why Invest in Gold
