



What's Next for Gold?

What highs will gold and oil head for next?

Because our work involves copious reading, we often come across a succinct expression that in a few words encapsulates a complex and vitally important subject. This week in his Dow Theory letter, the octogenarian market commentator, Richard Russell, said about the future of fiat money that "It is the nature of politicians to spend currency into worthlessness."

He regularly maintains that all fiat money is eventually doomed and to prove his point the dollar lost about 50% of its value whilst Alan Greenspan was, for 18-years, at the Fed's helm.

Commodities prices: gold at \$1000/oz?

There are unique times of danger when Central Banks and governments in power feel forced to take excessive risks and such has been the case for the last six years. To fight deflation and recession, new levels of credit creation have been achieved, leading to massive debt bubbles and consequently, making it even less attractive to hold dollars. Gold and silver offer themselves up as the logical secure alternatives. That the bull market in gold started in 2001 when this hyper-loose money experiment by the Fed really got underway is no surprise. If the debt bubble now bursts, the

Fed will embark upon yet more easing and gold should become even more attractive; its next run, up to \$1000/oz, could quite easily follow. At this stage of the game we have no doubt that gold will, in its own good time, make its way to \$1000/oz. When it gets there we will remind ourselves that, in real terms, to match its previous high set in 1980 of nearly \$900/oz, it would need to exceed \$2000/oz.

On any further strength for gold, these will disproportionately benefit because an investment in gold is comparable to a geared investment in gold bullion.

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