Gold

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Many members have emailed us recently asking what we predict for Gold. Members participating in the Hansard regular investments have profited since our buy during December 2006 when I sold a large percentage of their investments into Gold; in fact this trade has been very profitable with a gain of 38.10 % in 20 months.

In reference to the recent volatility witnessed in gold, I point out historical gold movement below, which some members may find interesting.

The price of gold rose during the 1970's in fact, it soared. From a price of $35 in January 1970 to a high of $850 in January 1980 that was a rise of 2,329%. Might I remind you that for most other investment classes, like stocks and bonds, the decade of the '70s were dismal. No price goes up or down forever and even the mightiest bull market pauses to correct this.

The past shows Gold start its $200 peak in December 1974.
Over the next 19 months, the price worked its way lower.
Indeed, in August 1976, Gold touched the $100 level meaning it
had lost 50% of its prior bull market move.

Of course, at the time, no one was certain this would be the absolute low which Gold has not reached since and, crucially, it wasn't until well into 1978 that Gold surpassed its previous record high of $200.

So think about that! To make my point an investor who jumped on the Gold bandwagon at the end of 1974 had to wait over three years to stop losing money and that's assuming they waited. I'm sure many threw in the towel long before those three years passed.

But those who held on to their positions were greatly rewarded.

From the $100 low in August 1976, gold soared over the next 3½ years to a high of $850 in January 1980. Those few lucky enough to time their purchases at the low realised 750% returns.

But those who identified the bull market early and were able to keep their heads about throughout the correction were able to reap as much as 2,300% over the life of the bull. (That's not using leverage, either)

My advice remains constant. Members should always have enough cash to ride through any unexpected correction in their investment. As long as the fundamentals of the underling assets remain sound and final justification for the investment remains strong it's often wise to stand your ground.

William Gray