

## Why gold price will rise rapidly?

50 Administrator Sat, Nov 14, 2009 [Business](#) 1 5239

The manager of the USAA Precious Metals and Minerals Fund - the number one precious metals mutual fund over the last 10 years - believes **gold stocks** will gain 2% to 3% for every 1% move in gold. As our target for gold is at least 100% from here - in excess of \$2000 an ounce - this would mean **gold stocks** could rise 200-300%. And the more speculative stocks are likely to far exceed these targets.



To feel comfortable with investing in precious metals, investors need to be aware of the reasons for the **expected rise in the gold price**. In no particular order, these are the primary reasons why gold prices are going to increase and the stage is set for making your fortune.

1. Selling of Gold by the Gold Cartel - the Gold cartel is made up of the US Government and a collection of bullion and central banks. Central banks have long been sources of gold bullion used to manipulate the market and suppress the price

of gold - but they are running out. Gold has been sold in such large quantities to control the price, there is not sufficient production to reverse, or even slow down the depletion of gold bullion stocks. The only way of slowing down demand is to let the price rise. However hard they try to manipulate the market, classic supply and demand will win.

2. Shortage of Supply - the current economic conditions combined with the increase in production costs have slowed down gold exploration and production. In addition, the infrastructural problems of South Africa have significantly effected their output.
3. Transfer of Gold Depositories - Hong Kong has recently completed a high tech security vault at the city Airport. The Hong Kong Authorities are, as we speak, transferring its gold holdings from London to its new secure depository. A move like this sends a message - we will be accumulating gold, and we want it safely stored where we can see and control it, where we can access it instantly, and where its out of harms way.
4. Increasing war and social unrest - war and social insurrection can escalate rapidly. The world is already engaged in more conflict than at any time since the second world war. The Chinese are long term thinkers and are undoubtedly taking this in to account as they accumulate gold and silver to store it close to home.
5. China is adding to its gold reserves - China is making no secret of the fact that it intends to increase its gold reserves, and now holds in excess of 1050 metric tons.
6. China is encouraging its citizens to buy gold - with the world's largest population, and one of the fastest growing economies China has made it legal for their citizens to buy gold and silver, and are actively encouraging them to invest in these precious metals.
7. India, which has been the largest buyer of gold until now, is expected to continue purchasing for jewelery, and increasingly for investment. India already eats up the bulk of the annual mine output, leaving limited quantity for ever competing and ever larger demand.
8. GLD, the SPDR Gold Trust buys gold to back its shares. - They are currently supposed to hold over 1000 tons of gold (almost the same quantity.as China). If this is indeed the case, Their demand on gold output is a major push on the gold price. There is more on this subject in our Gold Report
9. Inflation vs. deflation - the argument persists. After a deflationary period, the billions of dollars being pumped in to the markets will become inflationary. Inflation causes gold to rise. When gold last peaked at \$887 in 1980, inflation was averaging 14% and peaked at over 20%. Mortgages had risen in excess of 17%. This could happen again.
10. Paper currency devaluation - the steep decline of the dollar has effected the rise in

the gold price, but currencies will at some stage be competing against each other for devaluation. All currencies become unreliable, they no longer provide security, and gold becomes the new money. When this stage is reached we've gone full circle, the bulk of assets will be owned by Asian interests and the new world order will prevail.

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