



www.bullionexpress.com

“Based upon inflation adjustments, gold should be over \$2,000 per ounce not the current \$681. Silver at \$13.90 should be adjusted to nearly \$24 per ounce. The really big moves in precious metals have not yet arrived. When the real fun begins it will be stunning indeed.”

Roger Wiegand, Trader Tracks Newsletter, April 2007

Why Gold Shines

A unique situation exists in the world today where all of the factors that influence the price of precious metals are working together, pushing the price of gold ever higher. Those factors include:

- A massive Chinese trade surplus, where Chinese exporters have exchanged real economic goods for US fiat paper Dollars, the value of which diminishes through endless inflation;
- An increasing percentage of gold being obtained or retained as foreign reserves in many countries, but most importantly in Russia and China, both of which are diversifying their reserves into ‘other currencies’ including gold, in a very public manner;
- A scarcity of gold resulting from low gold prices in the 1990’s which caused cuts in exploration and diminished gold production today; and
- The endless ‘War on Terror’ which is financed by massive deficit spending, resulting in a further and potentially terminal weakening of the US Dollar.

These above factors have resulted in the development of a secular bull market in gold, which commenced in 2002. The price of gold has gone from US\$278 in January 2002 to US\$690 in May 2007, an increase of almost 150% (just over 20% per annum compounding). During the same period, the US Dollar index (the value of the US dollar against a basket of currencies) has fallen 32% since 2002, creating an ever widening divergence.

Why Silver will Soar !

In the 1960 - 1980 bull market, gold rose from \$35 to \$850, a 2,429% increase. At the same time silver rose from 90 cents to \$50, a 5,556% increase. Silver rose 2.3 times as fast as gold.

Compared to gold, silver is a very small market, so the same amount of investor activity creates greater volatility and potentially (and historically) drives silver much higher. That’s why you expect to see silver rising faster than gold in a bull market with the gold/silver ratio trending down as both metals rise. Will history repeat itself in the current bull market?

The added Leverage of Gold and Silver Stocks

In addition to physical gold (bullion & coins), gold and silver stocks (shares in gold and silver mining companies) provide an opportunity to add leverage to the advancing gold price. Since its low in 1999, the price of gold bullion is up over 140%. By comparison, the American Stock Exchange index of gold stocks is up over 900% in that time frame!

More than Financial Insurance

Although gold and silver continue to be dismissed or marginalized by a majority of investment advisors as merely ‘insurance’ for your portfolio. Gold in particular, being the only ‘real money’ for time in memoriam, certainly does provide excellent insurance, but under the current set of very unique circumstances, a combination of gold and gold stocks can provide security, growth, profits and protection from inflating fiat currencies.