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## So much for gold investors?

**"It should take gold in the portfolio?" - That's the question a friend posed to me a few weeks ago, after witnessing the dancing gold in recent years. In 2005, the gold price is just under \$ 500 / ounce, but had to gallop over 1800 USD / ounce in 2011, before falling to the \$ 1,300 / ounce.**

**Nicholas Gregory Mankiw is professor of economics at Harvard University and one of the 20 best economists in the world today, you just have to share interesting facts about gold investment at the present time in the New York Times.**



*Claude B. Erb and Campbell R. Harvey value of gold is estimated to account for about 9% of the market capitalization of stocks, bonds and gold all over the world. Photo: illustration.*

## Should I invest in gold?

"It should put yellow part of my portfolio?" - That's the question a friend posed to me a few weeks ago, after seeing the price of gold jumps dance in recent years. In 2005, the gold price is just under \$ 500 / ounce, but had to gallop over 1800 USD / ounce in 2011, before falling to the \$ 1,300 / ounce recently. My friend was confused and did not know what caused gold prices change so quickly. answer pops up in my head right now is: no. Like most economic studies, I am not a keen investor. In my properties, with 60% of the value of stocks and bonds is 40%, most of the index fund price. I rolled my eyes when watching TV programs on advertising profits from investing in gold coins. In my opinion, like hoarding gold to hoard canned food for the apocalypse. , but I also did not immediately respond carefully to the thought in my mind, because I know you are waiting for a thoughtful answers from me. I understand that for some investors, the gold in the portfolio. Harry Browne, former U.S. presidential candidate, has recommended that hold 25% of assets in the form of gold. In 2012, the U.S. Federal Reserve (Fed) Chairman Branch said Dallas Fed, Richard Fisher has personally invested over \$ 1 million in gold. So, before I answer your question, I have many studies of the academic literature as a gold ranking portfolio. And here's what I learned: **Gold is rare** World Gold Council estimated total amount of gold mined is about 174 100 tons. If gold is divided among the world's population, each person will receive less than 1 ounce (equivalent to 28,349 grams). Billionaire Warren Buffet has a very impressive compared meager amount of gold in the world. He calculates the total amount of gold if the world can be gathered molded into a cube with edge length is 21m and can barely put a patio area of a baseball pitch. Although only very small amounts but the amount of gold has enormous value. In a recent study by the Department of National Economic Research (NBER) American made, two expert Claude B. Erb and Campbell R. Harvey value of gold is estimated to account for about 9% of the market capitalization of stocks, bonds and gold all over the world. Most of the world's gold is not in the hands of private investors. About half of them are jewelry and 20% belong to the central bank. If you own a portfolio in the market, investing in gold is only 2%.



*If you split the amount of gold in the world, each person will receive less than 1 ounce (about 28.3495231 grams). Artwork.*

### **The net profit from gold is very low**

The consumer price index (CPI), the price of gold rose in a long time, but the increase is not much. In a recent study of the NBER, the two economists Robert J. Barro and Sanjay P. Misra pointed out that from 1836 to 2011, the average annual return from gold based on inflation adjusted to about 1.1%. Meanwhile, the average return for Treasury bills is 1%, long-term bonds and stocks is 2.9% and 7.4% securities. Erb and Harvey Two experts have compared the wages Hoang Roman Emperor Augustus soldiers pay per unit of gold to pay troops present to demonstrate the volatility of the price of gold. According to the comparison, it is worth noting that not much has changed during the 2000 show years. Salary plus the average value of a Roman soldier and a Roman commanding officer is about 40.9 ounces of gold per year. Meanwhile the value of the average salary of a second-class soldier and a captain in the U.S. Army is about 38.9 ounces of gold / year. calculation method is only a narrow perspective, but a comparison argument to create prove point the gold price is always caught up in wage inflation because output growth is always slightly ahead of price inflation. **fluctuating gold prices are** average annual earnings of gold could equivalent to the treasury, but the volatility of the gold price is closer to the stock exchange. This is particularly true since President Richard M. Nixon abolished the gold standard currency since 8/1971. Two economists Barro and Misra said since 1975, the level of volatility of profits from gold, measured by standard deviation, was 50% greater than the volatility of the stock price. Due to the type of gold small production with less profits and higher volatility should investors do not pay much attention to them. But what took place recently changed this view. **gold investment creates new direction** key point of a portfolio is diversified and it makes an attractive gold because gold is near there is no correlation with stocks, bonds and securities. Despite the fluctuations in the price, but if adding gold to the portfolio can reduce risk part. therefore investors should invest how much gold? It's hard to say this because investment portfolio optimization is very sensitive to the expected returns

on alternative assets and expected returns are difficult to calculate accurately, even when the data set 1 or 2 of the century. That's why we're not surprised financial analysts often make many different conclusions. Finally, I also give initial aversion to own gold ownership. A small metal block only 2% of the value of the portfolio of the world market is now compelling me to add to the long-term investment strategy. With some credit allow organizations to exchange gold now, gold investment can be easily implemented with low cost.

**Duc Trung** (*The NY Times*)

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