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Indiscreto | "When all think alike, it is likely that everyone is mistaken."

TUESDAY, FEBRUARY 12, 2013 4:00

EDUCATION - LACARTADELABOLSA

Humphrey Neill, the father of the contrary argument, famously wrote that "When all think alike, it is likely that everyone is mistaken." That's a sobering thought when it comes to gold, as the belief in the virtue of investment in gold seems almost universal.

Mark Hulbert in Barron's, with the help of a new study entitled "The Dilemma of Gold," by Claude Erb, a former portfolio manager commodities at Trust Company of the West, and Campbell Harvey, a

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The gold as a hedge against inflation This is the most widespread belief on gold, and that the study autho cl

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energy to analyze. They found that gold is not up to the widespread belief that the price of gold in real terms remains more or less constant. With any of the terms assumed by investors - short term up to 20 years - the actual price Gold has fluctuated wildly. Erb and Harvey Teachers claim that this finding holds regardless of how you define inflation - whether based on government data or other statistics that some think they are more accurate, or monetary inflation, measured by the money supply. **Spot gold as a hedge against currency fluctuations** is a variant similar to "gold as a hedge against inflation." And the conclusions are no better. For example, the researchers found that the price of gold - both nominal and inflation-adjusted - in each of the three dozen countries studied, tends to fluctuate more or less in unison. Currency fluctuations explain relatively little price change. **Spot gold as a hedge against hyperinflation** This is also a close variant to the argument: "gold as a hedge against inflation." But it is worth discussing separately, since it might be possible that even though the gold make a disappointing job as a hedge against inflation low, could do a good job as a hedge against hyperinflation.

Unfortunately, researchers also find much to be desired in this respect. Consider what happened in Brazil between 1980 and 2000, for example, when - according to the International Monetary Fund - inflation rose an average of 250% per year. During this period of two decades, according to estimates by researchers, the price of gold in inflation-adjusted terms fell by 70%. Moreover, this calculation was based on official government statistics. If we make the reasonable assumption that these statistics underestimate the true extent of inflation, the fall in the real price of gold during this period would have been even greater.

Gold as a safe haven

widely Another argument in favor of gold is used as a hedge against geopolitical rupture. Fortunately, we have many opportunities to test this thesis, but the researchers found reason to question it. For example, when the researchers focused on those occasions in the past three decades in which the financial markets suffered their worst performance, found that performance Gold was more or less equally between gains and losses. **Gold as a hedge against the low real interest rates** , this is another argument in favor of widespread gold. And it certainly seems to be solidly based on the data. In the late 1990s in the U.S., for example, when real interest rates were high, the price of gold was down. And in recent years, with low real interest rates, the price of gold has been high. however, data from other countries paint a different picture. In the UK over the past three decades, for example, there is a very low correlation between gold prices and real interest rates - explaining only 9% of the variation in the price of gold. **Conclusions** Are these arguments the last word on the subject? Of course not. The impetus behind the counter theory analysis is not to close the debate but ask difficult questions. And I think it's fair to say that many of us have gone through our pro-gold arguments to a rigorous historical scrutiny. Researchers believe that other factors, beyond the standards that are investigated, which have a big impact on the price Gold. Corresponds to investors at least recognize that these other factors greatly affect their profitability in the short, medium and even long term. One of the arguments against making the bulls is that the price of gold has been manipulated and that Therefore, all analyzes as researchers "are fundamentally flawed." Auxiliary One implication is that, because they are supposed to handling all these efforts will ultimately fail, the virtues of gold will manifest during the very long term. Interestingly, the researchers did not necessarily disagree with that last statement. For example, we found that, in the long term, gold seems indeed maintain their purchasing power. Nevertheless, researchers are quick to add, This trend in the data arises only when the holding period is measured in very long periods - not years or decades, but centuries. So agree buy the shiny metal due to its ability to maintain its value in the long, very long term. Nevertheless, the researchers add that you should not use that argument to justify the short-term expectations for gold, as it may be their distant heirs of generations, those who reap the benefits.

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