Five reasons not to buy gold

February 11, 2013 at 16:00 - IEXProfs Editorial - Related topics: gold , inflation , interest rates , currency

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"When everyone is the same, everyone is probably wrong." This famous statement by Humphrey Neill , the father of all *contrarians* , is also applicable to gold. The noble metal has more fans than ever since the post-credit crisis in three years from 750 to 1900 dollars per ounce crashed. That fed the ancient reputation of gold as a safeguard against inflation, interest rate and currency fluctuations. But new research that call gets crashed hard.

Barron's, the posh weekly sister publication of The Wall Street Journal, quoting from *The Golden Dilemma* , a study of Claude Erb and Campbell Harvey, recently published by the National Bureau of Economic Research in the U.S.. To the rather compaction lotti Semitic *gold bugs* in advance the wind out of the sails to take almost Barron's is to mention that the two authors determined not gold haters example, Erb years trader in commodities and therefore also in gold.

The two men - Harvey is Professor of Finance at Duke University in North Carolina - simply wanted to know what was true of the theories about gold as an investment, and have all these theories re-examined thoroughly. The following are the findings of Erb and Harvey on the five most popular reasons why gold is such a good investment.

Gold protects against inflation
This is the most common argument in favor of gold: the metal retains its real value, in the long term. Even gold skeptics take the most for granted. But there is no trace of evidence, conclude Erb and Harvey. What time you take - two, five or twenty years - and which of the many types of inflation can also applies, the real value of gold fluctuates as fierce as that of other investments.

Gold provides protection against currency risks
This theorem is closely related to the first, gold as a safe haven for inflation. And he is equally untenable, set Erb and Harvey. They investigated the development of the gold price over long periods in 36 different countries. The price of the precious metal is in all those countries more or less simultaneously and more or less the same degree up and down.

Gold provides protection against hyperinflation

...tunately, even ...00. In those two decades, inflation in the current BRIC pearl average of 250% per year. Adjusted for inflation, gold was at that time 70% less valuable.

Gold provides protection against the apocalypse
Gold would be a good investment during disasters - wars, coups, nuclear or natural disasters. "Black Swan" which totally disrupt the existing order. Fortunately, such events are so rare that it lacks data to this contention. What is known is that the gold price did during the worst stock market crises: that was something between profit and loss.

Gold provides protection against low real interest rates
, this view is apparently the most support in the facts. In the U.S., gold cheap in the late nineties, when the rate was high. And now the interest rate is low, gold is very expensive. But in the UK, says Erb and Harvey, there was the past thirty years, hardly any of this correlation. As stated interest only 9% of the development of the gold price.

Conclusion
The study of Erb and Harvey is definitely not meant for the discussion of the pros and cons of gold once and for all to settle. "On the contrary," writes Barron's, "the essence of contrarian thinking is not correct to conclude the debate, but to keep asking the difficult questions." The main argument against the conspiracy theorists among the gold bugs will be that the study of Erb and Harvey says nothing.

The gold price is in fact still structurally manipulated by governments and central banks. Any manipulation fails eventually, but only over the very long term. Therefore, said already the gold bugs, gold remains upright as the refuge for investors - not measured over years, not even decades, but over several centuries. That is a statement that the investigation of Erb and Harvey funnily enough seems to endorse.

But which offers the investor of little comfort now - unless his ultimate satisfaction in the benefits are great-great-

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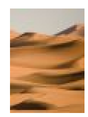

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grandchildren will experience from his gold.

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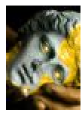

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OldAndWise February 11, 2013 at 16:51 0

Well, recently there were a few South Americans VERY happy with their precious metals. They have within 1 day 2x as much power.

Zoumoetenkunnen February 11, 2013 at 16:54 0

Loosely translated from the book "Why You Should buy Gold now!" Garrett Strong: "In Roman times it took 1 ounce of gold to a full gown with belt and shoes. Bought in 1930 you still have a nice costume for 1 ounces of gold and to date, the price of a good man's suit with shoes still equal to the price of one ounce of gold. "
Ultimately, paper money only the value of the paper: the rest is a matter of trust, and that trust is shrinking with the day.

Willempie3 February 12, 2013 at 09:45 0

If inflation or hyperinflation only in a relatively small South American economy and is not in the U.S. Dollar, gold will not help more than the U.S. Dollar. It is quite different when low interest rates and printing money just that in the U.S. Dollar and even place in all major countries worldwide. And exactly that is the case! W3.

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