Rising for six weeks, but hardly "explosion" of gold or seriously overestimated

At 7:52 on July 14, 2014
Source: China Securities News  

Since last Wednesday the Fed’s monetary policy meeting minutes released again “dovish” tone, combined with the banking crisis in Portugal appeared in the Middle East and currently still exist geopolitical difficulties, the international price of gold rose by 1.3% in the past week, so the sixth consecutive week of gains.

But analysts pointed out that gold’s recent momentum mainly from the Fed’s policy-lipped and global market potential risk factors were strengthened, but can not get a substantial upward momentum from the economic fundamentals. Thus, despite the continuous rise in six weeks, international gold prices during the economic crisis, the possibility to reproduce the rapid rise in "outbreak" is not great.

Gold or seriously overestimated

Portuguese banking crisis affected the global investor risk aversion slightly warming, the international price of gold rose 0.2 percent on Friday and therefore ounce 1337 dollars, not only to break through the line on the upstream price shock interval in the past two weeks, three from $ 1,365 per ounce month high also just one step away.

However, institutional investors do not seem optimistic about the future realization...
of the international price of gold rose sharply. Citigroup said in a report on the 11th, a limited impact on the local Bank of Portugal’s sovereign debt problems, but is unlikely to lead to the entire euro area banking sector systemic risk. “not to mention the Portuguese bank deleveraging has been significant progress, the loan to deposit ratio has significantly dropped from 167 in 2010 to 120.” Report that the international price of gold during the last round of the European debt crisis performance is difficult to reproduce, which is based on the continuous rise in the current “scattered power multi-directional.”

By contrast, Deutsche Bank is clearly bearish stance gold. The agency released a report on the 11th, said gold current “fair value” should be in the $ 1,000 an ounce or less. According to Deutsche Bank’s calculation of “fair value” should be $ 941; in other words, the current gold price of gold is about 40% overvalued.

According to the report, Deutsche Bank by six indicators to assess the “fair value” of gold futures: First, by excluding the producer price index (PPI) inflation rate prices, the international price of gold should be $ 725 per ounce; secondly, by excluding consumption price index (CPI) inflation rate prices, the international price of gold should be $ 770 per ounce; addition, per capita income relative to the S & P 500 Index, the price of copper and crude oil “fair value” price was $ 800, $ 900, 1050 dollars and $ 1,400. By value based on the assessment of these six indicators were average, Deutsche Bank obtained gold “fair value” of $ 941.

Lack of upward momentum in the future

Meanwhile, Duke University finance Professor Campbell Harvey (Campbell Harvey), through its pricing model also concluded that the current gold “fair value” is only slightly higher than $ 800. However, he stressed that the international price of gold for the United States is very sensitive to changes in bond yields, with negative correlation, so if the next bond yields rise, gold tends to fall more likely.

U.S. media pointed out that three factors driving the recent rebound in the international price of gold exceeded $ 1,300 that the Middle East geopolitics, since the U.S. inflation situation changes, the Fed’s monetary policy under the leadership Yellen. Of these, only the U.S. inflation levels rose significantly with the economic fundamentals of the commodity futures related substantive power source.

Nevertheless, as the nation’s inflation rate in the background of the rapid growth of the U.S. economy continues to stabilize close to the 2% target level, supporting the international price of gold obtained from the Fed’s policy-lipped going relatively weakened. From this perspective, the Middle East geopolitical dilemma this relatively coincidental factors, is the only recent rising international price of gold continued momentum, the basic match which also rising for its six-week duration.

In this context, once the display of the second quarter, the U.S. economy from the impact of inclement weather data quickly rebounded in the first quarter after another meeting with investors and dispel their concerns about the geopolitical
crisis in the Middle East may cause risk profile, lack of substantive international gold fundamental condition of the power will be immediately apparent: on the one hand, the real economy “to force” will give investors more investment options; hand, the international price of gold and U.S. Treasury yields are negatively correlated to some extent determines the international price of gold is difficult to reproduce the “outbreak.”

However, as Fed Chairman 席耶伦 will attend next week’s semi-annual monetary policy report hearing in the U.S. Congress, the overall bias “dovish” policy stance will not be expected to change significantly, investors can look forward to even international gold trend continued up to the seventh week and $1,365 per ounce in three and a half high.

[Editor: zhang_yuan]

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