Gold: preparing for the collapse to 350 dollars an ounce. The analysis of C. Erb

by Flavia Provenzani (Flavia-Provenzani) | July 29, 2015 - 14:41

The fair value of gold is far away, but once you reach the price could drop even more. That's why gold could be traded in the long term to 350 dollars an ounce.

Investors in gold (XAUUSD), which are just beginning to digest the decline of more than $100 per ounce in the last month, should prepare for the possibility of a collapse even bigger.

This, at least, is the prediction of Claude Erb, a former fund manager for substances of TCW Group, and co-author (along with Campbell Harvey, a finance professor at Duke University, United States) of a study that, half of 2012, he predicted that the gold price would fall.

Analysts that deserve to be heard, since they expected a long bear market for the yellow metal when he was just in its infancy.
Earlier this week, Erb said that the time has come to consider the possibility that gold can be sold and bought at **about $350 an ounce**.

Erb based this view particularly chilling on **two premises**.

**Gold at $350 an ounce, why?**
The first factor that preliminary analyzes is the **fair value** of gold, which currently stands at about $825, according to the formula proposed in the study of Erb and Harvey.

The second premise is the likelihood that, once they reach fair value, the price of gold will exceed the scendererà and at much lower values. The analyst estimated that if gold falls below the fair value to the same extent in which it did in the mid-70s and at the end of the 90s, the ingots are traded around $350 an ounce.

See also: Gold down: because the price drops? Analysis, causes, forecasts (http://www.forexinfo.it/Oro-in-calo-perche-il-prezzo-scende-Analisi-cause-previsioni)

Erb recognizes that experts in the trade in gold will find such a prospect scandalous, if not incomprehensible. But, he asks, why oto should behave differently than any other good, each of which varies widely from highs too high a share below the real value?

Erb uses the well-known **five stages of grief** to express the present condition in which the gold market is located.

These stages are denial, anger, bargaining, depression and acceptance, and he argues that investors in gold are still in the stage of "negotiation".

It argues that, in mid-2012, investors in gold were at the stage of denial. The predictions of a gold price around $800 an ounce was greeted with almost total disbelief.
oday, on the contrary, with gold falling more than $ 500 an ounce by the
prediction and expectation now common for a price below $ 1,000, the
investitoti have passed the stage of anger and switched to that of bargaining,
convinced that as long as the price does not fall below $ 1000 will be all right.

But Erb believes that the question is no longer whether investors will be able
to "survive" with the gold share $ 825 an ounce, but if they can succeed when
it drops to 350.

It 'worth noting that the study of Erb and Harvey does not refer to the market
in the short or medium term. It would not be inconsistent a gold rally and / or
one parking just above the fair value for a bit 'of time.

It is worth stressing that the search for Erb and Harvey also contains some
good news for the gold in the long term, gold will keep pace with inflation.
For the wait but we speak of decades, if not centuries.

In terms of shorter time - at least measured in years - it should seriously
consider not only that gold will go down below the $ 1,000 an ounce but also
that, in the end, the price will be much, much lower.

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Maybe it's true but I can not figure out which way out can find the mining priced so low. Under $ 825 oz. It is no longer a problem of all cost but closing !! Let us be content for the time of the 1000.

Posted by Galeazzo Giuseppe July 29, 2015 at 03:07

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