OBSERVADOR

ECONOMY

GOLD

Gold at $ 350 per ounce? Fall is not over yet, says expert

07/29/2015, 15:49

Gold prices have dropped to minimum the last five years. But an expert who had in 2012 an accurate prediction says now that prices may fall for a about a third of the current value.

AFP / Getty Images

Edgar Caetano edgarcaetano Email

Topics

CLAUDE ERB RAW MATERIAL PRECIOUS METALS GOLD

The **price of gold** accumulates a **decline of nearly 8%** since the beginning of the year, a decline that has deepened in recent weeks and that took the price of the ounce of gold for **less than $ 1,100** . The value of the precious metal may, however, be **only the beginning** of a negative correction even more pronounced, leading to quote to the house of **$ 350** per ounce. This is the perspective of **Charles Erb** , who in mid-2012 was one of the first experts to say that the appreciation of gold had ended and that the *tide* would turn. The prediction would confirm that, with gold falling 32% since then.

Analysts have come to justify the gold price fall to two main factors. On the one hand, the demand for gold as an asset that protects against inflation is reduced at a time when the **Federal Reserve** the US is preparing to raise interest rates for the first time since 2006. On the other hand, **China** has released the data on its gold reserves. China has a gold reserve accumulation policy, taking advantage of weakness moments in price to strengthen the purchase. But the total value of China's reserves, now known, was lower than analysts had predicted, despite the rise of almost 60% since 2009.

These factors can contribute to that, according to **said Charles Erb** to a MarketWatch columnist Mark Hulbert , looks like a " **real possibility** "that the price may fall up to **$ 350 per ounce** .

Gold market "turned" in 2012

MarketWatch columnist says that this alert is to be taken seriously. Why? Because, in June 2012, with an academic study that marked the era , Charles Erb and his colleague Campbell R. Harvey, warned that the price of gold was "high" a historical analysis. These experts were, according to Mark Hulbert, the first to declare the *death* of the *bull market* in gold, that is, that would end the consecutive years of earnings. Since then, the **price of gold falls 32%** .

The price of gold is far from the $ 1,900 that arrived in 2011, the last trading day less than $ 1,100. Under a mechanism developed by Erb and Harvey, the *fair value* for gold round at this time, the **$ 850** . This is a calculation of the value *essential* gold, looking at the prospects of supply and demand.

The price of gold will reach that value, which would have a top breaks the 15% on the current share price, but the risk is that, once again, **the price of gold does not stop at *value fair*** . Throughout history, explains Charles Erb, both upward cycles as descent, gold never stopped in such *fair value* , surpassing it in times of rising and falling below it in down cycles.

It calls this the *overshoot* and *undershoot* of *fair value* . And do not speak of a *margin* insignificant: according to the research of these experts, the *undershoot* can make the price reach **$ 350** .