Gold Price Forecasts: Is Gold About to Hit $350

By Peter Prazic • Friday, July 31, 2015

Gold has been mauled this week as the commodity sank to a four-year low, but that's gold price forecast (http://www.profitconfidential.com/gold/gold-price-forecast/) economist Claude Erb, who said gold could sell for $350 an ounce. Erb deserves to have his opinion taken seriously, as he was among the only analysts to call the top in gold in 2011. In 2013, he recommended selling gold, seeing it go as low as $1,100 an ounce. His current price forecast is $1,200 an ounce.

Erb bases his prediction on two arguments. The first is that gold is really worth about $825.00 an ounce, based on a formula he developed in a joint publication in 2012 with Cambell Harvey, a Duke University finance professor.

The second is his prediction that when gold prices do begin to market correct down, they won't just go to where they should be, but will plunge its value far lower; possibly as low as $350.00.

The possibility of a slingshot down past its real value is supported by historical data, because it happened in the mid-1970s and late 1990s. The difference is that with depressed oil markets, the Chinese stock crisis, and slumping growth in Europe, the stakes are higher than ever.

Still, Erb and Harvey's research does contain a silver lining: gold tends to keep up with inflation historically. The bad news is that this price movement is measured in long-term forecasts and investors resign themselves to reality.

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The silver mining industry is showing its first signs of consolidation amid falling prices for precious metals. First Majestic Silver Corp. (NYSE/AG) is acquiring SilverCrest Mines Inc (TSE/SVL.TO) for $154 million as margins are squeezed by an exodus of capital.

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Immediate term outlook:
The bear market rally in stocks that started in March 2009, extended because of unprecedented central bank money printing, is coming to an end. Gold bullion is up $1,000 an ounce since we first recommended it in 2002 and we are still bullish on the metal.

Short-to-medium term outlook:
World economies are entering their slowest growth period since 2009. The Chinese economy grew last year at its slowest pace in 24 years. Japan is in recession. The eurozone is in depression. With almost half the S&P 500 companies deriving revenue outside the U.S., slower world economic growth will negatively impact revenue and earnings growth of American companies. Domestically, the U.S. economy is also entering a slow growth phase (1Q15 GDP of -0.7%) which will negatively impact an already overpriced equity market.

Estimates

| Trailing 12-month EPS for Dow Jones companies (Most Recent Quarter) | $1039.84 |
| Trailing 12-month Price/earnings multiple (Most Recent Quarter) | 16.94 |
| Dow Jones Industrial Average Dividend Yield | 2.39% |
| 10-year U.S. Treasury Yield | 2.26% |

Poll

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- Yes
- No
- Maybe

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