

How Overpriced Is Gold Right Now?

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Gold for June delivery rose 1.73 percent to \$1,256.40 an ounce on failed Doha deal that would have cut the output at January levels. Investors are flocking to the gold due to its safe-haven status.

Is gold valued more than its worth?

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How Much Has Gold Really Rallied In 2016? (http://seekingalpha.com/article/3974910/much-gold-really-rallied-2016?source=partner_benzinga) (Seeking Alpha)

According to a study (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2078535) by Campbell Harvey and Claude Erb, the real price of gold is currently high compared to history.

"Gold has been described as an inflation hedge, a "golden constant", with a long run real return of zero. Yet over 1, 5, 10, 15 and 20 year investment horizons the variation in the nominal and real returns of gold has not been driven by realized inflation," the study says.

In addition, an industry expert feels that the yellow metal is overpriced by 33 percent.

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"Gold's fair value is a third less than where it's trading today: \$824 an ounce, to be exact, not the market price of \$1,235," Mark Hulbert wrote in a MarketWatch column (<http://www.marketwatch.com/story/golds-fair-value-is-a-third-less-than-you-think-it-is-2016-04-19>).

"Unless inflation is a lot higher than what the bond market is discounting, and assuming Harvey and Erb's model is right, gold's fair value will exert a gravitational pull on gold's price that eventually will bring its price down a lot lower than where it stands today," Hulbert added.

Meanwhile, RBC recently increased its forecast for gold prices for 2016 to \$1,250/oz and from 2017 onwards to \$1,300/oz and maintained a favorable long-term stance on the commodity.

"[T]he falling opportunity cost of owning gold in a falling real rate environment, should it develop again, could provide the potential for higher rates of gold investment and higher gold prices over the long-term," analyst Tyler Broda wrote in a note.

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