The depth of gold: gold behind the power of gold - the reasonable price of gold is how much?

Category: The logic of investment

2017-08-01 19:15

Recently, the gold into the infinite loop mode, while a bad news (such as the US economic data is not so good), gold rose; a moment to send a bullish news (such as the Fed immediately to raise interest rates), gold fell; Through the Russian door ”, gold rose; while the British off the European resistance, gold fell ... ... In fact, fundamentals did not change, Wall Street is such speculation, Huyou public.

The depth of gold: gold behind the power of gold - the reasonable price of gold is how much?

Text / Chen Sijin

Recently, due to the Federal Reserve into the rate hike + schedules cycle, and catch up with the Syrian incident, and the United States may use force on the DPRK, and even the United States and Russia are likely to directly between each other ... ...

As the saying goes, artillery a ring, gold million, so that a substantial fluctuations in the price of gold, people’s eyes naturally concerned about the gold above. Next, I will be divided into five points, to talk about a11 aspects of gold-related issues.
Before talking about gold, let's make a real look at the difference between investment and speculation. Investment and speculation of these two words, in different financial dictionaries have not exactly the same argument, a lot of financial predators, financial scientists, and even economists, all have their own different interpretation, so often mixed with these two words. While the general public is more accurate, the investment and speculation to distinguish. In the multiple definitions I have heard, I personally think that when I was studying finance at New York University, the definition of a Jewish professor from Harvard University was the simplest and most accurate:

Investment - Value-based changes

Speculation - price-based changes

The return on investment comes from the new wealth generated by the investment; and the proceeds of speculation are losses from another speculator. That is, the return on investment comes from bigger wealth cake; and speculative gains come only from price fluctuations. In other words, where only by the spread of profit, are not investment behavior.

Therefore, from the above definition, gold is not investment goods!

However, in the general impression, the gold seems to be recognized as a variety of investment, that is because there is no distinction between investment behavior and speculation, so that investment and speculative goods are also confused.

Here we talk about why gold did not invest value.

In fact, there are many gold on earth. However, from the exploration to find gold, to the underground gold mining, and then smelting gold into a certain purity, this process makes gold mining costs improved. However, in addition to most of the reserves in the central banks and financial institutions, as well as people used as jewelry, gold and not much industrial use.
ternatives. The reason why gold also has market value is that because in the vast majority of history, gold was once a form of legal money, or had been anchored as a legal currency, and given its value. In other words, in addition to the cost of mining (on the cost of gold, the following will be discussed in detail), the value of gold is due to thousands of years, the human given its monetary properties, making people believe its value.

However, since Roosevelt abolished the gold standard, especially since the gold was completely decoupled from the dollar in 1971, gold lost the property of money, and downgraded into commodities, gradually lost the glory of the past. At present, although gold is still a special commodity in the minds of gold, it has not been able to bring interest (new wealth) like money, and the storage of physical gold must also pay expensive custody fees. Obviously, gold is not an investment product.

Gold Historical Price Graph

And then from the perspective of value-added, we have to see if there is no investment value of gold? Well-known American economist Willem Buiter gave his findings: from 1790 to 2010 (220 years, but also coincides with the 2001 to 2011, the history of the rare gold bull market), the nominal value of gold and inflation adjustment After the value of the comparison chart, the long term, the price of gold is just flat and inflation, then if deducted expensive custody fees, then gold can not resist inflation. In other words, in the long run, gold can not hedge, but not value-added. (Explained that the so-called “nominal value” (Nominal Gold Price) is the market price at that time. Because of inflation, the current 100 US dollars is not equal to 100 US dollars last year, assuming that the inflation rate of 6%, then the current 100 US dollars Worth only $ 94.34 last year, the figure “Real Gold Price”.)

Therefore, from the investment point of view, gold does not have the investment value. However, because the price of gold for some reason (such as political events, etc.) ups and downs, making gold can use the spread of profit, that has a speculative value. Then we will elaborate on how to
ects to illustrate the speculative value of gold, welcome to continue to pay attention!

Second point: Gold is one of Wall Street’s best speculation tools

In front of the first talk about gold is not an investment goods, and from the historical data can not hedge, but not value-added. Here’s a quick look at why gold can be a speculative product.

According to the World Gold Association statistics, at present, the global exploitation of gold totaling more than 170,000 tons, of which 60% of the gold is a general commodity state exists, such as historical relics, jewelry products for electronic chemistry and other industrial products; The other 40% - the total amount of nearly 70,000 tons - as a negotiable financial reserve assets, exists in the field of world financial circulation. However, of which more than 30,000 tons of gold is the official financial strategy reserve owned by each country (for historical reasons, gold is still the last means of payment, that is, the final insurance products, but also as some national credit currency endorsement, which will Back to talk about), more than 20,000 tons of gold for large enterprises, and private owned by the private financial gold reserves. In other words, in fact, usually only 10,000 tons of gold as a financial product in the market circulation transactions. (35,274 (about 35,274 ounces per ton) * 10,000 (t) * $ 1280 / ounce) at $ 1280 per ounce, but $ 500 billion.

And in that more than 60,000 tons of central bank reserves and private reserves, in the market turmoil, part of which can also be involved in the field of financial circulation. But even if these factors are taken into account, the entire gold market full of full size, not as an Apple stock (currently more than 700 billion US dollars), it is easy to be manipulated. Such as the world’s largest gold fund ETF SPDR Gold Trust (GLD) generally have 800 tons to 1,000 tons, plus Wall Street several big gold fund, at least 30% of the market circulation of gold. Coupled with the use of “gold lever” margin contract, you can greatly enlarge the Wall Street big dealer control the flow of volume.

This is why a few years ago, the so-called “Chinese aunt” grab gold 30 billion US dollars to defeat Wall Street, but a joke only, it is not an orde
However, for Wall Street, the gold market is not easy to be manipulated by several bankers like currency markets, bond markets, stock markets, and commodity markets (as a whole). In other words, gold is one of Wall Street's best speculation tools.

Take this day the price of gold from the ups and downs, from the fundamental point of view, the Fed has entered the interest rate channel, and short-term cannot return to the interest rate cuts, and even began to shrink the table (reduce the balance sheet), which means that the arrival of the global liquidity inflection point is a historic change, especially if the dollar index does not rise, it is unlikely to decline significantly. In other words, the dollar price of the international price of gold does not have a substantial rise in support. This is why the last time the Fed raised interest rates, the main reason for the decline in gold. Because, in general, the price of gold and the dollar index is negatively correlated, which will be discussed in detail below.

And then, the Fed really raise interest rates, because before the gold price has already digested the interest rate hike, "Buy the Rumor, Sell the News", so gold rebounded. But then the fundamentals, such as the US non-farm data beautiful, the price of the end of the rally. But also catch up with the Syrian incident, and the United States may use force on the DPRK, Trump even that do not want the dollar is too strong, so the gold rebounded.

Obviously, the recent sharp fluctuations in the price of gold, apparently borrowing the so-called geopolitics, war by the head, that is, Wall Street big bankers use a variety of bullish (lure more), or a variety of bad (short squeeze) to short-term speculation profit. However, the long-term point of view, the fundamentals have not changed, that is, often up how fierce,

But for the ordinary people, if it is also involved in short-term speculation, because the information is very asymmetric, that most of the children will be like the previous "Chinese aunt", to the banker to send money, lose more win. Be careful!

The third point: what is the reasonable price of gold is how much
products, which will be discussed later in the details), but also for the national central bank. And since the gold is a commodity, and ultimately will always be in accordance with supply and demand, return to a reasonable price. Just like a dog in general, although sometimes left the owner around, but always back to the owner side. In other words, even if speculation is also inseparable from a reasonable price. What is the reasonable price of gold as a precious metal? I talk about the cost of mining, and at present, it should be between $1,100 / ounce and $1,200 per ounce.

I remember a few years ago do not know is misleading, or a gold company (or fund) deliberately "flicker", said the cost of gold is $1,200 / ounce, and said that with other factors (such as reasonable profits), as long as the price of gold at $1,400 / ounce, long lines, even even $1,500, you can buy boldly, certainly not loss. At that time I quoted a very authoritative data (then the average cost of gold mining is 600 US dollars / ounce) refuted this argument. And then step back, in fact, as long as the simplest logic to infer that it is impossible! Because the price of gold in 2010 before the 1200 US dollars / ounce, until after 2011 had risen to 1,400 US dollars / ounce, but by 2013 and fell below 1400 US dollars / ounce. Although the gold (or gold fund) may also lose one or two years, but absolutely impossible to losses, and gold production is constantly high every year, are gold mines are live Lei Feng, in 2011 before losing money to make shouting The The

So what is the current cost of gold mining? Recently, the international authority of the research mining research firm IntelligenceMine (http://www.infomine.com, with the latest mining data) in the study of the world's 140 large and medium-sized gold mine production costs after the discovery, of which 10 large gold, Even if the international price of gold from the current level of 50%, they can still be profitable. Such as: Voro gold mining less than 400 US dollars / ounce; Blagodatnoye gold less than 450 US dollars / ounce; Lagunas Norte gold mine 514 US dollars / ounce and so on. That 10 gold is also the world's most profitable gold mine.

As for the current global average gold mining costs, in this report did not give a specific figure, but before all the gold mining costs on the report, the maximum did not exceed 800 US dollars / ounce.
the international gold production giants are desperately to reduce production costs. According to June 2016 data, the lowest cost of the Russian polar company has the average total cash costs down to $390 an ounce, leaving a huge profit margins. In other words, with the continuous progress of survey and mining technology, especially the use of robots, gold mining costs will not rise, but will only decline.

With the basis of the cost of mining, coupled with the general commodity price composition of the tax profits, such as production taxes, production profits, commercial taxes, commercial profits, and gold this special precious financial high deposit costs, etc., At present, the market price of gold is at a reasonable price of $1,100 / ounce, and even if other factors (such as the sudden increase in demand in the market, will be analyzed in detail later), the reasonable price will not exceed $1,200 / ounce.

In particular, the famous American economist, Duke University Finance Professor Campbell Harvey in June 2012, published a research report, the proposed price of gold at a reasonable price of 800 US dollars / ounce, that is, even with the currency Expansion rate of 6% of the calculation, then the current reasonable price is equal to 1071 US dollars / ounce, that is less than 1100 US dollars / ounce.

Above is only based on the cost of mining and transportation costs and a series of comprehensive costs to estimate a reasonable cost price, can be used as a reference for speculation.

Next, we will discuss why the gold will continue before the 5-year bear market, will continue among the long bear market, and why the central banks to reserve gold.

The fourth point: why gold will still be among the long bear market

The above talk about why gold is not an investment product, but Wall Street one of the best speculation tools. And mentioned that most of the central banks have gold reserves, can be used as the final insurance products. Where many readers may ask, since gold can not hedge, then why are the central banks to use gold as a insurance product?
s gold is necessary, because there is no gold, it is tantamount to no money. Such as the United States in 1913 the “Federal Reserve Law” established the gold standard of the supreme principle, the issue of currency must have gold support, then asked to have at least 40% of the gold reserves.

Now the world has long been abandoned the gold standard, the credit currency to replace the gold standard currency. However, although the credit currency and gold decoupling, but the vast majority of central banks still gold as a reserve, which is due to thousands of years, the human gold has produced a religious belief—“gold complex”, the central bank reserves a certain amount of gold, in fact, to the money holders to eat a “reassurance”, I believe the Government is not printed out of thin air, and with gold this “pressure box” assets as a credit guarantee. A word—“insurance” to prepare for contingencies, more like the temple for the Buddha, Buddha in general! In other words, the current central banks have gold as the final insurance products, especially for those who issued their own currency credit confidence in the country.

Moreover, in recent years, the vast majority of central banks to gold demand subsided. For the Fed, since the vast majority of commodities (including gold) are priced by the dollar, and the dollar can remain at least 20 years of absolute strength, so the Fed has long been not owned by gold; and resource power Canada's central bank has long been polished. The gold. But the Russian central bank is constantly holdings of gold.

By the way, recently, Venezuela into an economic crisis, had to prepare to sell all the gold in exchange for the dollar debt.

In short, for the central bank, gold is only the last insurance products. The purpose of buying insurance, it is hoped that do not use insurance. Like the purpose of having nuclear weapons, precisely to prevent the use of nuclear weapons!

Why is gold in the long bear market?

Very simple, the key or in the United States, the Fed has entered the interest rate channel, and the short term can not return to the interest rate cuts. While the recent meeting of the meeting on interest rates shows that
08 financial crisis, the Fed’s debt scale from less than 900 billion US dollars, after three rounds of quantitative easing policy, the current scale of debt has more than 4.4 trillion US dollars.

Pure credit currency in the world generally used in the history of a very short, if the seventies from the seventies of last century Bresson system disintegration, dollar and gold decoupling count, only a short period of 45 years (less than half a century) The Human society in the use of credit currency has not accumulated sufficient experience. The dollar-led global currency continued to be loose over the years, while Money is Debt, which has been high and unsustainable, seriously hampering the healthy and healthy development of the economy.

With the dollar entering the rate hike cycle and the Fed table, it means that the arrival of the global liquidity inflection point is a historic change. And the Fed’s monetary policy close, the dollar index will be long-term strength, as the international price of gold in dollar pricing, it is clear that the dollar and the dollar index was negatively correlated, the higher the dollar index, the lower the price of gold. That gold will continue before the 5-year bear market, will continue among the long bear market.

All the remaining questions will be analyzed in the fifth point below.

Fifth point: when the Chinese aunt to solve the case

Although the above four points have been analyzed in the gold is not an investment goods, but Wall Street, one of the best speculation tools, and explain why the central banks have more than half of the gold reserves, but noted that the domestic or financial experts suggest that people invest in gold, And the invention of the so-called “RMB gold” argument, it may mean that, due to the years, the RMB supply surge, the yuan against the dollar will be a substantial depreciation, therefore, relative to the yuan, gold, or can hedge, or even value of.

I do not agree with this point!
al account, the exchange rate of the yuan against the US dollar is determined by the central bank. Before this firewall, any attempt to short the yuan is undoubtedly the stone;

Second, from 2005 to the present, the exchange reform for more than ten years, the RMB exchange rate has basically achieved market-oriented operation, in overseas is already a currency in the transaction. Especially in October last year, the renminbi officially joined the IMF’s SDR currency basket, becoming the United States dollar, the euro, yen and pound after another international reserve currency. This marks the embryonic form of the RMB internationalization, as well as the exchange reform mechanism has been relatively mature, there is no significant depreciation of the RMB basis. It may sound like an official statement, but it is an objective reality;

Third, with the Federal Reserve to enter the rate hike table, the central bank governor Zhou Xiaochuan has made it clear that monetary policy will reach the end of the cycle, China’s monetary policy must also turn to tightening. Obviously, let alone the economy is good, even if the bottom for several years, then the yuan against the dollar is unlikely to devalue, or even the possibility of appreciation will exist.

Therefore, because gold is priced by the dollar, the international gold is a unified market, as long as the yuan does not devalue, there is no so-called “RMB gold.”

So a few years ago grab gold “Chinese aunt” when to solve it?

First put aside the gold medal jewelry aunt who, it is only consumer behavior, and investment, speculation, insurance, no relationship, just prepared to dowry for her daughter only. Do not discuss here.

Just say that the purchase of gold brick as investment or speculation aunt who it 2013 gold price of the lowest point in April 16, 1321 US dollars / ounce, aunt who is generally from April 12 bargain-hunting, gold climax appeared in the April 13, 14 two days, which also means that aunt The cost of Jiancang generally 1335 yuan or so. And the purchase and repurchase required fees and the RMB and the depreciation of the dollar against the past few years. Taking into account the four years of inflation at least 6% or mor
hieve hedge, at least wait until the gold rose to 1685 US dollars / ounce or more. It is not a step away, there is still a long way to go ... ...

Will the reader ask if Trump is not going to suppress the dollar? The dollar depreciated, then the gold is not up? Only one sentence, Trump this sentence when a joke on it.

There may be readers to ask, Li Ka-shing recently did not buy gold yet? This and the central bank reserves the same gold, and ordinary people has nothing to do.

Through the above five points on the gold problem. I believe that if the reader can understand the golden problem, and other financial problems should be able to analogy.

[Note: 1, in the dragonfly FM launched "Chen Si-jin radio", has opened "ten minutes to read financial news", "thinking into the world", "effort - Wall Street", "commentary" album (http://url.cn/46mTiry); 2, the novel "go-go-to" destiny trilogy's first freshly baked (Amazon: http://url.cn/46sGfqs; Dangdang: http://url.cn/47hnML8); 3, super bestseller "so slow, so beautiful" sister "so far, so close" fresh baked (publishing house lynx shop: http://url.cn/47iyYOF (signed version); Amazon: http://url.cn/47ntT3d); 4, cross-border financial warfare novel "effort" new reprint "unfeeling Wall Street" (film adaptation, Dangdang: http://url.cn/2LEbtsC; Amazon: http://url.cn/29ZAQZV; Jingdong: http://url.cn/271EpUd) ]