Certified Gold Exchange, Inc.

Views and Analysis on the Economy and Precious Metals

ORE-VISION

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MONEYIZATION #17

Ned W. Schmidt,CFA,CEBS

THE VALUE VIEW GOLD REPORT

Moneyization: The global financial phenomenon of individuals and businesses moving their funds to monies in which they have the highest confidence, or money in which they have a higher store of faith.

Or, Understanding Up and Down

Direction is an essential parameter that must be understood. Gold investors have the right direction while paper asset groupies continue going off the wrong way. Perhaps the fundamental problem is the education of so many of today's professional money "managers." Being able to turn on a computer does not make one a qualified investor. Apparently though, that is perhaps the only skill required of so many of those managing other people's money. Those comments may be somewhat of a digression from our proper "direction," but that is to be expected when trying to understand the "red or black" betting that has replaced investment in today's world. Perhaps the CFA should be replaced with the CRF, Certified Roulette Forecaster. If you doubt this criticism, read some of the antics in what is called correlation trading!

Knowing what is up and what is down is part of understanding direction. The dollar value of Gold tells us something about the direction of the dollar's value. A lot of effort is expended trying to guess the direction, trend, support, resistance for many purported measures of the dollar's value. Simply looking at the dollar value of Gold gives you the answer. Gold is the only near efficient market for the pricing of national monies, and that includes the formally mighty dollar.

The dollar price of Gold also gives you the Gold price of a dollar. The meaning of that almost cute statement is important, and should not be dismissed. Understanding this fundamental, but simple, concept will help one understand the implications of the economic and monetary policies that are influencing tomorrow's value of your wealth. Gold's rising price in dollars, and a goodly number of other national monies, indicates that the purchasing power of fiat money is declining. Gold may be the only decent statistic around for assessing and evaluating the purchasing power of a national money.

With the exception of the mindless twits that calculate the consumer price index for the United States, the rest of us understand that such measures are nonsense. Those measures fail to serve their intended functions. Rather than providing a meaningful tool for understanding what is happening to the purchasing power of the U.S. dollar, they are constructed in some bizarre fashion that results in measuring nothing meaningful. The Federal Reserve then goes a step further in the game of fantasy statistics by excluding most of a consumer's needs, preferring a measure that only includes "brussels sprouts and electronics." Few of us spend most of our money on the fictional consumer basket that the Federal Reserve uses to set policy. How many of you decided not to buy gasoline last month, opting instead to buy a flat screen television?

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Greenspan: Economy needs to be flexible.

Tim Ahmann

Asset prices "invariably" fall after long periods of high risk taking in markets, and a flexible economy is better able to withstand the inevitable blow, Federal Reserve Chairman Alan Greenspan said on Tuesday.

"History cautions that extended periods of low concern about credit risk have invariably been followed by reversal, with an attendant fall in the prices of risky assets, " Greenspan told an economics conference in Chicago via satellite.

In a speech in which he once again defended the Fed's decision not to prick the late – 1990s stock market bubble, Greenspan said a successful monetary policy can reduce economic

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Greenspan: Economy needs to be flexible.

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volatility and lead to greater risk-taking.

But he said economic flexibility can help contain any fallout.

"Because it is difficult to suppress growing market exuberance when the economic environment is perceived as more stable, a highly flexible system needs to be in place to rebalance an economy in which psychology and asset prices could change rapidly," Greenspan said.

The Fed chief, who steps down from his post at the end of January after more than 18 years, said the ability of U.S. economy in recent decades to weather a series of shocks – including the latest run-up in energy prices offered evidence of the U.S. economy's increased flexibility.

"That greater tendency toward self-correction has made the cyclical stability of the economy less dependent on the actions of macroeconomic policymakers, whose responses often have come too late or have been misguided," he said.

"It is important to remember that most adjustment of a market imbalance is well under way before the imbalance becomes widely identified as a problem," Greenspan added.

Article by:
Tim Ahmann
September 27, 2005

In Memory of Bill Parks
1932-2005
Our Sr. Portfolio Manager & Beloved Friend Will Be Remembered.

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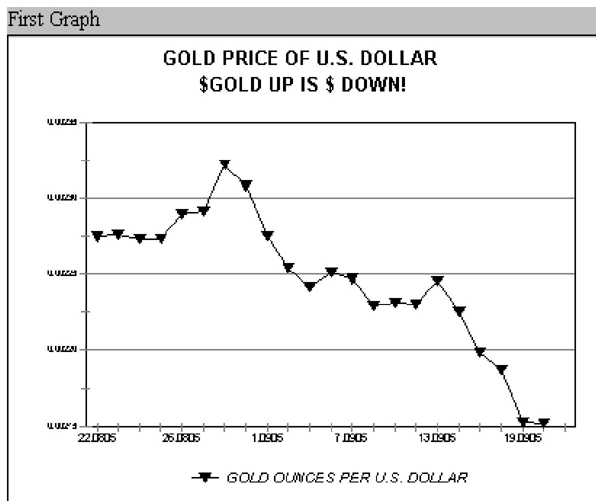
Coming to understand that when $Gold is up the dollar is down is investment enlightenment. The dollar price of Gold also tells us the Gold price of the dollar. Such is also true for any other national money. For example, if Gold is trading at $400 per ounce that value can be converted into how much Gold is necessary to buy a single dollar. Simple take one (1) and divide it by 400. That translates into 0.0025 ounces of Gold per dollar. $500 Gold, likely this year, converts to 0.0020 ounces of Gold per dollar. **When the dollar price of Gold is rising, the Gold price of the dollar is falling.** The rest of the world will pay less Gold for each dollar. The value of that dollar, in Gold the eternal money, is going down. The most recent trend in the value of the dollar is portrayed in the first graph. For those of you living in other national monies, these rules likewise apply to your money and Gold.



In that first graph is plotted the Gold price of the dollar over the past couple of weeks. The time period chosen is in particular post Katrina and pre Rita. At first the dollar's value rose as the world was relieved that New Orleans did not meet the dire fate most expected after listening to the news media's storm coverage. Slowly the reality of the situation became evident. **The value of the dollar began to slip. As is readily apparent in the graph, the value of the dollar plunged to a low.**

<u>Why is the world appraising the dollar's value in this way?</u> **First**, the storm's damage is no trifling matter. A $200+ billion hole is a big hole, even for an economy as large as the U.S. Wall Street gurus, afraid that people might wisely take their money out of paper assets, have put a positive stroke on Katrina. Many have concluded that Katrina is actually good for the U.S. economy. No doubt some will be raving bulls over Rita. Matter similar to that wisdom can also be found amongst the litter in the cat box.

Second, the U.S. government clearly is determined to raise the city of New Orleans above sea level by filling in the hole with dollar bills. That approach might actually be cheaper than whatever will really happen. We all know the U.S. government does not have a spare $200 billion, or that needed for post Rita. In the past year the U.S. deficit was about $600 billion. So, the U.S. deficit will jump more than a third.

The problem is where they get the money. Foreign investors already have more than $2 trillion of U.S. government debt. Their appetite may be waning as we will see later. If enough gullible foreign investors cannot be found, the Federal Reserve will buy it. <u>For some time the Federal Reserve has avoided monetizing a significant portion of the U.S. government deficit as foreign investors did it for them</u>. That time may be passing, and the markets realize that the Federal Reserve monetizing debt means the value of the dollar should go down. Markets like to discount the future ahead of time so the dollar went down now. $Gold went to a new cycle high.

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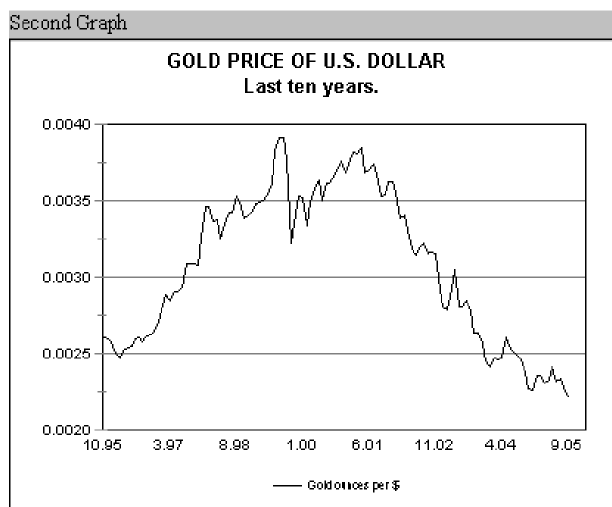
Global financial markets are appraising the likely response of the Federal Reserve to the events of the future. This appraisal is decidedly negative. Given the historical performance of the Federal Reserve that response is quite rational. The world may have been fooled with the first bubble in stocks. People, though, adapt and learn from their mistakes. The world is not being fooled by either the U.S. Mortgage Bubble or the massive deficit looming at the federal level. Given the near total politically oriented policies of the past on the part of the Federal Reserve, holding dollars is not judged to be a good idea. If the rest of the world realizes that, why are you still holding so many?



The second graph portrays the Gold value of the U.S. dollar over the last ten years. For those relatively new to Gold, the peak in that value came in 1999. That was the year when several European central banks realized that selling Gold and buying U.S. debt was a really dumb idea. They could see the bubble at work in the U.S. stock market even if the Federal Reserve could not. Those banks may have continued to buy U.S. debt, but they did not do so with money from selling Gold. That event marked the top in the value for the U.S. dollar.

$Gold is at a new cycle high because the value of the U.S. dollar is at a new cycle low. That understanding is fundamental to your wealth's well being. If you still own dollar denominated equities, the purchasing power of that wealth has gone down. Ok, so your portfolio is up some in the past year. What it will buy though has declined. The value of the dollars it represents is less.

You are not making "money," you are losing purchasing power. **Do not be deluded by the illusion of wealth in paper!**

Many investors are now developing an interest in Gold, and that is good. This response though must include more than buying Gold with idle dollars. While that action does improve your overall financial defenses, the paper assets you retain are still vulnerable. 10% of your portfolio in Gold is certainly better than no Gold in your portfolio. However if that means that 90% of your wealth is still in dollars, little has been done to alter the risk your portfolio. A now popular concept is Value At Risk (VAR). With 90% of your wealth in dollar assets, your VAR is still in the wrong direction. You need to reduce your holdings of dollar assets and buy $Gold.

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NOW, HE TELLS US !?

Chris Temple

At the late August gathering of the world's top bankers in Jackson, Wyoming, the mood this year was part reflective, part laudatory and part anxious. After although he may not have been the center of attention *every* year at the big, annual confab hosted by the Kansas City Fed. This year's star attraction was making his last official appearance as, perhaps, the most powerful and influential central banker of all time. After more than 18 years at his post, the accumulated wisdom of Alan Greenspan was what the attendees were coming to hear together with the expected valedictory comments and a little glimpse from the Maestro into the future.

Greenspan's audience got most of what it wished for. Simply being the presence of a man knighted by Queen Elizabeth, lionized by the overwhelming majority of Wall Street and academic and the savior of markets more than once after some form of crisis, was enough. The audience also got a bit more than it bargained for, however, as Greenspan greatly ratcheted up his "cover you're a _ _" campaign he started several months ago.

As the August 29 issue of *USA Today* put it in an article penned by Sue Kirchoff, the Fed chairman in his speech, "… scolded investors who were bidding up house and stock prices on the dangerous belief that good times would roll on and markets could not reverse". Besides giving on updated and broader warning reminiscent of his famous December, 1996 "Irrational exuberance" speech, Greenspan also delivered blunt new warnings of the unsustainability of both the federal budget and current account deficits, predicting that the inevitable consequences will be higher inflation and interest rates.

As we first started musing following the

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Federal Open Market Committee's December, 2004 policy meeting, the Greenspan let Fed albeit rather belatedly has at least started to come to grips with the reality that it has been chiefly responsible for creating for investors what's been dubbed the "Greenspan put". The central bank has been the enabler-in-chief not only for stock investors, but for those *the world over* who have chased all manner of securities higher, supported by the certainty that if crisis strikes, they'll be bailed out of any losing position. Over the last few years, everyday consumers have behaved just as have investors in the financial markets. For them, no asking price has been too high to pay in a housing market stoked by Greenspan's E-Z money policies, nor has any consumer product been viewed as anything but a necessity as millions have been able to tap "equity" in their home to keep America front-and-center as the world's over-consumer of last resort.

Were Greenspan indeed the genius and artful central banker he has been portrayed as, the world might indeed have ended up being a different place today. For starters, this nation's accumulated debt might not have grown nearly as large had the more sober and

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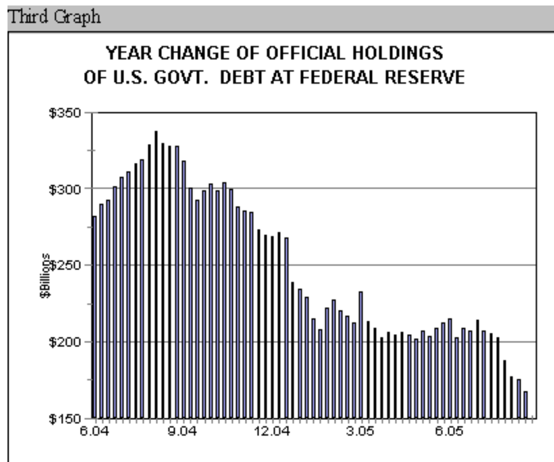

As mentioned earlier, for some time the Federal Reserve has not had to materially monetize the deficit of the U.S. government by buying that debt. Foreign investors have been quite willing to do so. <u>That appetite continues to wane, as shown in the third graph</u>. Plotted is the year-to-year change in the holdings at the Federal Reserve of U.S. debt by foreign official institutions, which comes from the Fed's weekly report. The trend in that buying is fairly obvious. **Foreign central banks are buying less U.S. government debt.** That leaves only two buyers to fill the gap, the Federal Reserve and the Social Security System.

Imagine the discussions in the central banks around the world. Their economists and other wise staffers have been recommending selling Gold and buying dollar denominated debt. **Being wrong is not hard to do. Being that wrong really takes some special skills!** How will the boards of these institutions respond? If you were one of the directors of a central bank, how would you respond to a recommendation to sell Gold and buy more U.S. dollar debt?

We are witnessing in the dramatic rally of dollar Gold the moneyization phenomenon. Investors, institutions, and consumers around the world are turning away from the dollar, and other national monies. They are seeking security in the single form of money which history has shown as more reliable than all governments, Gold. Those that have over the years remained loyal to Gold have been referred to in rather disparaging manners, often called Gold Bugs. **Well, the Gold Bugs have been right as shown in the fourth chart. The Paper Asset Nuts are the ones that have been wrong, and need a serious reality check.** This graph might be a good one to send to your investment advisor if they still have your portfolio mired in stock mutual fund goo while you are being charged exorbitant fees.

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responsible man of Greenspan's youth been on the job. One of the legacies for which the chairman will properly be remembered is the mushrooming federal debt. In less than two decades, Greenspan's bank did not merely preside over the more-than-tripling of the accumulated (and admitted) debt, from $2.3 trillion to a current $7.8 trillion or so. *It enabled the creation of this debt.* It is true that, during his tenure, Greenspan in some instances defied or even deftly rewrote the age-old rules of central banking; to some extent, to be fair, he does deserve a few accolades for keeping all the balls in the air for as long as he has. But among the worst cases of his suspending the rules of economics and banking has been to remove any remaining hint of fiscal prudence-even sanity-from the 535 Americans who decide how much they can spend and borrow, and their partner in the White House. In the past, spendthrift politicians were inevitably checked in their reckless largesse by rising interest rates; in those days, there was a price to pay for living beyond our national means. For the time being, Greenspan has suspended those consequences, he has held up a trick mirror to the nation that shows us trim and vital, even though we are bloating and are actually destined for the mother of all coronaries.

Rather than focusing solely on the wisdom inherent in Greenspan's warnings in Jackson about the "economic imbalances" that he created (he now assigned that monitor to housing valuations as well), the pundits should have scorned Greenspan for his gall and hypocrisy. For the most part, they did not.

No matter what your view on Greenspan's "new paradigm", one thing is sure, when the inevitable bust comes, nobody will be able to say they were not warned, and by the man who made it all possible, no less. After chastising those who have come to believe that increases in stock, bond and housing prices are "structural and permanent" and, therefore, available at all times to feed ever more excess, he properly pointed out how the bust will eventually materialize. Once the point of over-investment, over-consumption and the willingness to accept "low risk premiums" has been reached where the rubber band simply can be stretched no further, a vicious cycle of debt liquidations and defaults will take over. Those who can will unwind their irresponsibility's of recent years, selling all manner of assets in order to jettison debt that becomes unserviceable, or is deemed to risky to carry any further. Ultimately, a mad dash for the exists will ensue, which could devastate asset prices. All of this will have been a consequence of far too much credit having artificially inflated prices beyond all reason or economic justification in the first place. Said Greenspan, "This is the reason the history has not dealt kindly with the aftermath of protracted periods of low risk premiums".

Should he be grated further good health following his retirement next January, we are confident that in years to come, as he makes his way around the rubber chicken circuit, the Maestro will always be quick to offer an "I told you so".

WHAT NOW FOR THE FED?

"There may come a time when we hold our policy stance unchanged, or even ease, despite adverse price data, should we see signs that underlying forces are acting ultimately to reduce inflation pressures." --- Fed Chairman Greenspan, February 22, 1995

In the aftermath of Hurricane Katrina and its apparent body blow to the U.S. economy, and this on top of the already worrisome hit that consumers have been taking due to high energy costs, Wall Street is increasingly betting that Greenspan's bank will suspend its now 14 month campaign of interest rate hikes. Of course, there is ample precedent for the Fed, especially under Greenspan, to ride to the rescue in a crisis; the attacks of September 11, 2001 are the most recent (and in that case, appropriate) example. Further, what most acknowledge to be the dampening effect of ever rising energy prices may be taking a sufficient toll at last to do some of Greenspan's work for him; energy's "tax" on pocketbooks constituting one of the key "underlying forces…acting *ultimately* to reduce inflation pressures".

Prior to Katrina's epic destructive work, futures markets had priced in the certainly of a 4% federal funds rate by year-end, with 25 basis points coming at the next F.O.M.C. gathering on September 20, and another in either November or December. Now, virtually nobody expects two more rate hikes in 2005; and a growing minority believes that the Fed won't raise the funds rate *at all*, in deference to the markets' view of how it should respond to the devastation in the Gulf.

What the Fed ultimately does will first be revealed on the 20th (for what it's worth, we're in the majority camp: the F.O.M.C. will make some mention of the hurricane's anticipated near and medium-term expected impact on the economy; however, we'll be surprised if the Fed eventually halts or suspends its rate hikes due *solely* to Katrina.

There is no question that the storm is having, and will continue for a while to have an impact. Initial forecasts are innumerable, and all over the map. Generally, though, economists expect that U.S. growth will be cut for the full year by as much as .75-1%. All things being equal, though, whatever rebuilding efforts ensue should *add* to the nation's economic growth once 2006 rolls around. Thus, were the Fed to relent now (or soon thereafter) and suspend its rate-hiking campaign, it could leave *more* work for the Fed-and Greenspan's successor-come next year. Don't forget that, by most any historical measure, the Fed's policy, even after 10-quarter point rate hikes is still accommodative, as the F.O.M.C. asserted once again following its early August hike of the federal

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GOLD: MEGA BULL MARKET UNDERWAY

Mary Anne & Pamela Aden

Gold is at a 17-year high. This is now starting to attract some attention, even though gold's already risen 88% over the past 4 ½ years in its strongest rise since the 1970s.

Nevertheless, many investors are unaware of this ongoing bull market rise. That's actually good because it means gold's bull market is still in its early stages. In other words, gold has a lot more upside potential.

WHAT'S DRIVING GOLD

Most important, a new investment era began in 1999 and this will be the key to successful investing in the years ahead. This new era is being fueled by massive government spending, the largest debts and deficits the world has ever known, the war on terror, record high oil prices, a 25-year high in commodity prices, growing uncertainty, and the booming growth and demand out of China, as well as other emerging countries.

These factors provide a positive backdrop for gold and so does the weak U.S. dollar, which is poised to head even lower over time. The dollar, for instance, has already lost over 90% of its purchasing power since 1913 and it's dropped 70% since the early 1970s when it stopped having a link to gold, becoming instead a floating paper currency. Throughout history, whenever a currency stopped having a link to gold it dropped, and the dollar has not been an exception.

On the other hand, gold is the ultimate currency and it always has been. From the Greeks to the Romans, currencies have come and gone and historically, not one paper currency has survived. But gold is real money and it's maintained its value over the centuries.

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NOW, HE TELLS US !?

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funds rate to 3.5%. As you see from the accompanying chart gleaned from a recent issue of *The Economist*, the *real* federal funds rate (arrived at by subtracting the increase in consumer price inflation from the nominal fed funds rate) is well below where it has typically been three years into an economic recovery/credit-tightening phase. The chart also shows that, in spite of the surge in oil prices, consumer prices thus far have not jumped nearly as much as in the two major oil price shocks of the 1970's. But pressures are building; and the Fed can ill afford to become complacent (or chicken-hearted) *yet*.

Consider also that the jolt to the U.S. following the 9-11 attacks was a different matter than Katrina; one which arguably required the drastic easing the Greenspan engineered. The financial nerve center in New York was debilitated. Markets frightened and uncertain, threatened to freeze without the substantial boost that the Fed provided. Extra liquidity was needed; not only to soothe fears and arrest a plunging stock market, but literally to insure that the system could function properly.

Despite Hurricane Katrina's considerable damage to some sectors of the economy, which will include delays in both importing and exporting a variety of goods, more liquidity in the banking and financial systems is the *last* thing we need right now. Rather than declining as happened following the events of four years ago, stocks have rallied in the aftermath of Katrina, clearly in the belief that the Fed's hand will be stayed. Ditto the bond market (though there has been at least some discernment, as corporate bonds have not enjoyed the rally that Treasuries have). Plenty will be done to alleviate the specific financial headaches being suffered by the people on the Gulf Coast; already, banks, merchants, tax collectors are providing easier terms, deferred payments and much more. There is simply no need for the Fed to change its policy for an entire nation because of this.

Hopefully, the Fed will stick to its game plan to "remove monetary accommodation at the pace that is likely to be measured", and not be swayed by political considerations (including the pleas that President Bush likely made in his private meeting with Greenspan right after Katrina hit). Long before the storm drove crude oil to record prices over $70 per barrel and natural gas to over $12 per mcf, it was the Fed flooding the world with cheap dollars that drove up the prices of these and other dollar-denominated commodities. Bit by bit, the Fed's monetary inflation has worked its way through the food chain and fostered higher producer and consumer prices; not only here, but to a somewhat lesser extent elsewhere. It is either serious about trying to mop up some of the speculative and inflationary pressures it created, or it's not.

As we've written before, Greenspan seems to understand that-ion order to begin curbing the various economic imbalances which exist, a stable or *stronger* dollar and higher *long-term* interest rates will be needed. The chairman's preference is *not* to stop raising rates until *long-term* rates begin to respond and the markets take him seriously. Right now, they clearly don't. The worst way for the Fed to behave would be to confirm the markets' wishes, and underwrite yet more of the markets' willingness to speculate and accept low risk premiums that Greenspan told his Jackson audience was a bad thing.

Thus, we feel that the Fed will raise rates on September 20; AND at least one more time in its last two meetings of 2005. If we're right, that means that the stock and bond markets, which presently anticipate less, are in for a rough autumn.

Such a stance should help the U.S. dollar to stabilize following its recent correction; one exacerbated most recently by currency traders' own belief that the Fed will suspend its rate hikes. *However, the strong 2005 rally for the greenback (one we accurately predicted some nine or so months ago) is about over.* At best, we might see a rally to the summertime peak in the U.S. dollar index. At worst, brightening financial and political pictures in both Japan and Germany could well give some shine to the yen and the euro, respectively. On top of that, the Congress is hell bent on throwing money at the wake left by Hurricane Katrina and asking questions later. Some of the early numbers being bandied about suggest that, eventually, a staggering $200 billion could be appropriated for the cleanup and rebuilding.

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GOLD: MEGA BULL MARKET UNDERWAY

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In fact, it has a 5000 year track record and no other investment can make that claim.

GOLD'S LOOKING GOOD

Looking at gold's technical big picture on **Chart 1**, you can see it's in a strong 35 year uptrend. A couple of years ago it broke above its downtrend since 1980, it's now at a 17 year high and its next resistance is at $500. Once gold is able to rise above that level, it's off to the races as there will be no further resistance until gold reaches the 1980 top area. And if this seems extreme, a look at the Dow Industrials compared to gold reinforces this outlook.

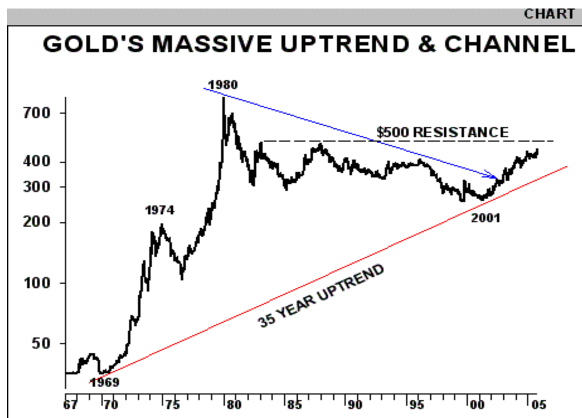
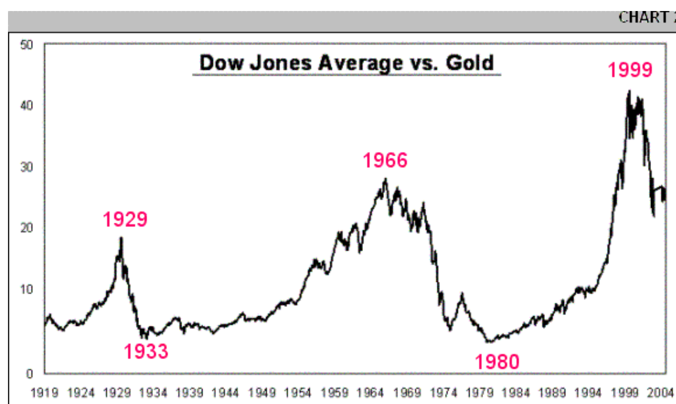


Chart 2 goes back to 1919. When this ratio rises, the Dow is stronger than gold and when it declines gold is stronger than stocks. Note that a mega shift occurred in 1999 from financial assets to tangible assets. This was a big deal marking the new era that's been underway since then.



As you can see, these shifts don't happen often. This is only the third time this has happened since 1919 but when these shifts take place, the trend tends to last for years. That was certainly the case in the 1980s and 1990s when the Dow Industrials was stronger than gold, but that's now changed.

Gold has been stronger than stocks since 1999 and it still is. That is, the percentage gains have been greater in gold than in stocks. And since the ratio tends to swing to extremes once a shift occurs and it's still far from the lows, gold will likely continue to outperform stocks for years to come. This tells us the gold universe is where your primary investment focus should be in the years ahead.

WHAT TO DO

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NOW, HE TELLS US !?

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Such a budget-smashing figure isn't likely to do the dollar's value a whole lot of good, especially when the chances of Washington offsetting a meaningful part of this via budget cuts are somewhere between slim and none.

This is one of the main reasons why we're convinced that gold's price will soon make a new bull market high.

Article by:
Chris Temple
www.nationalinvestor.com
20 September 2005

Wall Street's Demon – INFLATION

New York – After lurking in the third place for the past month, biding its time, inflation finally made a big leap forward last week, overtaking energy prices and hurricanes to reclaim the title of Biggest Worry on Wall Street.

And it doesn't look to give up the crown anytime soon. But really, why should it?

Corporations are raising the alert about the impact of higher energy prices, key sentiment indicators are showing a jump in inflation components, and Fed officials are openly discussing pricing pressure in the economy.

After taking a somewhat casual reaction to this growing concern for a month, Wall Streeters are finally taking a good, hard look at the issue – and are panicking a bit.

"Corporations are starting to say that we've held costs back as much as we can, we're going to have to pass it on," said Paul Mendelsohn, chief investment strategist at Windham Fianancial Service.

CNN Money
October 10, 2005

GOLD: MEGA BULL MARKET UNDERWAY

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If you're heavily invested in common stocks, we'd lighten up and at least balance it out with some gold investments. If you don't have any gold investments, we'd buy. And if you do have some gold, then hold onto it.

Gold is stable and it's an investment you'll want to hold for the long-term. Gold shares are more volatile than gold and while you can make a greater profit in them when gold is rising, they also tend to decline strongly during normal downward price corrections in gold. This makes gold shares more of a trader's market unless you're prepared to hold for the long-term and ride through steep corrections.

We like gold coins which can be purchased through reputable coin dealers.

As this new era unfolds and becomes more obvious, gold is going to become more attractive and, unfortunately, stocks will be less attractive. So make some strategy changes now while it's still early and we don't think you'll regret it.

Article by:
Mary Anne & Pamela Aden
October 4, 2005

The Outstanding Public Debt

National Debt:
7,982,576,494,462.61
The estimated population of the United States is **297,368,673**
US citizen's share of this debt is
$26,844.04
The National Debt has continued to increase an average of
$1.62 billion per day
Business, Government and Financial Debt exceeds
$37 Trillion

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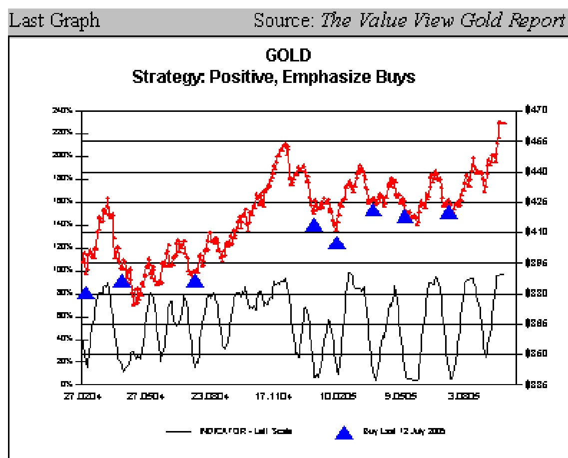
That all said and while the long-term case for dollar Gold is solid, every day does not necessarily present the best time to buy. As the last chart shows, good times to buy Gold do develop. Times also exist when holding and watching are wisest action. **Dollar Gold is seriously over bought as a result of the storm surges, and a correction can be expected.** What is not known is whether the correction will come from $475 or $500. **Gold belongs in your portfolio, and you should be preparing cash to invest in Gold at the next buy signal.** $1,300 Gold is in our future, and you should have part of that gain in your portfolio



A final comment for those readers involved in defined benefit plans at your place of employment. If your plan does not include a Gold "bucket," the time has arrived to start complaining to your human resource department. No longer is it necessary, given all the alternatives for buying Gold and Silver, to restrict the investment options to paper assets. The principal reason for such restrictions are tradition and those massive fees and commissions paid to consultants, managers and mutual fund companies. It is YOUR retirement, and you may want it to have some purchasing power when you retire. Otherwise, enjoy whatever your social security check will buy. **Recommend e-mailing this article to all of your human resource staff**.

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