

An update on gold – April 16th 2013

Gold has suffered an unprecedented fall from grace and in the vernacular it has been "bitcoined". Bitcoin was an alternative to fiat currency and was gaining some traction after the Cyprus debacle as hot money looked for a "safe" home, even IG Index the spread betting company have started trading it! Alas currencies are the sphere of governments and central banks and any upstarts are not to be tolerated. The same debate can be had about gold, but, to misquote Mervyn King "it is foolish to start a run on gold, but when it has begun it would be madness not to join in" which is exactly what we have seen so far this week.

Since Friday morning the price has fallen from the opening at \$1561 to a low of \$1321 this morning, -15%, and is now having its first rally of any note to \$1400. The Friday fall was missed by Asian traders and they took up the bit on Monday, with the US following up in the afternoon. There are no doubt still a few bulls left with positions well under water in hedge fund world and are now probably biding their time for a rally of sorts back to the \$1500 level which had been close to support levels for the market since 2011. Any progress past there is going to take time.

This does however give some lumpy buyers (central banks) the opportunity to buy gold at distressed prices. It would seem that this is not the time to sell gold but to start accumulating again on setbacks which there will be as overleveraged traders are squeezed out. As one blogger put it, "at last someone has done something for the first time gold buyer"...

Massive currency debasement by all the major central banks means that there is still a very strong case to hold gold.

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