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A SOLID INVESTMENT With the current vulnerability of currencies, countries will rather hold and build their portfolios in gold



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GOLD

Gold investments forecast to perform strongly, given vulnerability of currencies

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By: Loni Prinsloo

14th August 2009

TEXT SIZE

Owing to deteriorating economic conditions, sovereign currencies are increasingly vulnerable, with gold being the one commodity currency that is able to provide assurance and strength in these difficult times, says SA Bullion founding director **Hilton Davies**.

"At a time when currencies are vulnerable, gold is looking ready for the next leg-up. "The 'smart money' is building portfolio positions in title-owned gold bullion alongside gold exchange-traded funds (ETFs) and gold-mining shares," he adds.

SA Bullion holds a dispensation granted by the South African Reserve Bank to facilitate investments into gold krugerrands.

The company states that, in the short term, gold is likely to trade more as a currency than as a commodity, and downside risk lay, therefore, in dollar strength.

Davies explains that currency is simply a concept backed by confidence, used as a trading mechanism. "The dollar is by far the most important global currency, with no other currency coming close to its effectiveness as an international trading mechanism.

"The concept behind the dollar is that it has a transactable value backed by the US governments' ability to meet the obligations included in its budgetary requirements, such as payments of services rendered and servicing public debt."

The main income component for the US is tax. This means that, to run a balanced budget, the country has to ensure that there is sufficient income tax to meet its obligations. However, Davies notes that it is common knowledge that the US is far from running a balanced budget.

This leads to the country issuing more public debt to make up the shortfall in its budget, which is the key driver of inflation.

In addition, the Obama regime has tackled the credit crisis issues by injecting an enormous amount of money into the system. "Remember, printing money also results in inflation, which has traditionally been good for gold.

"I predict that gold will perform relatively strongly, whether the current monetary easing, designed to stimulate economies such as the US, succeeded or not.

"Gold is viewed as one of the most stable commodities. With the current vulnerability of currencies, countries will rather hold and build their portfolios in gold, which is seen as a strong currency.

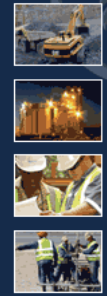
"There is no doubt in my mind that, further on, we should expect increased investment into gold rather than monetary currencies. Gold investment provides a bedrock for investors and country portfolios."

Davies points out that, ultimately, all currencies have to inflate their way out of trouble with gold being the only currency that does not have that problem. "It cannot be inflated, and that is why the 'smart money' has been moving more and more into investment into gold," he adds.

Meanwhile, because the company believes that gold is the safest store of wealth in these uncertain economic times and that it should be made as widely accessible as possible to provide financial security to the greatest number of investors, it merged with black-owned Aurum Gold Investors last month.

The merger created a single point of access for individual and institutional investors seeking to build a store of physical gold.

"The merging of services and companies in a single brand strengthens our brand proposition and clarifies our service offering for clients as a turnkey investment solution for the purchase, storage and redemption of physical gold bullion krugerrands," says Davies.



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"Further, it enables the company to derive the benefits of a larger and stronger group, driving the shared vision of unlocking the benefits of title ownership of physical gold," Davies concludes.

Edited by: [Martin Zhuwakinyu](#)

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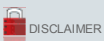
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