

Hello Everyone,

"The measure of a man is what he does with power." Plato

I would add the measure of a woman as well. And, I'll leave it at that.

Today we close out the gold series. Our missive today looks at myths surrounding gold. Friday we will tackle silver and then move on to more current events. :>)

I hope you found the series helpful and edifying.

Signed, Your-So-The Federal-Government/Federal Reserve-Can-Print-Trillions-For-Mega-Corporations-But-Can't-Mint-Enough-Coins-So-People-Can-Do-Their-Laundry? Financial Advisor, Greg

KKOB 08.03.2020 Gold Part 12 Dispelling Myths

Bob: So, Greg, this is the longest series you've ever done. This is segment 12 on gold. Your Bitcoin series only went 10. But you want to close the series out today, right?

Greg: I do. It was a good topic for the summer though. There hasn't been a whole lot of action in stocks. So, there hasn't been much to talk about there.

And then we got lucky. Gold started moving higher while most people were at the beach. So, it's been relevant to those who stayed home and kept the economy moving!

Anyway, let's dispel some myths about gold that your listeners are bound to hear if gold continues to move higher. Because, lots of people have opinions about gold that aren't necessarily true.

Myth number one. If the dollar moves up, then gold moves down. And vice versa. That

would seem to make sense, since the dollar is the world's reserve currency ---and gold is seen as a competitor.

The reality is, however, with the dollar where it is right now in the currency markets, gold has been \$450/oz., \$380/oz., \$1080/oz., and today \$1960/oz. The point is, the dollar index vs. gold has been all over the map. And anyone looking for a linkage will only find it in short spurts---but not longer term.

Bob: So, what you're saying is, don't make a bet on gold based on the strength of the dollar. Thinking that could trick you into making a bad investment decision.

Greg: well said. And exactly.

So moving on to myth number two. Jewelry demand is important to the price of gold. Bob, standard to this myth is the story that gold demand for all those weddings in India each year will drive up the price of gold. And, while it is true Indian brides get all kinds of gold showered on them---a lot of that gold is recycled within the families.

Plus, Indian weddings occur every year.

The gold market has accounted for that.

Oh, and the other problem with the "jewelry demand" story is there is no statistical relationship between jewelry demand and gold prices. There are lots of years where jewelry demand falls due to a recession, or some natural disaster---- and the gold price rises. The reverse is also true.

Bob: I'm glad I didn't get married in India. I'm not sure I could have afforded to shower Carol with gold.

Greg: If Carol is smart she'll ask you to renew your vows there. So, be careful.

Finally, myth number three. Rising interest rates make gold prices fall. Again, this one makes sense on the surface. Gold does not earn interest, so why invest in a shiny, yellow metal when you can get paid interest at the bank?

The reality is, as rates rose throughout the 1970's, gold rose, too. Conversely, we have seen times where rates are falling and gold falls, as well. The real relationship is this. If the inflation rate is higher than interest rates, then gold tends to rise. If interest rates are higher than inflation rates, gold tends to fall.

Bob: OK. So I get all that. So, if those are myths, what is the driver of the gold price?

Greg: I've come to the conclusion it is monetary demand. Or, maybe better said, it has to do with faith in Central Banks. When the world believes that currencies are under control, and all is well, there is no need for gold. However, when faith in currencies is lost---due to politics, or natural disasters, or wars, or famine, or whatever-- - gold becomes a go-to safe haven.

Bob: So, the recent run-up in gold really has to do with faith in the Federal Reserve. And since the Fed is printing money like water, that faith is waning.

Greg: I believe you can make that case. And not just here. We are seeing gold hit all-time highs across the globe...in all major currencies. And the common denominator is... money printing---- and the resulting concern about the integrity of everyone's currency.

Bob: This was a fun series. I learned a lot. Let's talk on Friday about silver. How do people reach you?

Greg: OK. Why not? My number is 250-3754. Or, go to my website at zanettifinancial.com.

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