8 Forces Powering Up Gold in 2012

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UncommonWisdomDaily.com

Red-Hot Global Resources

Global Resource Hunter

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Fact #1: Gold Miners Are Cheap Compared to Gold

(Updated chart)

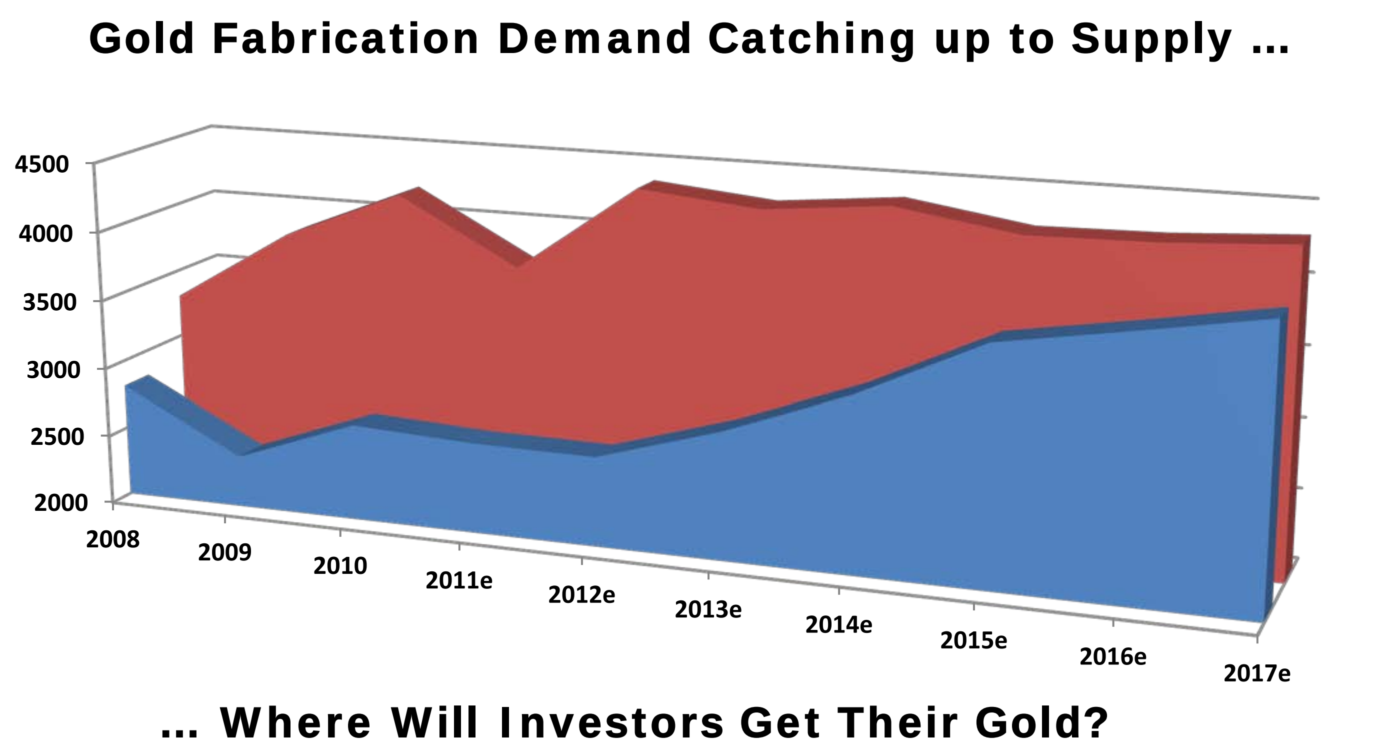
- Gold miners, as measured by the Gold Miners ETF (GDX), are at their lowest value, relative to gold, since the 2008 financial crisis.
- Unless you think the global economy is about to plunge into a crisis, it's likely that gold miners are going to get more EXPENSIVE.

Fact #2: Gold Miners Are Cheap Compared to S&P 500

(Updated chart)

- Did I mention gold miners are dirt cheap? They're at their lowest relative value to the broad stock market in months, and near their lowest relative value in the past three years.
- Many, many gold miners are way undervalued compared to what they have in the ground. Now add in that they produce REAL VALUE.

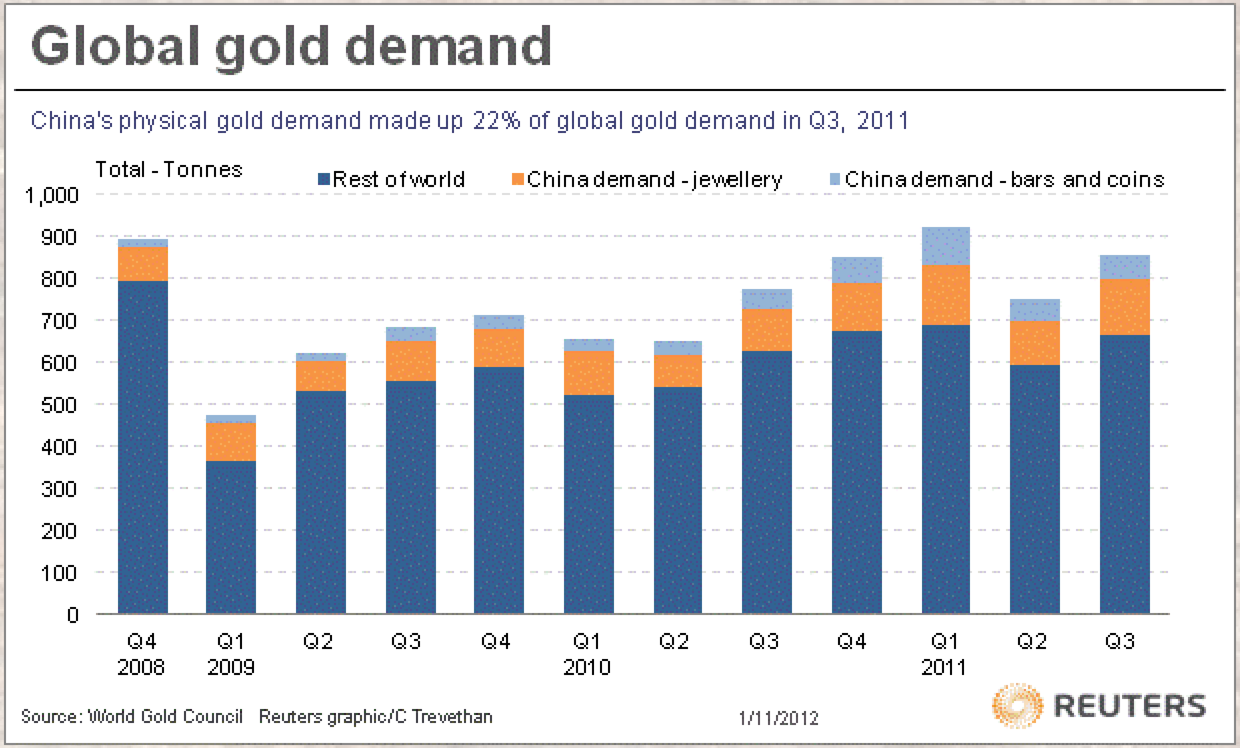
Fact #3: Gold Fabrication Demand Is Soaring



Data Source: Morgan Stanley Gold Outlook 2012

- Global gold investment increased 20% last year to $80 billion. This is primarily attributed to the physical buying of bullion.
- Gold coin purchases gained 13% last year.
- Purchases of gold bars increased by 36% to 1,194 metric tonnes, concentrated in China, Germany, Switzerland and Austria.
- East Asia demand for gold bars rose 53% to 456 metric tonnes.

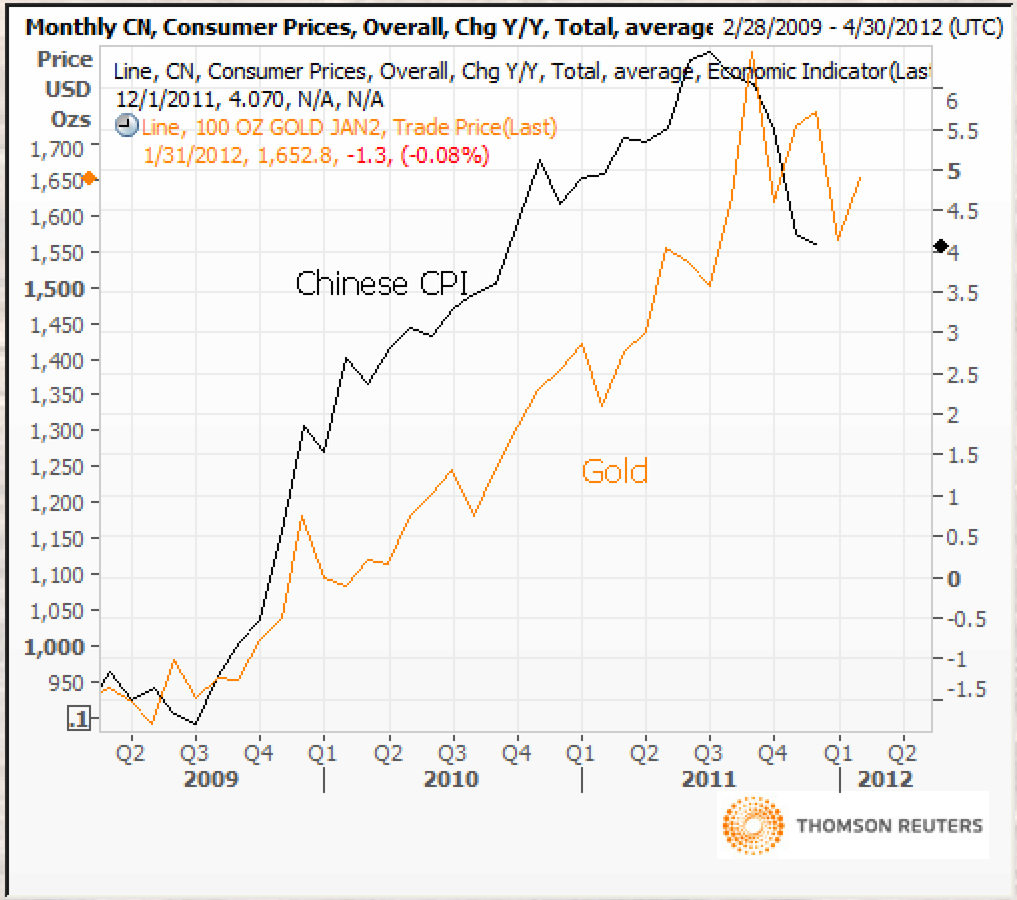
Fact #4: China's Gold Demand Is Soaring



- In the first three quarters of 2011, China's jewelry demand shot up 34% on the year to 376.8 tonnes, while demand for coins and bars surged 89% to 204.1 tonnes, according to the WGC.
- Over 2 million people opened accounts in the past two years to accumulate gold at the Industrial and Commercial Bank of China.
- China should overtake India as the world's top gold consumer in the next few years.

Connection between gold prices & Chinese inflation

- China's consumer price index (CPI) rose 4.1% from a year earlier in December, down slightly from 4.2% in November.
- China’s manufacturing activity has dropped for three months in a row.
- Chinese government is now actively working to reheat economy. The central bank last month reduced banks' reserve requirements for the first time in three years to encourage lending.
- What do you think that will do to the CPI?
- What will that do to price of gold?



Fact #5: We May Be Approaching Peak Gold

- **“Peak Gold” is peak production** – easy, cheap deposits are already mined, it’s harder & more expensive to find & mine new gold resources.
- **Gold Mining production costs** continued their upward trend in 2011. GFMS estimates that total cash costs rose 14% over the first nine months of the year to $628 per ounce. Higher costs support higher prices.
- **Global gold mine production** rose 3.8% over the course of 2011, hitting an all-time high. That *still wasn’t enough* to knock gold significantly lower or even interrupt its long-term uptrend. What’s more, the world's four largest Gold Mining firms all recorded lower production last year than in 2010.

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Fact #6: Gold Price Is Being Actively Suppressed

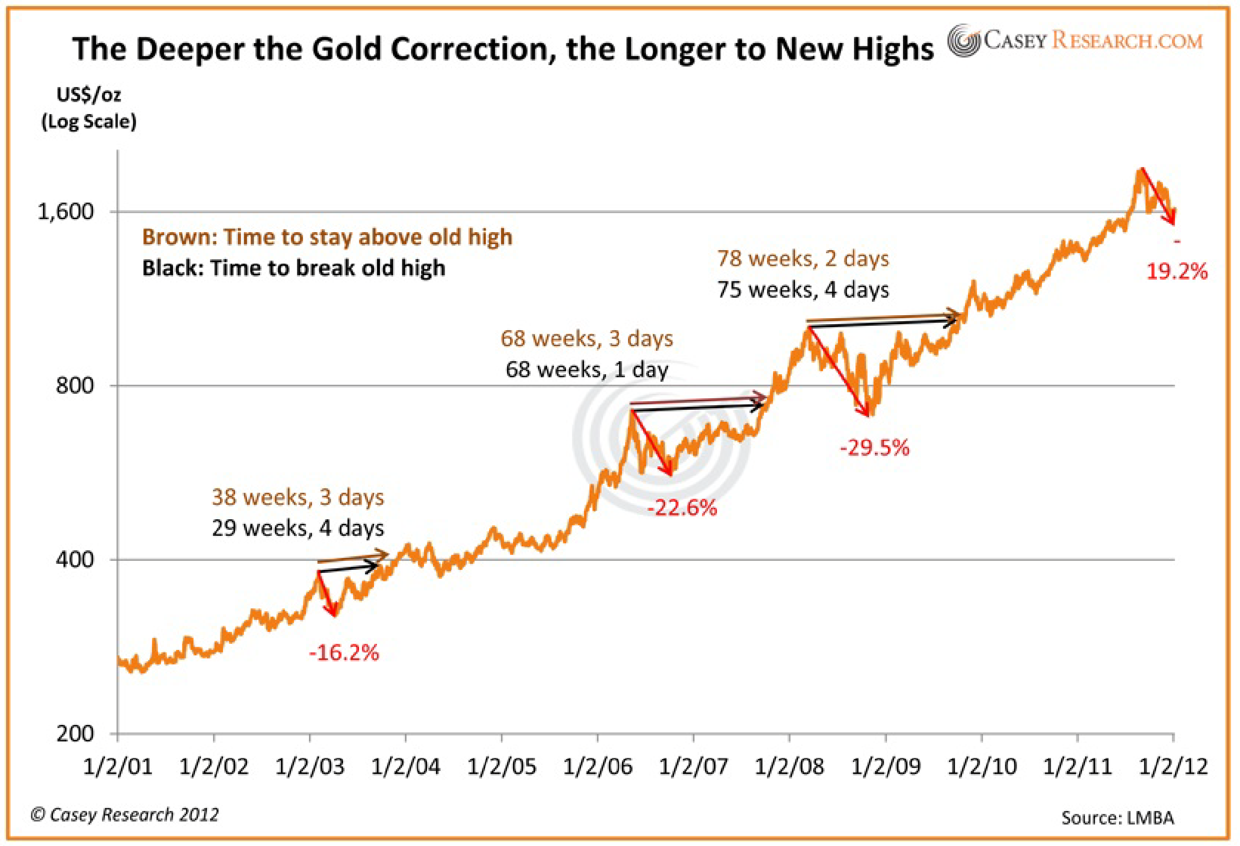
- **Never Mind GATA!**
- Central banks increased net purchases by a massive fivefold to 430 tons last year, and may buy another 190 tons in the first half, GFMS says. Combined official holdings stand at 30,788.9 tons, data from the London-based World Gold Council show. But Central Banks aren't sitting on that gold – **they're lending it out.** The quantity of gold lent by central banks rose last year for the first time since 2000.
- "Bear Raid" in gold over low-volume holiday "silly season" drove gold to lowest level since July. It's been bought ever since. The gold bears have FAILED!

Fact #7: Dollar Rally Is Starting to Crack

([Updated chart])

- U.S. Dollar ralled for a couple months, but seems to be banging its head now.
- The greenback has rallied due to euro weakness. But if euro isn't falling off a cliff, the dollar's problems will come to the fore.
- Gold and other commodities are priced in dollars. When the buck goes down, they tend to go up.

Fact #8: Deeper the Correction, Bigger the Rally



(Updated chart)

- Jeff Clark of Casey Research has calculated that in 3 big corrections since 2001, the deeper and LONGER gold has corrected, the BIGGER the next rally.
- “If it took 29 weeks and four days to reach a new high after a 16.2% correction, a 19.2% pullback would take 35 weeks” to hit a new high.”

The Ultimate Suburban Survivalist Guide

- How to prepare for the worst – without moving to a goat farm.
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- Shopping tips for saving money on daily stuff
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- “Least you can do" checklist for each topic.

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