

CASH IS TRASH - GOLD IS MONEY

by Michele Ashby

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That's right, the time is finally here when gold has regained some of it's glory. And it looks as if it will have some sustainability this time. We have had some spikes in the past few years, where gold prices have climbed to the \$300 level, but then retraced every penny. Things could be different this time around. In the reading I have done in the past few weeks, I have observed many different factors related to gold interest. It seems there are numerous factors moving gold this time, so I thought it would be beneficial to consolidate them here for you:

Lower interest rates - The lower interest rates set by the Fed have changed the desire and demand for gold lending by banks. In recent years, the forward sales, gold loans, and derivatives have been key factors in holding the price of gold down. This seems to be losing popularity in the market.

Enronitis and Anderson flu - Investors are scared. The fear factor is setting in on investments which once looked safe and comfortable and now look like deception and fraud. One investment analyst told me, their clients were parked in utility stocks since the dot.coms crashed last year. Utility stocks have typically been known for their stability and safety, and since Enron crashed, investors have lost confidence in the sector. Where are they going now? Many investors are looking to gold.

Japanese economic crisis - According to a recent article in the Forbes magazine of February 18, Japan is on the brink of a major economic collapse. The article written by Benjamin Fulford, is called "The Panic Spreads, you can no longer safely shrug off Japan's economic crisis. It just might drag the world into depression" The article sites many poignant facts about the Japanese economy and the impending doom. Apparently, the insurance on time deposits worth more than \$75,000 at Japanese banks is supposed to expire at the end of March. Investors are pulling out their savings to buy gold bars that weigh 2.2 pounds and cost about \$10,000 U.S. each. The investors are moving their money into investments they think are safe -- gold, solid gold.

Newmont wins bid for Normandy - In January this year, Newmont won the bidding war for Normandy, which made them the largest gold producer in the world, surpassing AngloGold of South Africa. There was speculation that if Newmont won the bid, gold prices would go up. Why? Because Newmont is a non-hedged company, which means higher gold prices make the company a lot more profit. Newmont has been betting

that the gold price would go up for the past few years, and they put their commitment in their belief. They now control 45% of the un-hedged production in the world according to one executive. If gold prices move up substantially, Newmont stock could sky rocket.

AngloGold unwinds hedge positions - On February 5, AngloGold announced the unwinding of a large portion of their hedge positions. This move was attributed to helping gold prices rise on February 5 and 6. The market perceives this as a good thing and is becoming more popular thinking. To quote the late Julian Baring (the king of gold economics), from a [speech he made in 1997](#)," I simply advise people not to buy gold shares until they see the gold mining industry unwinding their forward positions. That will be as good a sign as any I can think of that the pain we are suffering is nearly over." Mr. Baring had a good sense about these things, so here is the sign.

Gold stocks are outperforming the market - When I opened my statement for my retirement plans which have mostly gold stocks, they were all up on January 31. What a change - after three years of stagnation, they have been given new life. Now I know how those investors felt when the high tech stocks were running. If you own any gold stocks, you know what I am talking about. There are even some financings starting to get done in Canada for new mining projects, so confidence is coming back.

Now you may think this is just touting gold stocks, but it has been a long, dry spell for us as an industry and for our bankers, and investors. Whether the information I have shared here is indicative of a real bull market in gold, or not, the recent market action has been very exciting and promising. While all else seems to be losing value, gold is finally starting to sparkle. And that's what it's for, to be a store of value. This idea is coming back into vogue once again. I loaded my portfolio up, and am ready for a big run. What you do, is up to you.