
Analysts Say Gold Prices Still Expected to Rise

By Tara Perkins
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TORONTO (CP) -- Investors who haven't bought gold have already missed much of the gains in the precious metal's soaring price, but numerous market observers claim the metal has not lost its shine yet.

Consumers and investors pushed demand for gold to a record level of \$53.6 billion last year, fuelling the precious metal's price ever higher.

While investors on the sidelines have already missed a large price runup, many market observers claim the metal has not lost its shine yet.

Martin Murenbeeld, of M. Murenbeeld & Associates Inc., cites numerous reasons why "the goldprice is likely to be in a bull market for some years to come."

First of all, there is little new supply. Exploration waned during the 1990s as real goldprices fell sharply, and mine output is unlikely to rise significantly for years to come, Murenbeeld says.

But new production isn't the major factor influencing gold. While mines churn out about 2,500 tonnes per year, there are about 30,000 tonnes of gold sitting in central bank vaults, and 15 of those banks have agreed to limit gold sales, Murenbeeld says.

On the flip side, some central banks are rumoured to be looking at buying gold to diversify their assets. For example, only 1.2% of China's reserves are currently made up of gold.

At the same time, many economists expect the US dollar to decline. "Historically, all else equal, the dollar price of gold rises as the dollar itself weakens," Murenbeeld says.

Finally, demand continues to expand.

Last year, demand for gold jewellery rose five per cent to 2,736 tonnes, industrial demand rose two per cent to 419 tonnes, and investment demand rose 26% to 600 tonnes, according to the World Gold Council.

"The fourth quarter in particular saw substantial inflows of institutional investment into gold," the council stated. "Investment in Exchange Traded Funds increased by 79 tonnes during Q4 alone and it is estimated that other institutional investment in the period approached 200 tonnes."

Goldcorp Inc. [TSX:[G](#); NYSE:[GG](#)] chief executive Ian Telfer said recently he expects to see gold spike at \$800 per ounce in the next year or two.

U.S. Gold Corp. chief executive Rob McEwen is even more bullish, predicting that goldprices could be north of \$2,000 per ounce by 2010.

UBS Investment Research expects that the goldprice will rise to \$630 per ounce in three months because of renewed weakness in the U.S. dollar, and it forecasts an average 2006 goldprice of \$560 per ounce.

On Thursday, the precious metal closed at \$673.35 on the London market, up from \$664.60 late Wednesday.

Besides the potential for strong price appreciation, investors buy gold to diversify against the fluctuations in stocks, bonds, currencies and inflation says the World Gold Council.

"Portfolios that contain gold are generally more robust and better able to cope with market uncertainties than those that don't," it claims.

"Gold is unusual because it is both a commodity and a monetary asset. It is an effective diversifier because its performance tends to move independently of other investments and key economic indicators," the Council states.

It adds that gold is a very liquid asset with a deep market, where trades can be executed 24 hours a day.

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So, if you decide to buy gold, how should you go about it? There are numerous options.

"Investing in gold has never been easier," says Murenbeeld.

You no longer have to buy gold bars and stick them in a safety deposit box - though you could. According to The Industry Catalogue of Gold Bars Worldwide there are 50 accredited makers of small gold bars.

One easy method is buying gold exchange traded funds, which are 100% backed by gold bullion, and trade on stock markets. The prices of ETFs move in line with the price of gold by design.

The most popular gold ETF is streetTRACKS gold trust [NYSE:[GLD](#)], which is equal to one-tenth of an ounce of gold.

Last year, streetTRACKS took in 168 tonnes of gold, or 83% of all gold bought by ETFs, according to the World Gold Council.

The traditional way for a typical investor to invest in gold is through mining stocks. The world's biggest gold miner is Toronto-based Barrick Gold Corp. [TSX:[ABX](#), NYSE: [ABX](#)].

However, CEOs of smaller gold explorers, like McEwen of U.S. Gold Corp. [OTCBB:[USGL](#)], suggest better long-term returns can be had from riskier junior companies which have more room to grow.

If you don't want to research gold companies, a visit with an investment specialist might be the way to go, says Murenbeeld.

Analysts note that shares of gold miners fluctuate for numerous operational reasons beyond the price of gold.

There are also a number of investment vehicles which specialize in investing in shares of gold mining companies, including mutual funds and trusts.

[GoldMoney](#) bills itself as "the most convenient, cost-effective and secure way to buy gold." Using an online account, you can buy pure gold which is secured in a bullion vault near London, England and insured by Lloyd's of London.

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