Physical precious metals as an investment

Loyal Bank, and its Precious Metals Team Loyal Gold, do not offer investment, wealth planning or tax advice but at the request of several of our clients we reproduce here, with acknowledgement and for general interest, the views of some prominent commentators on holding physical precious metals as an investment. Their views are wholly their own.

"Not holding Gold is now, in my opinion, is high risk. Gold is the single asset class that protects both against deflation and especially against inflation. In the event of a general loss of confidence in major currencies or in the financial system as a whole, holding physical Gold makes a lot of sense. As a general rule we recommend that minimum 5-10% of liquid assets are held in Gold."

We have quoted Eddie Hobbs, a leading Irish financial adviser. Many investors now believe that physical Gold is an essential part of one's portfolio, and current Gold prices provide an attractive entry point for those of considering a purchase to diversify part of their investment portfolio.

Demand for physical Gold skyrocketed during the first half of 2016

According to reports global Gold demand reached 2,335 tonnes in the first half of 2016 with investment reaching record levels **16% higher than the previous record in H1 2009**, which was in the middle of the Subprime Financial Crisis. Investors are rebalancing their portfolios in response to the ever-expanding pool of negative yielding government bonds and heightened political and economic uncertainty. The foundations for this demand are strong and diverse, drawing on a broad spectrum of investors accessing Gold via a range of products, with 100% Gold-backed ETFs and **bars and coins performing particularly strongly.**

Where could Gold prices go?

The nominal value for Gold, if a Gold standard existed, would be **between US$ 7,000 and US$ 9,000** an ounce, it has been calculated. This does not mean that Gold could go to these prices, but it has the potential to go to these values in the event of a total loss of confidence in global currencies, especially the US Dollar and secondarily the Euro.

What about Silver?

Holding a small amount of **Silver coins** at home could make sense provided you've allowed for the security risks. Silver does not move in step with Gold in the short term but in a severe deflationary event and a loss of confidence in paper currencies, **Silver, which has lower unit values to Gold is attractive**.

What do the other commentators say?

- ***"Buy Gold and get out of the stock market"***, advises Stanley Druckenmiller, hedge fund promoter and billionaire investor. Druckenmiller now holds the largest part of his portfolio in Gold, which he regards as a currency, not a metal.

- Bond King Bill Gross, in his August 2016 Investment Outlook letter: ***"I don't like bonds. I don't like most stocks. I don't like private equity. Real assets such as land, Gold, and tangible plant and equipment at a discount are favored asset categories".***

- Jeff Gundlach, CEO of DoublineLine Capital, said a recent Reuters interview: "***Sell everything. Nothing here looks good... Gold and Gold miners are the best alternative to Treasuries, Gold prices will reach US$ 1,400".***
- Carl Icahn said in a CNBC interview in July 2016: ***"I don't think you can have near zero interest rates for much longer without having these [asset] bubbles explode on you***.

- De*flationist* extraordinaire David Rosenberg sees US$ 10,000 Gold prices:

  "During Gold's last major bull market in the '70s, the precious metal advanced via two major legs. During the first leg, from 1970 to 1974, Gold rose 550%. It then corrected 50% before beginning its next leg up. However, it was the SECOND move higher than was the BIG one, a 900% increase in value. Using this as a proxy, during the next leg up in the Gold bull market today, Gold could hit US$ 10,000 per ounce. A 900% advance from current levels puts us around US$ 10,800".

- Willem Buiter, a prominent Gold sceptic and now Chief Economist of Citigroup thinks ***"Gold Looks Pretty Good now... Gold, in times of uncertainty and especially in days of uncertainty laced with negative rates, looks pretty good".***

In the interests of fairness, it is possible that all the above investors are wrong in how they see the current trends and the decision to diversify a portfolio to include physical precious metals is always that of the investor. Let us finish our selection of quotations with the words of motivational speaker and author Robert Ringer:

"Start buying Gold now, regardless of the price. By acting now, you will not have to react when it's too late. Too late will be when the majority of the public finally figures out what is happening to paper money and frantically tries to get aboard.

most sincerely: The Loyal Gold Team