

Regaining its shine

After slipping in value, gold is once again near its all-time highs

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By Tim Grant, Pittsburgh Post-Gazette

An enduring symbol of wealth and an object of fascination since the dawning of recorded history, gold has outshined its peers in the troubled investment world and is once again selling near its all-time high.

The spot price of gold peaked above \$1,005 an ounce in February for the first time since investors bid the price up to a record high of \$1,030 an ounce in March 2008. Today an ounce of gold trades for about \$900.

"It certainly looks like it's poised to make another run," said Blaine Shiff, co-owner of Cybercoins.net in Dormont. "We are getting a lot of calls about gold."

While every other asset class that took a tumble following the failure of large financial institutions last year -- real estate, stocks, bonds and commodities -- continues to struggle, gold has hung in there.

Even among precious metals, gold is in a class of its own. Platinum is selling at about half of its record high of more than \$2,000 an ounce and silver, which sells for about \$12 an ounce, is still far from its record high of \$50 an ounce.

"The emotional aspect of gold is tied to its symbolism among the monarchy, the powerful and the wealthy," said Marion Davidson, president of Slane & Slane, a New York-based designer, manufacturer and wholesaler of high-end jewelry.

"It's so strongly associated with affluence, power and stature, and it's beautiful. If you wear gold, it makes a statement about your wherewithal."

Aside from the aesthetic value of gold, it is best known as a safe-haven investment.

Its recent spike in price is closely tied to investors buying the metal to protect against the threat of inflation caused by central banks printing money in ever-increasing amounts to stimulate declining economies worldwide.

David Beahm, vice president of gold bullion dealer Blanchard and Co. in New Orleans, said his company sold more gold coins and bars during the final three months of last year than it did in the previous three years combined.

"Investors have been trained to buy and hold stocks for years, and that strategy has worked," Mr. Beahm said. "But more people are realizing that it's not working now, and they need another way to protect and hold wealth.

"Investors are looking for something safe and stable, and gold is something that provides that stability," he said.

The thing to remember about gold, said Chuck Butler, president of world markets at EverBank in St. Louis, is that no chemist or alchemist has been able to reproduce it.

"What we have is all that's been taken out of the ground," Mr. Butler said. "There's not a huge supply of it in the world. That's the huge allure. You own something there's not that much of.

"For years, gold was always put against interest-bearing assets like bonds and CDs since it is a noninterest bearing asset. But now that interest rates all over the world have come down drastically, gold doesn't have to compete against interest rates."

Equity markets also have fallen short of gold's performance through the years, said John March, chief technical analyst at Superior Gold Group in Santa Monica, Calif.

He said gold has multiplied 26 times in value since the U.S. dollar was taken off the gold standard in 1971. Gold then was selling for \$35 an ounce. The Dow Jones industrial average has multiplied seven times during the same time frame.

Buying and selling gold can be very different from owning stocks and bonds, especially if an investor plans to take physical possession of the metal in the form of gold coins and gold bullion bars.

There are, however, ways to own gold indirectly by buying shares in mutual funds, mining stocks, options and futures, and through pooled accounts and gold exchange-traded funds.

The World Gold Council four years ago pioneered the idea of gold ETFs so investors could have a pure exposure to the gold price yet be able to easily buy and sell shares on a recognized stock exchange.

The fund, which trades on the New York Stock Exchange as GLD, currently has assets of \$30 billion worth of gold owned by shareholders in its vaults, which represents 68 percent of all assets in gold ETFs.

"The combination of near-zero interest rates and the fiscal stimulus packages put in place to deal with the economic crisis will create a perfect storm for future inflation," said Natalie Dempster, head of investments for the World Gold Council in New York.

"There is a distinct risk that foreign investors will not be happy to keep financing the U.S. budget deficit by buying treasuries, which would put downward pressure on the dollar, and gold moves in an inverse direction to the U.S. dollar."

Assuming that someone decides to own physical gold or other precious metals, there are security concerns related to buying, selling and storing it.

Mr. Shiff tells customers in his Dormont shop to keep their precious metals in a safe place -- and not to tell anyone where that is.

"Don't keep it in a small 200-pound home safe," he said. "Someone could carry the safe away. If you do, bolt it to the floor or even encase it in concrete.

"Another option is a bank safe deposit box. It's one of the safest places to have something like gold."

With gold parties springing up in people's homes and in hotel ballrooms across the country and mail-in gold businesses multiplying, a growing number of people are transporting gold or sending and receiving gold through the U.S. Postal Service.

Mr. March at Superior Gold Group said his company helps customers roll their traditional 401(k)s and IRAs into one backed by gold. That gold is held in a depository.

But the company also sells physical gold bullion directly to investors who prefer to store the metal themselves. The typical shipment, he said, is worth somewhere in the range of \$15,000 to \$20,000.

"In nine years, we have never had a shipment go south," Mr. March said. "We have never had a problem with security, and that's an awful lot of gold. The U.S. mail is pretty reliable."

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