

# eGOLI Report

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## Gold finding support at prices around \$900

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Although many gold commentators including myself have been expecting to see the gold price soften in the short-term, the price of the precious metal has been extremely resilient over the last few weeks, and is showing signs of good support at prices around \$900. Each time gold has dipped below \$900 it has recovered very quickly, even though there are certain fundamental reasons which should, under normal circumstances, put pressure on the gold price

Despite the fact that certain central bankers have indicated that there are some encouraging signs of a recovery and despite the fact that risk appetite for equities has made a comeback over the last several weeks, gold has remained steady. Often, investors tend to sell gold to raise cash when they expect higher returns in other markets, such as equities and currencies, there has not been any evidence of any major selling of gold.

On Thursday 07, 2009 US Treasury yields soared after a 30-year government bond auction saw poor demand, highlighting the balancing act facing central banks seeking to keep interest rates low while selling record amounts of debt. The lukewarm investor response to the sale of \$14bn of US Treasury debt came after European central banks intensified efforts to combat recession. The European Central Bank cut its main interest rate by a quarter percentage point to 1 per cent, the lowest yet, and announced plans to buy €60bn of covered bonds, which are backed by mortgages or public sector loans. Separately, the Bank of England said it would pump a further £50bn (\$75bn) into the UK economy through its programme of quantitative easing.

What has this got to do with gold? Well, yields influence the value of currencies which in turn influence the price of gold. Right now, as the yields offered by most major industrialised countries are close to zero, investors are looking at equities as an alternative. This is one of the reasons we have seen a rally in global equities.

The latest jobs report which came out last week gave a mixed picture of employment in the US, leaving investors without any clear sign that the economy is improving. The pace of layoffs slowed in April when employers cut 539,000 jobs, the fewest in six months. But the unemployment rate climbed to 8.9 percent, the highest since late 1983, as many businesses remain wary of hiring given all the economic uncertainties. And, later in the



day, the Euro gained more than 200 pips against the dollar, which boosted gold prices. The precious metal is used as a hedge against inflation, which can be triggered by a weak currency, so it often moves opposite the dollar.

In the meantime latest reports show that the demand for gold coins in the UK have soared to unimaginable levels. The UK mint, which is based in Wales, used 75 per cent more gold in the opening three months of 2009 than it did a year previously. It produced 28,496 ounces of gold coins in the first quarter, compared to 16,317 ounces in the same period in 2008, while production last year also increased 30 per cent.

## Technicals



The Gold market continues to remain in a pivotal position from last week, warning for a positive turn from its sideways congestion. Short-term traders might well be using this range (\$875 - \$935) to trade but in the mid-term, a close over \$929.90 on the June contract will fully turn this market back to the bull camp projecting up to \$950.00. Only a close below \$910.00 will void the bullish bias. But any drop to \$875 - \$885 should be used to add to your positions. However, it appears that the downward channel has been broken and the trend is beginning to turn positive.

With gold showing new signs of strength and as it is probable that the Rand will weaken, it is time to include/add krugerrands in you investment portfolios.

If you would like to speak to a broker for more information about Investing in gold, or how to structure a gold coin portfolio contact 011 784 8551 or email [online@sagoldcoin.com](mailto:online@sagoldcoin.com)