

eGOLI Report

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Gold prices trending upwards...

By David Levenstein - [South African Gold Coin Exchange](#)

Last week when we saw August gold trade just above \$990, it looked possible for gold to break above the \$1000 level again. But, it failed and dropped by some \$30. If you read my previous newsletter I mentioned that there might be some selling pressure around \$1000 level. So, this pull-back is not entirely unexpected. In less than one month gold has risen more than \$80 or close to 9%. For traders who used leveraged instruments such as gold futures, this move was enough to make good returns..

Even if there is some selling on the market, the fact remains that gold is still in a bull-market, and the economic fundamentals for gold remain extremely encouraging. Gold production from South Africa, United States, Australia and Canada, has dwindled every year over this past decade. In 2006, South Africa, hit its lowest production level of gold in 84 years, and according to reports last year, China has now become the world's largest producer.

In the meantime investor demand around the world has been going through the roof. And, the current changes in the way people handle gold in China are bound to have an influence on the demand for gold. The Shanghai Gold Exchange which was officially opened in 2002 started free trade in gold for the first time in the nation's history. And it's estimated that the equivalent of US \$36 billion in Chinese private investment could move into gold in coming years. Plus the Chinese government is moving to increase its low gold reserves. Given these recent developments, China alone could consume 40% of the world's entire gold production for years to come.

According to Albert Cheng, the director of the World Gold Council's Far East Division, China is now the fifth largest gold reserve nation after the United States, Germany, France and Italy. It is also the world's largest gold producer and the second largest consumer of gold jewelry after India.

In a news report on June 1 from Bloomberg, Northwestern Mutual Life Insurance Co., the third-largest U.S. life insurer by 2008 sales, has bought gold for the first time in the company's 152-year history to hedge against further asset declines.

"Gold just seems to make sense; it's a store of value," Chief Executive Officer Edward Zore said in an interview following his comments at a conference hosted by Standard & Poor's in Brooklyn. "In the Depression, gold did very, very well."

Northwestern Mutual has accumulated about \$400 million in gold, and Zore said the price could double or even rise fivefold if the economy continues to weaken. "The downside risk is limited, but the upside is large," Zore said. "We have stocks in our portfolio that lost 95 percent." Gold "is not going down to \$90."

TECHNICALS



Gold is in a bull market and this primary upward trend is clearly defined by its 40-month exponential moving average. As long as this is the case, then the correct strategy is to buy the dips. Take advantage of price weakness to add to positions.

There are a number of different ways you can invest in gold. You can buy gold shares, gold exchange-traded funds (ETF), futures, options, funds, managed futures, bars and coins. Each offers its own advantages and risk profiles, and investors can tailor their investments to their own portfolios. But whichever method you use to get invested in gold, keep in mind that any allocation to precious metals can offer a safety net that's much needed in today's markets.