



Gold Corporation
(trading as The Perth Mint)
ABN 98 838 298 431

310 Hay Street, East Perth,
Western Australia, 6004,
Australia

A statutory authority under the
Gold Corporation Act (1987) of
Western Australia

Founded in 1899, the Perth Mint is an integrated precious metal operation refining circa 10% of world gold production; servicing investors with legal tender [bullion coins and bars](#) and the [Perth Mint Depository](#) custodial facility; providing collectors with innovative and high quality [numismatic coins](#); supplying mints with [precious metal blanks](#); and operating a leading Perth [tourist attraction](#).

Mining.com [reports](#) that a Sprott fund manager *“had his head shaved today after wagering four years ago that gold would hit \$2,000/oz ... when gold was \$920/oz.”*

SPROTT SILVER TRUST PREMIUM A TRADING SIGNAL

In this [321gold.com article](#) Bob Moriarty says that investors *“can use extremes of emotion as measured by the Sprott Silver Trust [premium] to gage silver buy points and sell points.”* He noted that the premium above spot physical prices that the Sprott Physical Silver Trust traded for last April when silver peaked was a *“very strong signal for a top with a daily reading of a 26% premium”* when *“cash silver was only \$46 an ounce but investors buying into the “Silver is going to the moon, tomorrow,” story paid an incredible \$57.73 an ounce.”* Ouch.

Note that the Trust is a closed-end fund, which means that unlike an ETF, the total amount of shares is fixed. Therefore when there is excess demand for the Trust investors have to bid up its price to acquire the shares. ETFs are open-ended and issue and redeem shares to ensure their prices remain in touch with the price of their underlying asset.

Bob says the *“bottom in silver is close”* because *“in almost 17 months; the premium has been below 5% only 7 days”* and says to watch the Trust’s premium as *“it will signal the bottom”*. I would say to also keep in mind that the premium may fall on issues of more shares in the Trust. It will be interesting to watch this indicator over the next few years to see how reliable it is.

BLOG WATCH 18 APRIL 2012

OVERNIGHT MOVEMENTS

Perth Mint Spot	Gold USD	Silver USD	Gold AUD	Silver AUD
Closing 17 th	\$1,660.51	\$31.88	\$1,604.98	\$30.81
Opening 18 th	\$1,658.20	\$32.05	\$1,594.12	\$30.81
Change	-\$2.31	+\$0.17	-\$10.86	\$0.00

PREDICTIONS

Heritage Capital: *“Gold bottoms this quarter ... I think you get a move to \$2,000 [in the] fourth quarter of this year, early next year. But I don't think we're going to stop there. Once we exceed the old highs in the \$1,900s, we certainly go to \$2,000 and that sets the stage for the next run. Is it \$2,200? \$2,300? I don't think the secular bull market in gold is over. I think you got years left in it.”*



WEIGHT OF MONEY WAITING FOR GOLD?

Speaking at the Denver Gold Group European Gold Forum, Philip Klapwijk of GFMS is [reported](#) by Mineweb as 'providing both side of the argument' (often called sitting on the fence, although that's probably being a bit harsh) on the issue of *"whether or not there is a massive weight of money sitting on the sidelines of the market at the moment or, if those investors that want gold now have enough."*

Quote: *"If you look at the value of gold investment, gold remains a tiny portion of the overall markets so, theoretically there is a huge scope for investment demand but, one does have to ask the question, Why after 10 years of a bull market you havent seen more of these mainstream portfolio managers come into the markets?"*

My view is that we are going sideways price wise at the moment because those that want gold have enough. We need another economic shock or obvious bad trend in economic figures to trigger investors to realise things aren't rosy and push them into action to look for ways to protect themselves.

And the reason we haven't seen more mainstream portfolio managers come into gold is, well, because they are mainstream. They'll be the last ones in and will be the buyers that current gold holders sell to - although you'll want to be sure you can [distinguish between](#) a bubble and nascent hyperinflation before you make that decision to sell.

The answer to the question really is that individual investors all have different views on whether, as Philip puts it, *"we are going to see a loosening of monetary policy globally, continued crisis in the eurozone and negative real interest rates, inflation expectations rising"* all of which is *"a pretty powerful stimulus for gold investment."*

GOLD:PLATINUM RATIO

In this [short article](#) Hubert Moolman looks at the ratio of gold prices to platinum prices and concludes that *"the Gold/Platinum Ratio also supports significantly higher gold prices over the coming months"* on the basis that is *"in a position similar to where silver was at the end of January 2011. If the ratio was to continue to follow the silver pattern, then we could have gold being 1.7 times the value of platinum in this year."*

Hubert is also [bullish on silver](#), calling for an imminent *"massive spike in the price of silver"* as well as gold with both *"very close to entering the mania phase of this bull market."* Whilst vague on dates and prices, *"very close and "massive spike"* still constitute a clear call we can check back on in a few months, so I just hope he hasn't made any hair related bets on it.

His silver call is based on looking *"at the pattern of how gold passed its 1980 high, we can predict how silver might do it as well. If silver continues to follow the pattern that gold formed, then we can expect a massive spike towards the \$50 and beyond, very soon."*



JEWELLERY DEMAND OR INVESTMENT DEMAND?

The Gold Report has an [interview](#) with Vishal Gupta of dealer Fraser Mackenzie where he makes the point that much of so-called jewellery demand is actually investment demand because *“people in India treat gold as a commodity that holds its value better than paper currency. So when they give gifts of gold jewelry, it is because they want to invest in something that is going to hold its value.”* Worth keeping this in mind when you see references to gold jewellery demand by analysts.

The other side of this observation is that *“in lean times, when the markets are down and unemployment is high, people have that reserve in gold that they can take to the market and sell.”*

Vishal also makes the point that *“base metals can be fairly straightforward in quantification when it comes to supply-demand balances”* because *“there is a specific purpose for base metals in industry.”* He contrasts this with gold, which is more of a currency because *“there are actually very few uses for gold. That is why it is difficult to quantify the supply-demand balances for gold.”* Many analysts fixate on mine supply (around 2,800t) but forget that there is around 170,000t of gold held and it is the views of these holders (Indians are said to hold around 15,000t) which really matter in gold price formation.

THEY HAVE NOTHING BETTER TO DO WITH THEIR SILVER

I noted in a [past Blog Watch](#) how eligible and registered Comex silver stocks were at a high. Interesting take on it in this [Reuters article](#) by David Jollie of Mitsui: *“When you are seeing people delivering into Comex, it is typically because they have nothing better to do with the metal. Generally if you are seeing Comex stocks building, you would say that means that premiums are not particularly high anywhere, and that means that (global) demand is low.”*

HSBC analyst James Steel explains that *“it is more natural for that [excess supply] to go into Comex, because most (silver) is produced in the Americas.”* Note that there is also a lot of silver held off exchange in the over the counter market, so Comex stocks are just part of the picture.

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