



Gold still shining in 2010

The Eye of the Storm



By
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I've been very bullish on gold since early 2003 when it sold for just over \$300 an ounce. Despite hitting my long-term target of \$1,200 late last year, I believe gold can still go much higher.

There are three key reasons why gold has done far better than most people thought possible:

1. Central Banks, who not too long ago were purely sellers, have become net buyers of gold. Just the threat of Central Bank sales use to tank the price of gold.

2. No industry in the whole world did more to cut off its nose to spite its face than the mining industry when it aggressively sold forward its production. Hedging was so en vogue that Barrick Gold became the darling of producers even though selling most—if not all—of their future production essentially said they didn't believe in a much higher gold price. That is clearly no longer the case.

3. Uncle Sam is no longer the world's favorite uncle and hence his paper is no longer greatly favored. Since it still makes up about 68% of the world's reserve currency, many key holders have sought out alternatives (like gold).

We had an incredible run up in the gold price. After building a tremendous base, gold broke out above \$1,000 and literally flew up a couple hundred bucks in a very short period of time. Like any market that's flying, it received lots of attention. But, because gold is the enemy of financial assets and financial assets make the world go 'round, the natural anti-gold fever has been ratcheted up.

Nonetheless, I believe gold can trade between \$1,300 and \$1,500 in 2010. Therefore, I think it is prudent for all investors to have some exposure to gold in their portfolios. If you'd like to learn more about gold and the markets, please visit my free financial blog at grandich.agoracom.com.

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