

Gold Investments Market Update – Citigroup Says Gold Above \$2000/oz Next Year as World Unravels

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Both gold and silver fell slightly yesterday as the dollar and stock markets rallied on renewed increasing risk appetite. Euro gold and British pound gold remained near record highs of €628 and £532.

Gold has traded sideways in Asian and early European trading despite the horrendous terrorist attacks in India. Unfortunately, they show that the world remains very unstable and that geopolitical risk remains ever present.

With the Thanksgiving holiday today, trading will likely be subdued.

Increasing negative real interest rates will likely lead to a weaker dollar and markedly higher gold prices in the coming months - the US Federal Reserve is meeting on December 16 and may again cut key lending rates from 1% to 0.75%, new near record lows.

The Citigroup report issued yesterday (see commentary section today) is extremely bullish for gold. Gold is likely to rise above \$2,000 an ounce regardless of the long term macroeconomic scenario that unfolds, Citigroup said in a research note.

"For those who refer to gold as 'that useless piece of yellow metal that has no real value and earns nothing' (and have done for years) they might want to look at financial market charts more closely," writes Tom Fitzpatrick of Citigroup in New York.

of inflation; or a downward spiral into depression, civil disorder, and possibly wars. Both outcomes will cause a rush for gold.

"They are throwing the kitchen sink at this," said Tom Fitzpatrick, the bank's chief technical strategist. "The world is not going back to normal after the magnitude of what they have done. When the dust settles this will either work, and the money they have pushed into the system will feed through into an inflation shock."

If they are unsuccessful, Fitzpatrick warns of a deflationary meltdown, civil unrest and massive political instability internationally, and possible wars.

Gold price, UK £ per ounce, London pm fix



| 26-Nov-08 | Last | 1 Month | YTD | 1 Year | 5 Year |
|-----------|--------|---------|---------|---------|---------|
| Gold \$ | 816.30 | 11.31% | -2.04% | -0.87% | 106.03% |
| Silver | 10.29 | 11.79% | -30.36% | -29.89% | 92.60% |
| Oil | 51.47 | -17.18% | -48.10% | -46.88% | 69.25% |
| FTSE | 4,110 | 5.82% | -36.35% | -33.50% | -5.97% |
| Nikkei | 8,213 | 7.37% | -46.19% | -45.73% | -19.04% |
| S&P 500 | 857 | -2.21% | -41.61% | -39.07% | -18.99% |
| ISEQ | 2,481 | -6.39% | -64.22% | -62.39% | -47.20% |
| EUR/USD | 1.2956 | 2.64% | -11.17% | -12.88% | 8.61% |

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Citigroup warns that the damage caused by the financial excesses of the last quarter century was forcing the world's authorities to take steps that had never been tried before. This gamble was likely to end in one of two extreme ways: with either a resurgence

\$2,000 looks like an increasingly conservative estimate and many are now calling for far higher prices between \$5,000 and \$10,000 in the long term. Dennis Van Ek, a principal at Mercer Netherlands believes all pension funds should have an allocation to gold. "Van Ek stated he expects the price of gold to go on rising, to \$9,000 an ounce, or even higher, by 2015."

If gold were to reach some \$5,000 per ounce, which is looking increasingly likely in the long term, - at EUR/USD at 2.00 or GBP/USD 2.00 we would be talking about €2500/oz or £2,500/oz (from €625/oz and £532/oz today).