Gold

A brief look at where it has been and where it is going!

30 June 2010

Having just returned from leave in China, I will start my report by replying to members who recently sent e-mails on questions about Gold.

Before doing so, Members should note that we are not financial advisors, we are a private investment club (members only). The information or opinions offered on our funds or any market comments or opinions that I provide are for club members, and are not offered to the general public. These reports may highlight risk or reward situations and the views are simply provided as my personal opinion, acting as fund manager of the Club's three mutual funds.

Looking at the gold price pattern over the past few months, it is apparent that the price has been advancing in a 'stair step' sequence. Successive upswings get higher before resistance and profit-taking drives the price back down to a support level, but on each occasion that support level also seems to be advancing .

The result is that the gold price trend continues to be upwards, although whether this pattern can survive the traditional northern hemisphere summer doldrums remains to be seen. There is certainly little sign of any breakout to significantly higher levels in the short term, although a string of more bad financial news will most likely alter that.

Can this upward 'stair step' path continue?

It is apparent that the controllers of significant amounts of money around the world remain nervous about the state of global economies and the flow of funds into gold bullion and gold related products similar to our own fund; the RIO Professional Investors fund is strong.

I would again take this opportunity to point out that the demeaning of the financial system as we know it is very real, as I have accurately predicted in many past reports/warnings.

Recently one of the biggest Swiss asset managers told HSBC's top trader that all his clients (average age 62) were interested in was wealth preservation through the financial crisis and that investment in precious metals had gained in legitimacy.

Members should note that, as these investment flows continue into precious metals, the falls in prices will be supported by the larger players, while some of those who are less inclined to hold may waver at higher levels, and those with a vested interest in keeping gold in check will probably try to control any runaway price advances - at least for the time being.

Historic data shows that gold's value does tend to pick up in the autumn with the gold price rising much more often than not. In fact a series of charts published on USAgold.com shows that gold has risen between summer and year-end in eight of the past nine years. The charts show that, on a year by year basis, the gold price has risen by an average of 11.3% over this period for the past nine years - the only year not to see such an increase was 2008 when there was a relatively small fall of 5.4% at a time stock markets in general and metals commodities and stocks in particular suffered significant losses! Detailed research further shows that the average gold price rise from mid-year to December has been 7.5% over the past 39 years.

Should the price rise this year by the nine-year 17.3% average from the recent price peak that would put the year-end price at a little under my forecast of $1500 per ounce!

Finally, it is worth noting that high-end support for the price of gold is certain to continue as the global economic environment simply underpin's the price, such that a serious downside risk would seem unlikely. That said, RIO Professional Investors fund is likely to benefit from the autumn's predicted move in gold's value.

Members who have not yet taken up the Fund's special offer can still benefit from no initial charge, basically saving 3% on cost of inward investment immediately. For full details on this offer please e-mail the club administrator, Mathew Williamson, in IOM or myself.

William Gray

Fund Manager

RIO Professional Investors Fund