



GOLD – A LITTLE MORE WEIGHT BEHIND ITS POSITION

The economic crisis signals that the current monetary system is not working, as per my previous predictions on the topic and without doubt many others are now in agreement with my viewpoint. It feels good to have got this right as many were sceptical of my analysis when I started writing reports warning that the financial system was in danger and that the US Dollar trading standard system itself was in question.

When it comes to monetary systems, questioning their fundamentals can lead to doubts about whether the preferred medium of exchange will continue to be preferred for long. The large-scale whirlwind of economic trouble around the globe has pushed some to rethink the role of Gold in the economy and to actually move toward bringing it back. **Another positive outlook for a Gold rally!**

Only a month ago, a rumor that India was going to pay in Gold for oil imported from sanction-struck Iran sent shockwaves through the markets. It was no small deal, both in principle and volume. India is one of Iran's largest oil customers, responsible for about 22 percent of total exports and worth about US\$12 billion per year. China is next with 13 percent, and Japan is third with about ten. All of these countries are having a hard time dealing with Iranian oil imports, as the country is under sanctions caused by Western fears regarding its nuclear programme.

Then an Israeli news site claimed exclusive knowledge of a possible workaround between India and Iran by settlement of the oil purchases in Gold. Indian government officials refused to comment, which added to the speculation. It remains unclear whether this was just rumour or if the sides decided to arrange the deal in a more tactical manner, i.e. with India partly covering the purchases with its own currency, and Iran later using those funds to acquire imports. Gold being used as currency again!

Trading in Gold rather than a fiat currency is 'cashless.' That may sound as if there is no medium of exchange, but that is of course a misconception. Gold is history's longest-standing medium of exchange.

As long as the sanctions remain in force and the Iranian government has limited access to international currency markets, Gold will remain an obvious way to settle transactions. Decreasing oil imports to Japan, the world's third-largest importer, will impact the Iranian economy further, draining foreign currency inflows. Lacking foreign currency may push the country to continue using its foreign exchange reserves, or Gold, to cover its international liabilities.

The Iranian economy is in a state of crisis and due to the lack of trust in its currency, leaders are increasingly resorting to extraordinary offers to trading partners. The situation would clearly worsen if the country entered a state of war. While that's still speculation, imagine what would happen to the price of Gold if a part of Iran's 29-million-ounce Gold reserve becomes a medium not an object of exchange in international trade.

That reduction in potential supply could be a game-changer, not only because of crisis-struck Iran, but because it could open the door for other countries to follow suit. With certainty the price of Gold would likely respond very positively. This re-emphasizes my point regarding Gold as money *in extremis*: when economic push comes to shove, Gold will outlast any other medium of exchange in existence. As the evidence from Iran shows, even governments will resort to using mankind's oldest form of money when pressed.

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