The study said the fair value of the gold should be $800 per ounce

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REVIEW: the investment communications specialist, the MarketWatch columnist Herbert (Mark Hulbert) adduce expert opinion pointed out that the fair value of the gold is actually only about U.S. $800 per ounce, the current decline is the inevitable result of the long-term from the fundamentals of a long-term gold bear market has begins.

Herbert commentary papers full text of the chapter:

Gold bear market has only just begun.

The judgment of this frustrating from Erb (Claude Erb), a former Trust Company of The West commodities portfolio manager. Last June, he and the Duke University finance professor Harvey (Campbell Harvey) published an academic study, which reports a recent reputation since rising.

Then study, they concluded after calculation, the fair value of the gold is about $800 per ounce. Although the research is published, many gold frenzy in thrall to directly select ignore, but recently, people had more and more serious look at their conclusions: a year ago they announced the price of gold is overvalued compared to today's The price of gold has fallen by more than 40%, just last week, week, $240 ashes.

Everything because of recent events, I think to contact the two researchers wanted to know whether the immediate decline has given way to the future for gold is not so pessimistic.

Not the case.

Instead, Erb interview on Monday told me that he felt now expect gold
to quickly get rid of the recent decline would be too unrealistic. He explained that as Kübler - Ross (Elisabeth Kubler-Ross) pointed out, sadness is divided into five stages, the gold really just in denial stage, the initial stage.

As for the next four stages, anger, begging, depression, and final acceptance.

The evidence shows that many gold investors are now denied, Erb pointed out that many institutional investors and hedge fund managers continue to insist on holding gold. These "deniers like those who firmly believe that real estate will have been rising in 2007, or it can be said similar Glassman (Jim Glassman) Internet bubble vertex Dow 36,000 points predicted by those who like ".

The Erb Next, these institutional investors and hedge fund managers in the next period of time will also attempt to make all sorts of explanations to explain why they believe that gold prices will not continue to fall, to persuade customers to continue to hold gold.

If these heavyweight investors lost confidence in the decision to sell, or even if they still believe that the customer is not willing to stick to it, then the gold market will suffer huge additional selling pressure attacks.

Erb and Harvey believe that the research is of course hard to describe, but it is simple to say, in the assessment of the fair value of the gold when they are able to get as much information as possible to calculate the ratio of a golden inflation. They pointed out that, as a reference to the U.S. consumer price index, the average of the ratio of 3.2 to 1 up and down when the price of gold reached $1,400, the ratio will reach 6.03 to 1, almost equivalent to two of the long-term average times.

Many people may see here, we should choose to ignore, but do not do it lightly. You may not agree with them, but the two researchers also acknowledged that fact is the existence of actual inflation is underestimated, so the price of gold has reason to obtain a higher level of possibility. They do not deny that the fluctuations in the foreign exchange market have price impact statement. After all, they are not the kind of person to treat them as a scourge for gold, Erb said to me, he had served as a commodity fund manager, is also often invest in gold.

Erb said that the recent decline of the price of gold is not a little surprising, after all, the price of this asset has been completely decoupled from fundamentals, down is a matter of time. He did not rule out the possibility of gold may rebound from now on, but he predicted that the final bear market lows will be much lower than it is now. Ultimately, in the history of the price of gold more than once a significant departure from the fair value, but in the end is always to go back. (Zijin)
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