Gold at $800 Doesn’t Sound So Funny Anymore

By Paul Vigna

Gold’s fair value is $800 an ounce – and that is not a typo.

Even after the selloff this year, even after Monday’s massive plunge, there are still folks out there who believe in gold. Witness today’s modest rebound. But looked at from at least one fundamental analysis, gold prices still have a long way to drop before reaching fair value, Mark Hulbert said this morning on the MoneyBeat show.

In his latest column for MarketWatch, Hulbert pointed to a study from Claude Erb and Campbell Harvey who looked at gold’s long-term correlation with inflation, and declared gold was far overvalued. It should be trading around $800, they said.

Here’s the thing: the study is a year old, and when they first released it, the reaction was to dismiss it. Fewer people are dismissing it now, and the pair isn’t back off their prediction, either.