

NZ Gold Market Commentary For Sunday April 5th 2009

So gold has declined further - and we note a price of **US\$893.80** per ounce at close on Friday 3rd April. Silver is also weaker with a price of **\$US12.75** per ounce. Yet American 'gold bugs' have not received the dramatic pounding that has been delivered to their Kiwi counterparts - since gold briefly rose to almost **\$NZ2,000** per ounce some weeks ago.

So we effectively have two things going on, that have combined to sharply reduce the precious metals in \$NZ terms. The first of these has been the rapid recovery of the Kiwi dollar against the greenback. Gold and silver are effectively 'priced' in United States currency, so the **\$US/\$NZ** exchange rate becomes very important - particularly during times of monetary volatility. This situation has been compounded by a second factor - the relative lack of strength of gold and silver when considered in \$US terms. Thus we have been subject to the dreaded double-whammy.

So why are gold and silver showing lack-lustre performances in the U.S. Well, leaving aside sinister ideas of price manipulation, some of the 'safe-haven' appeal may have fallen because a view exists that the great 'Obama stimuli' will get the world economy going again. Therefore, why be in gold or silver when you could be in shares etc? Also, there has been some improvement in oil & copper - indicators *perhaps* that things are starting to thaw.

At **NZ Gold** we have a problem with the above and it is this. Since the site's inception in 2006, we have constantly warned our readers that the response of politicians - **and the elites they serve to anything that threatened their mythical world of perpetual growth** - would involve a massive monetary expansion. Now we are losing count - a trillion here, a trillion there and generally from 'has-been' countries that are technically insolvent. No matter, with future generations mortgaged to the eyeballs there remains the good old printing press.

So we must come back to our ideas on money - **and the nagging little thought, that when you take steps to massively increase the supply each unit in circulation must fall in terms of true value**. Of course, the situation is complex - for it can be argued that the stimulus is being overwhelmed by relatively greater monetary destruction. Yet the smell of Weimar is in the air and - as to New Zealand - we simply reflect on a nation that is running a current account deficit of flabbergasting size - just as the government's own accounts are submerged in red ink. **It would be braver men and women than us who would see no need to insure themselves with gold and silver in such circumstances.**