

NZ Gold Market Commentary For Sunday July 20th 2008

Well, we seem to be improving with our last 'weekly gold & silver market update' posted on Sunday July 6th - only two weeks ago! So we are on the right track and we reckon that our objective of a weekly commentary will soon be fulfilled.

In that July 6th update we offered the suggestion that 'something is afoot' and, perhaps, we can claim a small modicum of prescience. For in the last couple of weeks we have seen dramatic moves in the United States regarding government support (**which really means of course poor old taxpayer support**) for their largest mortgage lenders Freddie Mac & Fannie Mae. We also appear to have a truly outrageous situation in Britain - where the government's accounts are reportedly in their worst shape since 1946. Of course, in that year the nation had just emerged - on the brink of bankruptcy - from what Winston Churchill described as "*the supreme crisis of its life*". Yet, over the last decade, Poms surely have been blessed by the economic genius of former Chancellor of the Exchequer Gordon Brown and, more recently, Alistair Darling?

At NZ Gold we 'scratch our heads'. Hadn't '**New Labour**' delivered a new paradigm in British prosperity? Just like '**New Labour**' had delivered a new paradigm in New Zealand prosperity? **Forgive our sarcasm**. We know it's the lowest form of wit but we can't resist! How else can we express our thoughts for those who have overseen a ruinous orgy of indebtedness that masqueraded for a while - **but only for a while** - as wealth?

So how do we relate this to gold closing at \$US954.60 per ounce and silver at US\$18.11 per ounce on Friday July 18th. **We would suggest, that at these prices, the precious metals are being seriously undervalued to the scale of debt monetization and government borrowing/creative accounting that seems inevitable going forward.** Perhaps prices will fall back if oil comes under further pressure but, at NZ Gold, we keep reminding ourselves that inflation is ultimately a '**disease of money**'. Given the sheer scale of new money creation, that the authorities appear to be planning, we simply reflect on an infinite supply of paper relative to a finite supply of gold and silver - **and conclude that more and more 'pieces of paper' will be required to procure each gold or silver ounce.**

We conclude by again offering our readers the following unbelievable figures from Weimar Germany - **a reminder of what can happen when a country tries to dishonestly repudiate its debts through inflation.** For NZ Gold events - **in that most sophisticated and cultured of countries** - offer the most compelling reminder of why gold and silver should be held as long term financial insurance?

One egg pre 1914 - 29 pfennig
One egg mid 1923 - 1,200 marks
One egg Nov. 1923 - 428 billion marks.
One kilo butter pre 1914 - 2.70 marks.
One kilo butter mid 1923 - 26,000 marks.
One kilo butter Nov. 1923 - 6 trillion marks
One kilo beef pre 1914 - 1.75 marks.
One kilo beef mid 1923 - 18,800 marks.
One kilo beef Nov. 1923 - 5.6 trillion marks.
One gold ounce 1919 - 170 marks.
One gold ounce 1923 - 87 trillion marks.