

NZ Gold market commentary for Sunday 31st May 2009

Do you remember 'The Grand Old Duke of York', that nursery rhyme from the days before political correctness increasingly proscribed such things. Now wasn't this the chap *'who marched his men up to the top of the hill then marched them down again'*. Moreover, was it not the case that *'when they were up they were up, and when they were down they were down, and when they were only half way up they were neither up nor down'*?

Sounds to us a bit like the precious metals, because recently gold and silver have been trying to decide: **Up, down, or neither up nor down!** Suddenly, we seem to see a break to the upside - especially in silver which has mounted a veritable charge to **\$US15.79** per oz at close on Friday May 29th 2009. It has even managed to put in a most respectable performance against the New Zealand Dollar - which has been recovering markedly from its recent weakness against the \$US. Gold has also been rising in terms of the United States Dollar - but falling a little against the Kiwi - with Friday's close at **\$US979.60** per oz.

Are we setting up for another assault on that 'Rubicon' figure of **\$US1,000** per ounce? Would such an outcome be purely driven by the repudiation of Uncle Sam's 'funny money', thus leaving Kiwis and other missing out on the big price advances? Or, will New Zealanders and Australians see the metals at new highs - even if their commodity influenced domestic currencies show relative (**emphasis relative**) strength against the \$US?

At **NZ Gold** we remind ourselves, that our interest in gold and silver emerges from the function of these metals **as antidotes to the expedient of monetary debasement**. Always remember, New Zealand is trying to 'devalue' its currency in order to increase the **nominal** earnings of its exporters and to re-inflate **nominal** house prices. So far the authorities do not seem to be having much success! Yet it causes us to enquire. Is the Kiwi really strong - or does it just appear so against a dying US Dollar? Perhaps we should remind ourselves that New Zealand has not 'paid its way' in the world since 1973. Perhaps we should remind ourselves of the horrific state of the governments books - as revealed in this week's budget. Perhaps we should remind ourselves of the shocking levels of debt that Kiwi households are carrying. Perhaps we should ask ourselves what happens to the New Zealand Dollar - and thus the domestic price of gold and silver - if future bond tenders fail and the government has to begin direct monetization of debt. **Perhaps we should get some gold!**