

Faber: Do Like a Central Bank and Buy Gold

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John Paulson has done it, George Soros has done it, and you should do it too, says Marc Faber, publisher of The Gloom, Boom & Doom Report – buy gold.

Investors "should be their own central banks and gradually accumulate gold reserves as a currency," rather than just buying gold as a speculative position, he tells CNBC.

Once the Federal Reserve's latest quantitative easing operation (QE2) ends in June, pressure will build on the central bank to implement QE3. While that may produce a temporary rally for the dollar, the long-term outlook for our currency isn't pretty, Faber says.

"The value of the U.S. dollar will be precisely its intrinsic value — namely zero, precisely zero," he says. That means full steam ahead for the precious metals.

Gold futures rose to a record \$1,500.50 an ounce Tuesday as U.S. debt concerns weighed on the dollar, boosting demand for the precious metal as an alternative investment. Gold has climbed 32 percent in the past year, and silver prices have more than doubled.

Rising interest rates in emerging markets also will buoy gold and silver, Faber says. Both India and China have been lifting rates, with China ordering its banks to boost reserves Monday.

Faber recommends holding physical gold over exchange-traded funds (ETFs) and stocks of gold miners.

Others are bullish too. The latest supportive news for gold is that Standard & Poor's has shifted its outlook on the U.S. credit rating to negative.

"The perception that a downgrade would even be possible for the U.S. is driving the gold market," Frank McGhee, head dealer at Integrated Brokerage Services tells Bloomberg.

Gold futures for June delivery rose \$2.20, or 0.1 percent, to settle at \$1,495.10 at 1:38 p.m. on the Comex in New York. Earlier, the price climbed as much as 0.5 percent to the record. Gold for immediately delivery was little changed at \$1,495.35 at 2:33 p.m. New York time. Earlier, the price rose as much as 0.3 percent to an all-time high of \$1,499.32.

Silver futures for May delivery rose 95.7 cents, or 2.2 percent, to close at \$43.913 an ounce. After the settlement, the price reached \$43.95, the highest since 1980.

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