Gold Unloved and Undervalued

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Gold has now corrected for 3 years since the 2011 peak. At that time gold was temporarily overloved and overvalued.

Since 2011 government debt worldwide has increased by trillions of dollars and global debt by tens of trillions. And the $ 1.2 quadrillion derivatives exposure is continuously getting bigger.

The price of gold, in the long run, is a reflection of the destruction of paper money. The more money that is printed and the more debt that is created, the higher the gold price goes. Since the creation of the Fed in 1913, the dollar has fallen 98% against gold which means that gold has gone up almost 6,000 percent in 100 years.

But it is actually not gold that goes up since all gold does is to represent stable purchasing power. Instead it is the value of paper money which is being destroyed. A quality tailor made men's suit cost around 1oz of gold 100 years ago. And that quality tailored suit today costs still the same 1oz of gold.

The increase in debt and money printing since 2011 has created stock market bubbles in many countries. This is the first sign of hyperinflation. The next stage will be general hyperinflation as the dollar and other currencies' fall starts to accelerate and central bank money printing resumes with vigour.

Gold has been unloved and undervalued for the last 1-2 years. But it won't be long before gold will reflect the continued destruction of purchasing power since the 2011 gold peak.

More on my KWN interview today: We are just beginning to experience a global hyperinflation

Egon von Greyerz