Investing in Gold, investing in you Future Part 1 of 2

Gold is the most admired precious metal in which people invest. It is a safe-haven against any financial, political, social or currency-based crises, such as: investment market declines, currency failure, inflation, war and social disorder.

Influence on gold price:

The day price of gold is driven by supply and demand. Since most of the gold ever mined still exists and is potentially able to come on to the marketplace for the right price, unlike most other commodities, the signpost and disposal plays a much bigger role in upsetting the price. At the end of 2006, it was estimated that all the gold ever mined totaled 158,000 tons.

Known the gigantic quantity of stored gold, compared to the annual production, the price of gold is primarily affected by changes in sentiment, rather than changes in annual production.

In times of public crisis, people fear that their assets may be seized and that the currency could become worthless. They see gold as a solid asset which will always buy food or transportation. Hence in times of great uncertainty, particularly when war is feared, the demand pro gold rises.

As dollars were fully convertible into gold, both were regarded as money. However, generally people preferred to carry around paper banknotes rather than the somewhat heavier and less dividable gold coins. If people feared their bank would fail, a bank run might have been the answer. This is what happened in the USA during the Great Depression of the 1930s, leading President Roosevelt to impose a national emergency and to proscribe the ownership of gold by US citizens.

If the return on bonds, equities and real estate is not adequately compensating for venture and inflation then the demand for gold and other alternative savings such as commodities increases. An example of this is the period of Stagflation that occurred during the 1970s and which led to an economic bubble forming in precious metals.

The system held up until 1971 Nixon Shock, As the US stopped the complete convertibility of the United States dollar to gold. Since 1968 the usual benchmark for the price of gold is known as the London Gold Fixing, a twice-daily (telephone) engagement of representatives from five bullion-trading firms. Furthermore, there is keen gold trading based on the intra-day spot price derived from gold-trading markets around the world as they open and close during the day.

All through history gold has often been used as money and, instead of quoting the gold price , all other commodities were measured in gold. After World War II a gold standard was established following the 1946 Bretton Woods talks, fixing the gold price at $35 per troy ounce.

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