NATIONAL GOLD CONSULTANTS

10 Reasons Gold & Silver Prices Are Set to Soar

In many ways, predicting the future performance of precious metals is a lot like predicting the weather. When a hurricane is first sighted, meteorologists use environmental satellites to measure wind, velocity, and barometric pressure in order to determine the course the hurricane will take. There are often two different models, the American model, and the European model. While these models vary slightly in their analysis of the storm and are not 100% perfect, they provide excellent insight into the hurricane's track. This allows residents in the path of the hurricane time to prepare before the hurricane and storm surge hits.

Predicting futures for precious metals uses similar methods. There are a variety of factors that drive precious metal prices and give investors insight into the future, which allows them time to act before gold prices surge:

1. **War:** It's all over the headlines and absolutely matters to your client's assets. People are uneasy and concerned about the ripple effects this will have on our markets and inflation. <u>Commodities like wheat are soaring to 14-year highs today</u>
2. **Inflation:** When inflation increases, gold tends to increase proportionately. Despite the Fed's protests that the US economy is not at high risk for inflation due to their monetary easing programs, we have seen inflation jump by 7% in 2021 alone. This is the highest rate of inflation recorded in nearly 40 years. In fact, all you have to do is go to the gas pump or local grocery store to ascertain that your dollar isn't stretching nearly as far is it was a year ago.
3. **Central Banks:** Typically, gold prices reflect Central Bank buying. In 2021 Central Banks had the highest gold holdings in over 30 years.
4. **Stock Market Bubbles:** The Stock market has just finished its best run since 1999. If you examine the historical average of the stock market by taking the stock market value and dividing it by the GDP, anytime it starts edging above 100% it makes a sharp correction. This is evidenced during the correction after the dot-com bubble, and again during the real estate bubble in 2008. We are currently at nearly 200% and are poised and ready for another sharp correction. It's only a matter of time before we start singing the stock market blues.
5. **Interest Rates:** What can we expect when the Fed starts raising interest rates again? It seems that there is greater debate surrounding this topic, most assume that rising interest rates will cause gold to tank. However, if you examine rate increases that have occurred since the early 1990s, gold has done just the opposite. When the Fed raised rates from 2004-2007, the price of gold soared over 85%. Again in 2015-2019 we saw a 50% price increase of gold. This year alone, the fed is calling for 7 rate hikes. Based on recent history, it seems reasonable to make a prediction that gold will rise.
6. **Debt:** The Federal debt clock continues to spiral out of control, and yet gold has not skyrocketed as one would have anticipated. However, if you once again examine historical trends, this is inconsistent. The current gold to US debt ratio is quite similar to the ratio seen during the last bull-run for gold.
7. **Demand:** Supply and demand is bullish for gold. In the last year we have seen a rising interest in gold bullion, heritage jewelry and in gold imports. Demand is at the highest level in 10 years. When demand increases, prices follow suit.
8. **The US Dollar:** The US dollar and gold tend to run inversely to one another. The current trend suggests that the dollar's rally is waning, and we are seeing the levels taper off and start to fall. As the dollar wanes, gold will gain momentum.
9. **Mining:** Companies are increasing production and are financing new exploration companies. In fact, there were over 200 more exploration companies formed in 2021 than there was in 2020. Precious metals exploration is capital intensive and not undertaken if the underlying fundamental do not support rising gold and silver prices. The mining companies themselves are expecting gold prices to rise in the upcoming year(s).
10. **Inventory Shortages:** The physical gold and silver market is extremely small... especially our non-qualified offerings of the general circulated pre-1933 coins. The demand increase is putting a major constraint on product availability. Will there be enough physical product to go around? Only the future will tell. What we do know is spot price and physical pricing is not the same. Physical metals are already soaring.

While it's difficult to give a set dollar amount to predict the future for gold and silver, these multiple catalysts suggest a significant bull run ahead for both metals. At a minimum it is suggestive that gold could reach $2,500/oz, however more generous models predict it could hit upwards of $5,000-$10,000 in the next several years. Silver is predicted to hit $35/oz, potentially rising as high as $150/oz in the coming years.

No matter how high we see gold and silver climb this year; a flagging US economy, inflation, war, the declining dollar, volatility in the markets and the other factors mentioned suggest that you need to protect your client's assets by building a hedge of protection with gold and silver. Positioning as much as 10-15% of your client's assets into physical metal will help your client "weather" the coming volatility that we will see this year.

Toll Free: (844) 637-3481 | 2 Division Street East, Suite 201, Buffalo, MN 55313 | info@nationalgoldconsultants.com