Gold Will Fall

to $700/oz

ECONOMY & MARKETS DAILY

Gold will Soon Fall to Near $700/oz

It's easy to fall in love with gold. It glitters and conjures up the sense of wealth and power. In some cultures, it is a status symbol; in others, it's a store of "rainy day" value. To the Egyptians, it was the "flesh of the gods."

In August 2011, gold ripped past $1,900 an ounce to hit a new high amid fears over global wealth-destroying developments, including economic turmoil in Europe and the Fed's itchy trigger finger at its dollar-printing presses.

The gold price has pulled back quite a bit since then. Indeed, a year or so after its peak of $1,923.70 on September 6, 2011, it slipped to around $1,640. By June 12th, it melted to as low as $1,200 an ounce... and while it's back up slightly, we believe gold's day is done (for now).

Yet there is something fantastical about gold that defies logic.

From the Greeks to the Romans to the Aztecs and the Spanish, almost every civilization has revered gold. In fact, gold is so desirable that wars have been fought, empires have been plundered and entire civilizations have been destroyed in search of the yellow metal.

But the question is: Why?

There is a particular fact that most gold bugs prefer to ignore — gold is still just an ordinary commodity, not much different than oil, corn and pork bellies, except it's a lot less consumable.

Just an Ordinary Commodity

The majority of gold, some 51% of it, is used for the simple purpose of jewelry making. Another 12% is used pragmatically to make technological hardware. But despite the fact that roughly two-thirds of gold is used for commercial applications, its price is largely driven by other factors.

That's because gold is viewed as an investment asset and as a potential currency hedge against fiat money and inflation.

But, while gold garnishes headlines as a major financial asset class, only 18% of the world's gold is used for investment purposes — or rather, gold for speculative returns. And while at least half of Americans own stocks, it's estimated that less than 5% of them own gold as an investment.

Sure, gold is capable of producing returns through capital appreciation. Buy it at $1,200… sell it at $1,250… and you certainly make a profit of $50 an ounce. But gold — unlike many stocks, bonds and investment trusts — produces no income for its investors.

The only money to be made in gold is when today's buyer is willing to pay more than yesterday's buyer.

Gold is a commodity that's only worth what a buyer is willing to pay for it.

And there are even bigger problems with the yellow metal.

Gold Bugs Face Two Problems

Most people — including many well-meaning economists — think about inflation and deflation simply as a monetary phenomenon. And over the years, we've learned that inflation, not deflation, is disproportionately on the minds of consumers, economists and governments alike.

That alone explains the market's herd-like love of gold.

The theory goes: Central bank money-printing floods the economy with a seemingly endless supply of dollars — creating inflation, which destroys the value of the dollar. This in turn causes gold, which is viewed by some as the "anti-fiat currency," to skyrocket in value.

The trouble with this theory is that it is only partly right.

Gold bugs face a two-fold problem…

First, history has shown that gold performs well as an investment only in the lead-up to major financial crises.

The leading-up-to part cannot be overlooked. It's the anticipation of widespread financial panic, chaos and destruction that motivates gold buyers to stock up on the yellow metal as a defensive strategy against financial Armageddon.

But gold's star performance in the lead-up to a financial crisis begins to crumble during and after the collapse. In fact, it will only help to exacerbate investors' losses.

The second part of the problem facing gold buyers is deflation and disinflation.

Given the labor-force stagnation we are currently facing, combined with the deflationary effects that will come from deleveraging the largest debt bubble in history, we can only conclude that deflation is coming.

If Inflation is Gold's Elixir, Deflation is its Poison.

During the last major deflationary environment, gold lost 66% of its value, dropping from a peak of $850 in January 1980 to a low of $284 just five years later.

In today's gold prices, that's equivalent to a drop from $1,620 to $550.

And that is exactly why we continue to sound the warning sirens.

Gold can be a good hedge against high inflation when the economy is "running hot" and showing no signs of stopping. But this is the last thing we'll have to worry about over the next five years.

Instead, debt deleveraging and global deflation will push the prices of all assets — including all commodities (even GOLD) — much lower during the Economic Winter Season.

Therefore, we have a downside target for gold of $700 an ounce over the next 12 to 18 months (possibly down to $250 in the decade ahead).

We'll be watching closely for the best time to get into gold — on the SHORT side, that is.

Money to be Made on Gold's Collapse

Looking forward, we see a real possibility that gold will muster one final rally. But we're prepared to short gold either way — bounce or no bounce. And so should you.

Our advice is to get out of any long gold positions and wait patiently for the opportunity to short.

By all means, if you own physical gold — gold that sits in storage for no purpose other than to provide you with the peace of mind that you'll have something of value if the world's financial system collapses — keep it.

But if you own any non-physical investments related to gold, you should act immediately. It's just a matter of time.

Gold is set for a mighty tumble. Prepare yourself.

As a starting point, use this report to position your investment portfolio and financial affairs to form a defensive strategy against gold's inevitable fall.

However, gold's collapse is just one of the signs that Economic Winter is upon us. Other signs of the coming crisis include disinflation, deflation, high unemployment, state and government bankruptcies, and a falling Dow that will hit 3,300 by 2023.

These are some of the issues we address in *Economy & Markets*. If you're interested in sailing with ease through the coming storm — and that means seeing the gathering clouds and knowing how to protect yourself and prosper through the maelstrom — we recommend you sign up to *Boom & Bust* or access our **free special video**.

About *Economy & Markets*

In 1989, Harry S. Dent wrote the book *Our Power to Predict*. In it, he revealed how an investor could use demographic trends to accurately predict the direction of the markets, sometimes decades in advance.

Since then, Harry and his business partner Rodney Johnson have been using this New Science of finance to accurately identify booms and busts well ahead of the mainstream.

They gained national attention for their work in warning investors of the 2008 credit crisis and subsequent stock market collapse, many months before it happened.

But this was not the first time they were "on the money" with their big picture forecasts.

For example, in 1989 Harry accurately forecast the Japanese economic collapse and the multi-decade depression in Japan that would follow.

He also called a Dow of 10,000 by the early 2000s at a time when most economists, politicians, businessmen, analysts and investors were expecting the exact opposite. The Dow broke the 10,000 barrier for the first time on April 5, 1999.

In other words, they accurately predicted most of the major economic and stock market events that could have made you substantially richer over the past 20 years.

How do they do it? Well, while most economists focus on short-term trends… policy changes… technical indicators… elections — things that are volatile, unstable and can change from day-to-day — Harry and Rodney focus on long-term trends. Demographics. Business cycles. Human behavior patterns. Things that have demonstrated themselves over hundreds (even thousands) of years to be consistent, predictable and measurable.

They study the past to predict the future… an approach that enables them to forecast years into the future with an incredible degree of accuracy. Then they make minor tweaks and adjustments in response to short-term events that occur along the way.

And that's what they bring to you in *Economy & Markets*, so you'll know what's coming next… where the immediate opportunities are… and where to park your money for the longer term.

As a *Economy & Markets* subscriber, you will know, for example, when it's time to start profiting from the rise of specific emerging market economies (it's not now, despite all the hype about these markets). And exactly what industries and investments will hand you the fastest profits, first.

You'll learn when commodities will likely reach their peak in their cycle and how to ride the gains. You'll also learn when they'll turn down and what investments to make to profit from any moves down.

And you'll learn when the property market will turn up again… you'll learn when, money markets and bonds would be a better investment than stock allocations… and when not.

You'll be ahead of the markets on every boom and bust… access the tools you can use to prepare yourself to survive and prosper.

Meet the Experts

Harry S. Dent Jr.
Editor

Harry studied economics in college in the '70s, but found it vague and inconclusive. He became so disillusioned by the state of his chosen profession that he turned his back on it. Instead, he threw himself into the burgeoning New Science of Finance where identifying and studying demographic, technological, consumer and many, many other trends empowered him to forecast economic changes.

Since then, he's spoken to executives, financial advisors and investors around the world. He's appeared on "Good Morning America," PBS, CNBC and CNN/FN. He's been featured in *Barron's, Investor's Business Daily, Entrepreneur, Fortune, Success, U.S. News and World Report, Business Week, The Wall Street Journal, American Demographics* and *Omni*. He is a regular guest on Fox Business's "America's Nightly Scorecard."

Harry has written numerous books over the years. In his book *The Great Boom Ahead*, published in 1992, he stood virtually alone in accurately forecasting the unanticipated boom of the 1990s. That same year he authored two consecutive best sellers: *The Roaring 2000s* and *The Roaring 2000s Investor* (Simon and Schuster). In *The Next Great Bubble Boom*, he offered a comprehensive forecast for the following two decades.

In *The Great Depression Ahead*, he outlined how the next great downturn is likely to unfold in three stages, with an interim boom stage between 2012 and 2017 before the long-term slowdown finally turns into the next global boom in the early 2020s.

In *The Great Crash Ahead*, he outlines how this next great crash is likely to unfold in the coming months. He explains why there is nothing the government can do to protect us as deflation takes hold of the economy.

Harry's latest book, *The Demographic Cliff, How to Survive and Prosper Dueing the Great Deflation of 2014–2019*, shows why we're facing a "great deflation" after five years of stumilus — and what to do about it now.

Today, he uses the research he developed from years of hands-on business experience to offer readers a positive, easy-to-understand view of the economic future.

Harry got his MBA from Harvard Business School, where he was a Baker Scholar and was elected to the Century Club for leadership excellence.

Rodney Johnson
Editor

Rodney works closely with Harry to study how people spend money as they go through predictable stages of life, how that spending drives our economy and how readers can use this information to invest successfully in any market.

Rodney began his career in financial services on Wall Street in the 1980s with Thomson McKinnon and then Prudential Securities. He started working on projects with Harry in the mid-1990s.

He's a regular guest on several radio programs and is featured on television where he discusses economic trends ranging from the price of oil to the direction of the U.S. economy. He too is a regular guest on fox Business's "America's Nightly Scorecard." He holds degrees from Georgetown University and Southern Methodist University.

Adam O'Dell
Investment Analyst

Adam has one purpose in mind: to find and bring to subscribers investment opportunities that return maximum profit with the minimum risk. He achieves this with his perfect blend of technical and fundamental analysis.

Tactically, he does exhaustive back-testing and probability-based research. It's the ultimate partner to the exhaustive research that Harry and Rodney do in the exciting realm of the New Science of investing.

Adam has worked as a Prop Trader for a spot Forex firm. While there, he learned the fundamentals of trading in the world's largest market. He excelled at trading the volatile currency markets by seeking out low-risk entry points for trades with high profit potential.

Aiming to find the best opportunities across all asset classes, Adam expanded into the commodities, equities and futures markets.

An MBA graduate and Affiliate Member of the Market Technicians Association, Adam is a lifelong student of the markets.

Publisher ....Shannon Sands
Editors..Harry Dent and Rodney Johnson
Managing Editor ....Mark S. Smith
Investment Analyst ....Adam O'Dell
Graphic Designer........................Jeff Weeks

Economy & Markets
55 NE 5th Ave. Suite 200
Delray Beach, FL 33483 USA,
USA Toll Free Tel: (888) 272-1858
Contact: http://economyandmarkets.com/contact-us
Website: www.economyandmarkets.com