

Title:

Buying Gold - The Logic

Word Count:

341

Summary:

Humans have been fascinated by gold for thousands of years, by the way it never tarnishes and by its unique color.

Sadly, gold is useless in engineering terms, except for plating electrical contacts, to ensure they never tarnish and lose their conductivity. The metal is too soft, with too low a tensile strength to be used for much besides necklaces and rings.

As an investment though, gold is a different story altogether. Why do people buy gold? It has zero intrinsic val...

Keywords:

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Article Body:

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As an investment though, gold is a different story altogether. Why do people buy gold? It has zero intrinsic value.

Gold prices fall and rise, according largely to the degree of fear that people have about the future. When war is imminent gold prices soar.

When economic conditions are good, inflation low and employment rate high, gold prices fall. Under these conditions there are investments that are probably going to produce a better return than holding gold bars.

People buy gold because they fear the inflation and catastrophic share price

collapse that normally accompanies war and political uncertainty. They buy gold because they think gold will hold its value.

Historically gold holds some value, whereas shares can lose all of their value overnight. However, anyone who buys gold at the high price associated with war will almost certainly lose money, when they sell at a lower price.

Conclusion - buy gold when everyone is saying to invest in the stock market. Sell gold when things are looking grim and there are lots of buyers out there.

If you do buy gold you need to appreciate that this investment has risk. The price of gold may fall. It may be years before you can sell your gold at a profit.

Until recently many countries made it illegal for individuals to hold gold bars or bullion. Individuals could buy gold coins and other items however. The South African Krugerrand was minted to exploit this opportunity and to earn much needed foreign exchange for that country during the years of economic sanctions.

Nowadays you can buy gold, silver and platinum coins in many denominations, including Canadian and US dollars, sterling crowns and sovereigns.