

How Long Will We Have to Wait?

By the editors of [BIG GOLD](#), Casey Research

You are traveling through a desert in search of a famed oasis and its promise of riches, rest, and drink. But your journey has grown long, you are weary, and you begin to doubt the oasis really awaits you. But then signs appear from those who have gone before you that your course is true, and the reward you seek in fact lies ahead. Your spirit is renewed and you press on.

Does this describe your journey with gold?








Although gold's had a good run, rising from a monthly average of \$760.86/oz in November 2008 to \$943.16/oz in February 2009, when will it *take off*? That's still going to happen, right?

I'll Gladly Pay You Tuesday for a Hamburger Today

Wimpy, Popeye's burger-loving pal, was always looking to get what he wanted today with a promise to pay tomorrow. Sound familiar?

In their thrashing attempts to get their economies going again, governments around the world have pounded interest rates into the floor and flooded their banking systems with liquidity. Take a look at the monetary actions from the G7:

Monetary Policy

		Interest Rates			Money Supply	
		Benchmark Interest Rate (%)	12 Month Change in % Points	Latest Update	M2* Money Supply % Year-over-Year	Latest Update
G-7						
	USA	0.25	(4.00)	01/21/09	10.1	1/5/2009***
	Japan	0.10	(0.40)	01/21/09	1.8	12/31/08
	Germany**	2.00	(2.00)	01/21/09	11.2	11/30/08
	France**	2.00	(2.00)	01/21/09	11.2	11/30/08
	UK	1.50	(4.00)	01/21/09	5.0	11/30/08
	Italy**	2.00	(2.00)	01/21/09	11.2	11/30/08
	Canada	1.00	(3.25)	01/21/09	12.6	11/30/08
Average			(2.52)		9.0	

Source: Bloomberg, U.S. Global Research

* Only M3 available for India, Mexico

** Data for Germany, France, and Italy from ECB

*** U.S. M2 data available weekly

01/2009

Interest rates are at historic lows, an artifact of the robust, worldwide efforts to debase currencies. M2, one measure of money supply, is up in all G7 countries, which signals that tomorrow's inflation is being baked in the cake today.

Further, bailout *numero dos*, with a rich pork filling, has been signed, sealed, and is about to be delivered, including an endowment for a "bad bank" that will buy up the loans that troubled commercial banks would like to deny they ever made. In addition, it guarantees hundreds of billions of dollars in bank assets – all on top of bailout *numero uno*. And don't forget the estimated \$493 billion the Treasury Department will have borrowed by the end of the first quarter 2008; that on top of \$569 billion the government borrowed in Q408, an unprecedented amount for any quarter, ever.

The word "unprecedented" seems too weak to convey just how much money is being printed and/or borrowed to buy off the recession. So, when will all this money start showing up as higher prices at the supermarket and shopping mall? And when will gold react to this bumper crop of paper?

The historical record indicates that a surge in money growth has its peak effect on economic activity about 9 to 18 months later. Add another 12 months or so for the peak effect on consumer price inflation. In other words, the Federal Reserve is always driving with a loose steering wheel. Most of the experience behind those numbers is with relatively tame ups and downs in the business cycle – not the kind of financial violence we've been seeing lately – which adds another variable. And on top of that, the numbers are about peak effect, not initial effect.

So the timing remains uncertain. But what we do know is that there are clear and unavoidable consequences to wildly energetic money creation, including, sooner or later, rampant price inflation.

Is a Groundswell Beginning?

We're beginning to see interest in gold from the mainstream, which is encouraging. And enthusiasm from the general investing public will be what ultimately sends gold to the moon. Here's what we've observed over the past 30 days.

1. A number of mainstream economists and fund managers are openly expressing interest in gold. "The government can print endless money, but they cannot increase the supply of gold," said Michael Pento, chief economist at Delta Global Advisors Inc. "Anything the government cannot replicate by decree, I want to own." The firm, with \$1.5 billion in assets, is doubling its gold holdings to 8%. We saw very little of this six months ago.

2. The mining industry has recovered its ability to raise capital. Take a look at the recent financings for some gold companies:

Newmont	\$1.2 billion
Newcrest	\$476 million

Kinross Gold	\$414 million
Agnico-Eagle	\$290 million
Red Back Mining	\$150 million

Compare this to the financial woes we hear continually about banks, brokerages, and government agencies. The only capital they can attract is government handouts.

3. While there are much better ways to turn gold into cash, Cash4Gold (who advertised during the Super Bowl) and similar businesses bombarding the airwaves with their pitches have sensitized the public to the topic of gold. Expect the interest in the yellow metal – and its price – to increase in a serious way.

4. January's Cambridge House Investment Conference in Vancouver was well attended, with the second day setting a record. Every session was packed, standing-room-only for most speakers, including [Casey Research's](#) Louis James and Marin Katusa.

While no one was emphatic about the timing, most speakers agreed that at some point gold will be sought as a safe haven by the masses, who will catapult the price to new highs. Here is a quote from John Embry, chief investment strategist, Sprott Asset Management:

“The average retail investor has little or no investment in gold and no understanding of how important it will be. The year 2009 will be volatile, but volatility is a small price to pay for where gold is headed. An explosion in gold and silver is inevitable in the years to come.”

The overriding theme was clear: Gold is going up. Period. It may or may not happen as quickly as you want, but the recent range trading hasn't defused its explosive potential.

So when will gold take off? The signal won't be inflows to ETFs (although they are indicators), or jewelry sales (the '70s bull market had nothing to do with bracelets), or even sales of physical bullion (we had that in '08 and gold was up 5.5%, hardly meteoric). No, the payday rise in gold will occur when there is *a significant shift in the psychology of the general public*.

And whether the glory days are just months from now or a year or two away, it's clear that the oasis is real and lies ahead. Is your cup ready?

Don't miss the gold boom... there's still time to buy some before the broader masses sweep in and the gold price goes to the moon. We currently recommend to our subscribers to put up to 33% of their investment portfolio into physical gold. But there's another crisis-proof, gold-related investment that can give you **up to 4 times** the returns of gold itself. [Click here to learn more.](#)