Salivating at the Upside Potential of the Gold Market

By The Mogambo Guru

03/25/11 Tampa, Florida – Not long ago, as I recall, a pension fund in some foreign country, one of those Scandinavian ones I think, was ordered to invest no more than about 3% of its custody assets in gold, meaning that the fund had too much gold, and to sell part of its gold holdings in order to comply.

Personally, I think that the 4,500-year historical record shows that being 100% invested solely in gold over the long-term is almost always a Very, Very Good Idea (VVGI), while the 4,500-year record of being solely invested in stocks, bonds and housing over the long-term is almost always a Very, Very Bad Idea (VVBI).

Thus, even to a really stupid guy like me, it doesn't take a lot of brain-horsepower to quickly see that to arbitrarily limit gold in one's entire retirement holdings to a measly 3% is, in a word, stupid, whereas 100% invested in gold is not, again in a word, stupid, but, rather, in yet another word, intelligent, in that gold soars while the debasement of a fiat currency is always complete and catastrophic.

Or perhaps the word, in a word, could be "erudite," as in referencing the Mogambo Book Of Economics Stuff (MBOES) under "Erudite: at least glancing at the entire 4,500 years of history and seeing very clearly that to not be 100% invested in gold and silver over the long-term, especially when your government is allowing such frightening increases in the money supply, is stupid and ultimately ruinous. See also 'Broke, Why, Stupid, People' and 'Catchphrase, We're Freaking Doomed (WFD)!'"

After all this talk of erudition, I am embarrassed to admit that I don't know the word for "stupid" in any of those Nordic languages. I don't worry, however, because the word for "stupid" in Spanish is "el Stupido," so I figure that if any of those Scandinavian guys speak no English but they savvy a little Spanish, they can easily translate it for everybody else so that everybody can know that they are, you know, stupid, in case they didn't know.

Unfortunately, this translation thing will not convey how I laugh at them with an undisguised Mogambo Sneer Of Contempt (MSOC), and/or how I, following the proud tradition of Monty Python, fart in their general direction to show my scornful disdain at their limiting ownership of gold to 3% of holdings.

So, my Timely Mogambo Tip (TMT) is that if you are some dumb-ass Scandinavian who is letting these morons manage your retirement money, then you may be interested to know that you are, as would seem to be inferred by this time after the foregoing paragraphs which is one long indictment of the level of laughable ineptitude of these losers, also stupid.

Of course, the stupid British let their stupid prime minister, the stupid Gordon Brown, sell all Britain's gold at less than $400 an ounce, so it is not that there is no precedence for this kind of idiocy! Hahaha!

I bring it up because it fits perfectly with the essay titled "The Driver for Gold You're Not Watching" by Jeff Clark of Casey Research.

He says that "the elephant in the room is pension funds. These are institutions that provide retirement income, both public and private."

The "elephant in the room" part refers to size, not smell or any of the other huge downsides to owning an elephant in an urban, apartment-dwelling environment, as "Global pension assets are estimated to be – drum roll, please – $31.1 trillion. No, that is not a misprint."

He calculates for us that this staggering $31.1 trillion "is more than twice the size of last year's GDP in the US ($14.7 trillion)"!

That exclamation point was put there by me, for dire reasons that I only vaguely suspect, as even a piddly 3% of that $31.1 trillion pile of retirement money, invested in gold, is a whopping $933 billion invested in gold!!

"Why the double exclamation points?" you ask. Have I got some weird reason why I am always using so many exclamation points, like maybe I am being paranoid and weird, plus be a full-time lunatic and part-time father?

Well, probably yes, for one thing, but also because, "The market cap of the entire sector of gold stocks (producers only) is about $234 billion," while "If these funds allocate just 5% of their assets to gold – which would amount to $1.5 trillion – it would overwhelm the system and rocket prices skyward."

He goes on "According to estimates by Shayne McGuire in his new book *Hard Money; Taking Gold to a Higher Investment Level*, the typical pension fund holds about 0.15% of its assets in gold. He estimates another 0.15% is devoted to gold mining stocks, giving us a total of 0.30% – that is, less than one third of one percent of assets committed to the gold sector."

My excitement rising, he goes on, "And let's not forget that this is only one class of institution. Insurance companies have about $18.7 trillion in assets. Hedge funds manage approximately $1.7 trillion. Sovereign wealth funds control $3.8 trillion. Then there are mutual funds, ETFs, private equity funds, and private wealth funds. Throw in millions of retail investors like you, me, Joe Sixpack, and Jiao Tsingtao, and we're looking in the rear view mirror at $100 trillion"!

And this $100 trillion mountain of money trying to get into a market of gold and gold stocks that is currently valued at less than $1.5 trillion makes me, and him, too, salivate at the prospect, as he concludes, "I thought of titling this piece, 'Why $5,000 Gold Is a Conservative Forecast.'"

And with numbers like that, and the last 4,500 years of history showing that people eventually stampede into precious metals in a panic, what can you say except, “Whee! This investing stuff is easy!”