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## Gold soars to new record highs, with plenty of momentum still to the upside

QE to infinity, they call it in the gold market.

The developed world's gradual acceptance of money printing as the new normal has put more and more fiat currency into circulation, and there's no real sign of it stopping.

Some commentators liken this new tendency to easy money as a drug addiction, whereby politicians and central bankers have become hooked on certain indicators at the expense of all others.

Yes, you need liquidity, and yes some industries probably have needed to be bailed out.

But if you're going to make money so freely available to everyone, it's inevitable that its overall value will decline.

But decline in comparison to what? In the old days, it would be other currencies, but the world's major powers are all engaged in a competitive bidding war downwards, so the effect there is less apparent. Even the Chinese currency, which notionally has probably the best chance politically of de-coupling from the dominance of the US dollar, remains pegged for now.

So instead, when working out how to value money, investors have turned to more traditional benchmarks: interest rates, gold, property and equities.

Interest rates are being artificially held down, as central bankers, at least for now, continue to create their own debt on their own terms. Which leaves equities, property and gold. Over the past few years, all have done well.

Property has struggled somewhat in the wake of coronavirus, as the way people organize themselves physically on the ground has undergone significant change. But as financial instruments, gold and equities have shone.

Both took a dip when the coronavirus crisis was at its height late in March, but since then both have recovered. And, if you're thinking that it's not always common to see gold marching in step with equities, you'd be right. But at the moment investors are buying them for the same reason: they are a reasonable store of value.

The headlines go to gold, of course, now that it's high a new record high in US dollar terms. It had already been hitting highs when denominated in other currencies like sterling or the Australian dollar for a good many months, but recent dollar weakness has finally allowed the US to catch up with everywhere else.

The current bout of money printing and general economic and political chaos has created the conditions in which the gold price has risen higher than it ever has done before. In nominal terms, that is.

Adjusting for inflation, the picture isn't (quite) so spectacular. The inflation-adjusted gold price still traded higher in 2011, in the run up that occurred after the global financial crisis, and in 1980, when the markets were in a frenzy about inflation and Iran was alarming the world with a new-found tendency to seize hostages.

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Nevertheless, the upward move beyond US\$1,930 does represent a significant upping of the ante. Gold industry participants are now talking openly, and without shame, of US\$2,500 gold, and not in the long-term either.

The US election is now only a few months away, there's another bout of tension with China, the post-coronavirus recovery can be described as fitful, at best, the propensity of global populations to riot has never been stronger, and a widespread unease about the global financial and economic system is lurking behind the screens and beneath the keyboards of traders everywhere.

What's more, some commentators have noticed a growing tendency on the futures market for investors to take delivery of the physical metal rather than rolling their contracts over. Talk is amongst the more excitable elements that this could generate a short-squeeze on physical supply, thus driving the price up still higher.

Whether that technical glitch manages to work its way through or not, the salient point is that investors increasingly want the metal itself. After all, why would you want dollars when they are devaluing by the day?

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