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TREASURY PORTFOLIO MANAGERS LIMITED

More rubbish is written about Gold in the financial media than any other market!

Back in July 2008 when Gold was $800 an ounce, I wrote an article for the Daily Telegraph entitled “Gold: The precious laggard that will hit $2000 an ounce”.

This article drew the normal criticism as the ranting of a ‘Gold bug’ from the mainstream investment community. But they nearly all missed out on the meteoric bull market that has taken Gold from $250 an ounce (the famous [Gordon] Brown bottom) to its current level today having risen every year for the past 9 years.

Not only have most of the herd missed out on this unique money making opportunity, they continue to miss out. This is due to a fundamental misunderstanding of the forces that are driving not just Gold, but every commodity on Earth in what is a giant commodity super-cycle bull market that is nowhere near reaching its final peak.

That said why has Gold & Silver been hit so hard over the last week? The main reason is that Comex raised the margins on Gold & Silver contracts when Gold bullion was technically overbought.

A case study on the effect of increased margin calls is Silver, This time last year Silver was $18 an ounce – it then rose exponentially to $50 an ounce over a period of 8 months before peaking in April 2011. At $50 Comex upped the margins on Silver futures without warning. Silver then fell to $32 an ounce in 2 weeks as forced liquidation was enforced on anyone who could not pay the increased margin calls. Silver then rallied from the low of $32 an ounce to hit $44 an ounce just over a week ago. Yet again Comex upped the margin calls and yet again Silver fell sharply – this time down to $26 an ounce before rallying to today’s level of $32 an ounce (still nearly double what is was last August).

Elliott Wave and Fibonacci students will be interested to note that wave A sell off (from $50 to $32) is identical in length to Wave C (from $44 to $26) and completes a near perfect ABC down wave – the path now being clear for the long-term uptrend in Silver to resume especially as all the speculative loose longs have been well and truly washed out. All that is left are speculative shorts, and long-term holders who have met any increased margin payments.

It is our view that investors should not be scared off by any of this ‘volatility’ but look to take advantage of these sell-offs to invest in the asset class. The sell-off enables investors to buy at much cheaper prices than existed a week ago. If our analysis of the cause of the sell-off is correct, then expect normal service to resume – as it has done every time the margin-induced selling has ended (normal service being the ongoing bull market in Gold & Silver).

Last week the WAY Charteris Gold Portfolio Fund was ranked top Fund over the last 3 months across all asset classes (circa 5000 Funds). It has been knocked in line with the fall in the asset class but it is the same fund as it was a week ago – just cheaper to buy.

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**References:*
Data & Statistics – *Charteris Treasury Portfolio Managers Limited*

Note: Ian Williams has spent the last 35 years as a specialist in Equity and Fixed Income markets, covering sales, research, market making and proprietary trading. He was a Member of the London Stock Exchange for many years before joining Chase Manhattan Bank (now JP Morgan). He subsequently worked for Dresdner Kleinwort Benson & Guinness Mahon (now Investec) before becoming Chairman & CEO of Charteris Treasury Portfolio Managers Limited. Ian is also the investment manager of the WAY Charteris Gold Fund which was launched in the first quarter of 2010 and is in the IMA UK specialist sector. In the first three months of trading, also was the number one fund against over 3,200 mutual funds across the UK. Ian Williams is a Fellow of the Chartered Securities Institute and a regular contributor to the national written press and various television networks including Bloomberg and CNBC.*

www.waygroup.co.uk

http://wayblog.co.uk/recession/the-week-that-was-what-has-the-real-impact-of-the-us-downgrade-been/