



YieldSafe INVESTMENTS LLC

OUTLOOK

"Bullish on Gold"

10/20/2008

It's been a tale of two markets for gold. On one side of the coin, we have a booming market for physical gold which includes gold coins, bars, and bullion. The demand has been so great for physical gold that dealers have been charging high premiums to buy physical gold. In addition, the US Mint has suspended its sales of gold coins due to their extreme demand and limited supply. On the other side of the coin, we have the futures market for gold which has been very weak relative to physical gold and is down over 20% from its high of the year. Physical gold and gold futures generally track each other very closely but now there seems to be a big disconnect between the two.

So who do we believe, the physical market or futures market for gold? Well, let's look at the facts. The government is going to raise \$700 billion to bail out the banks. There's only two ways to raise this money, by raising taxes or printing money. At this juncture, the government is printing money like there's no tomorrow as seen by a rapidly increasing money supply. This can only lead to a massive devaluation of the US Dollar which would be very bullish for gold over time. In the short-term, things seem to be doing the opposite of what one would expect with the dollar surging and gold plunging. We would attribute this to forced liquidation by hedge funds in which they are selling their gold to raise cash. Once this forced liquidation has subsided, we would expect to see gold regain its upward momentum and advance to \$800 or more by the end of the year.

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