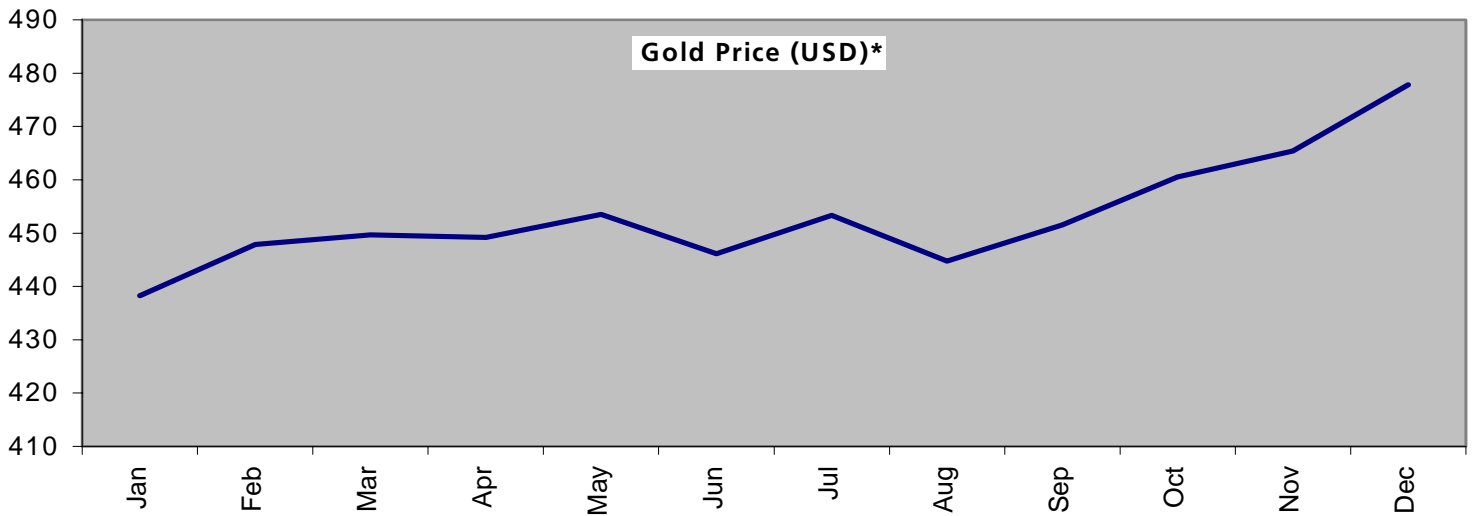


Gold – Still Good?

1. Gold Prices Seasonal Patterns

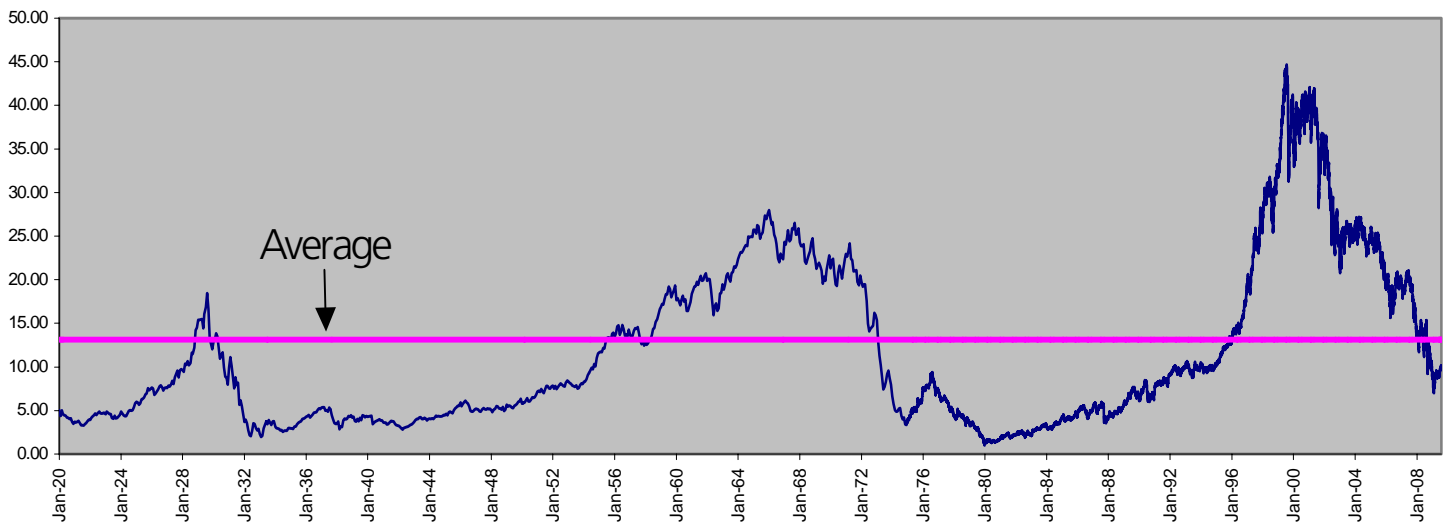
Gold prices display seasonal patterns. Our analysis for the period 1998 to 2008 shows that gold prices often remain subdued in the period from June to Aug each year prior to a rally into the year-end. We have seen the trend recur in 2009 where the prices have dropped since mid-July and picking up from thereon. Since 1998, the average gain has been about 7.10% and the maximum being 22.56%. The below graph shows the monthly average prices of gold each year from 1999 to 2008. This analysis shows that gold prices remain subdued in the period from Jan to Aug each year prior to a rally into the year-end.



(Source: lbma.com)

2. DOW - Gold Ratio:

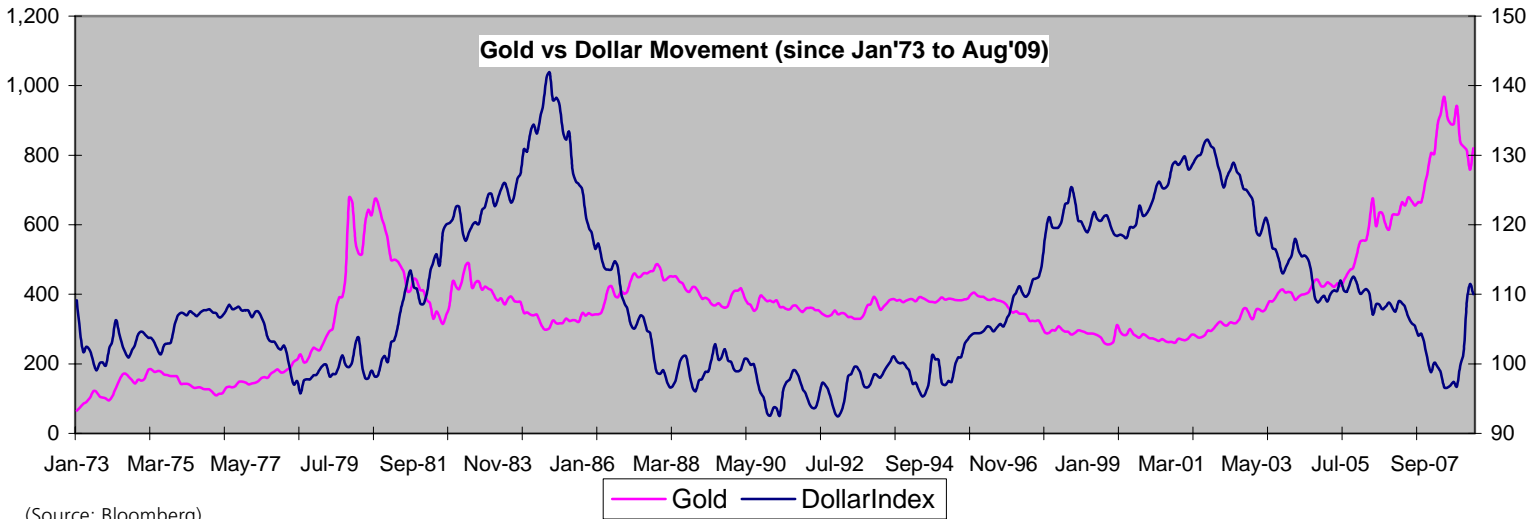
The Dow-Gold Ratio is the ratio of the price of the Dow to the price of gold. Currently the ratio is at 7.58 and its historical average is at 13.22. The ratio has touched a high of 40.23 in 1980. Even if the ratio reverts to its mean, Gold has the potential to touch \$ 1800 levels.



(Source: Bloomberg)

3. US Money Supply (M3), US Dollar & Gold Prices

The money supply (M3) in the US economy has been increasing year on year. Including \$1 trillion in cash infusions, the stimulus plan will pump \$9.7 trillion into the economy, according to Bloomberg. Increased Money supply may induce hyper Inflation in the economy and cause currency devaluation. Gold is a hedge against both these factors. Gold has an inverse relationship with US dollar indicating that Gold can protect value against the dollar.



4. China is buying:

China just revealed that it has doubled its gold holdings to 1,054 tons. Yet that only equals 1.6% of its overall reserves. As China's moving out of U.S. Treasuries and into gold, this may trigger the next leg of the run-up in gold. (Source: commodityonline.com)

5. U.S. Treasury Dept. Signals \$5,468 Gold:

Currently, the U.S. government holds about 286.9 million ounces of gold. It has printed about \$1.569 trillion worth of paper dollars. If each dollar were backed by gold, that would put the price at \$5,468.80 an ounce of gold. (Source: commodityonline.com)