



## **After Its Recent Rally, Gold Remains a Solid Investment Prospect**

### ***Mine production lags as physical demand from private and public investors grows***

Dallas – (February 2, 2011)...Gold has proved to be a rewarding investment during recent tough, economic times and has nearly tripled in value in five years, while stock markets have grown at a slower rate and real estate has mostly sagged. If you lived on either of the U.S. coasts, you were probably better off holding gold, which exceeded \$1,400 an ounce last month, than owning a second or third home.

Gold is one of the few financial assets that doesn't rely on an issuer's promise to pay. For centuries, the metal has been viewed as a safe haven during economic downturns or other negative events, when a flight to its quality occurs. Portfolios containing gold are generally more robust and have fewer swings in value than those that omit it, says Terry Hanlon, President of Dallas' **Dillon Gage Metals**. "Gold is less volatile than most commodities and many equity indices, and it tends to behave more like a currency that's trending in price," he says.

Assets with low volatility help reduce risk, and gold in particular, offer a store of value in any long-term savings or investment portfolio.

What else does gold have going for it? Its price is influenced by the metal's supply and demand balance, and while ample amounts of gold remain above ground in jewelry, bank holdings, coins, artifacts and other items, mine production has been on the decline for decades. World mine output is expected to continue slowing because of depletion in existing gold deposits and a decline in ore grades. Two major suppliers, Russia and South Africa, reported lower gold mining yields recently.

Other restraints on gold mining include rising energy, labor and insurance costs, time required to meet new environmental rules, limits on foreign investment in many producing countries and a recent lack of financing for mining exploration and development.

Terry Hanlon says "for a number of reasons, lead times in gold mining tend to be long, meaning production is relatively 'price inelastic' or slow to respond to higher prices." That's why a rally in gold prices in the last ten years has not fostered a big increase in production.

Meanwhile, gold demand from individual and corporate investors and central banks in the U.S., Europe, Asia and Latin America has grown. Several central banks have become net gold buyers since 2009 after several years of selling gold. The People's Bank of China has been buying gold regularly from its mine production, and India's central bank was a big buyer of the metal in late 2009 from the International Monetary Fund.

Also helping the price of gold are new products and distribution channels that have boosted investment demand. The growth of exchange-traded funds in gold allows investors to purchase the metal through equity-like vehicles. Nearly twenty such funds are traded on stock exchanges around the world. Exchange-Traded Funds (ETFs) typically hold gold bars in bank vaults, backing the holdings of their clients. However, in what may be a surprise to some investors, ETFs do not

provide easy access to physical delivery.

Factors that drive investors to buy gold include U.S. government domestic spending that is adding to the national debt. Printing money to buy government debt is inflationary and devalues the dollar. Meanwhile in Europe, a sovereign debt crisis has reduced the European common currency's appeal as a reserve asset and sent investors to gold. Gold's value, in terms of the real goods and services that it can buy, has remained relatively stable for decades. In contrast, the purchasing power of many currencies has generally declined, mainly because of the rising price of goods.

Diversifying your stock and bond portfolio with gold can offer added protection against fluctuations in the value of any single or group of assets, Hanlon says. With more than thirty-five years of experience in trading, **Dillon Gage Metals** serves manufacturers, jewelers, gold dealers and private investors across the U.S. and other countries.

For more information on Dillon Gage Metals, please visit [www.dillongage.com](http://www.dillongage.com) or phone 800-375-4653. Follow Dillon Gage on Twitter [@DillonGage](https://twitter.com/DillonGage) and on Facebook.

### **About Dillon Gage**

Dillon Gage ([www.DillonGage.com](http://www.DillonGage.com)) was founded in 1976, and its companies include:

- **Dillon Gage Securities, Inc.**, a full-service NASD member firm that specializes in financial planning.
- **Dillon Gage Metals**, one of the largest precious metals dealers in the U.S.
- **Dillon Gage Inc.**, a company dealing in futures markets.
- **Diamond State Depository**, a wholly owned, independently operated, precious-metals storage facility located in New Castle, Delaware.

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