Business

Section **C**

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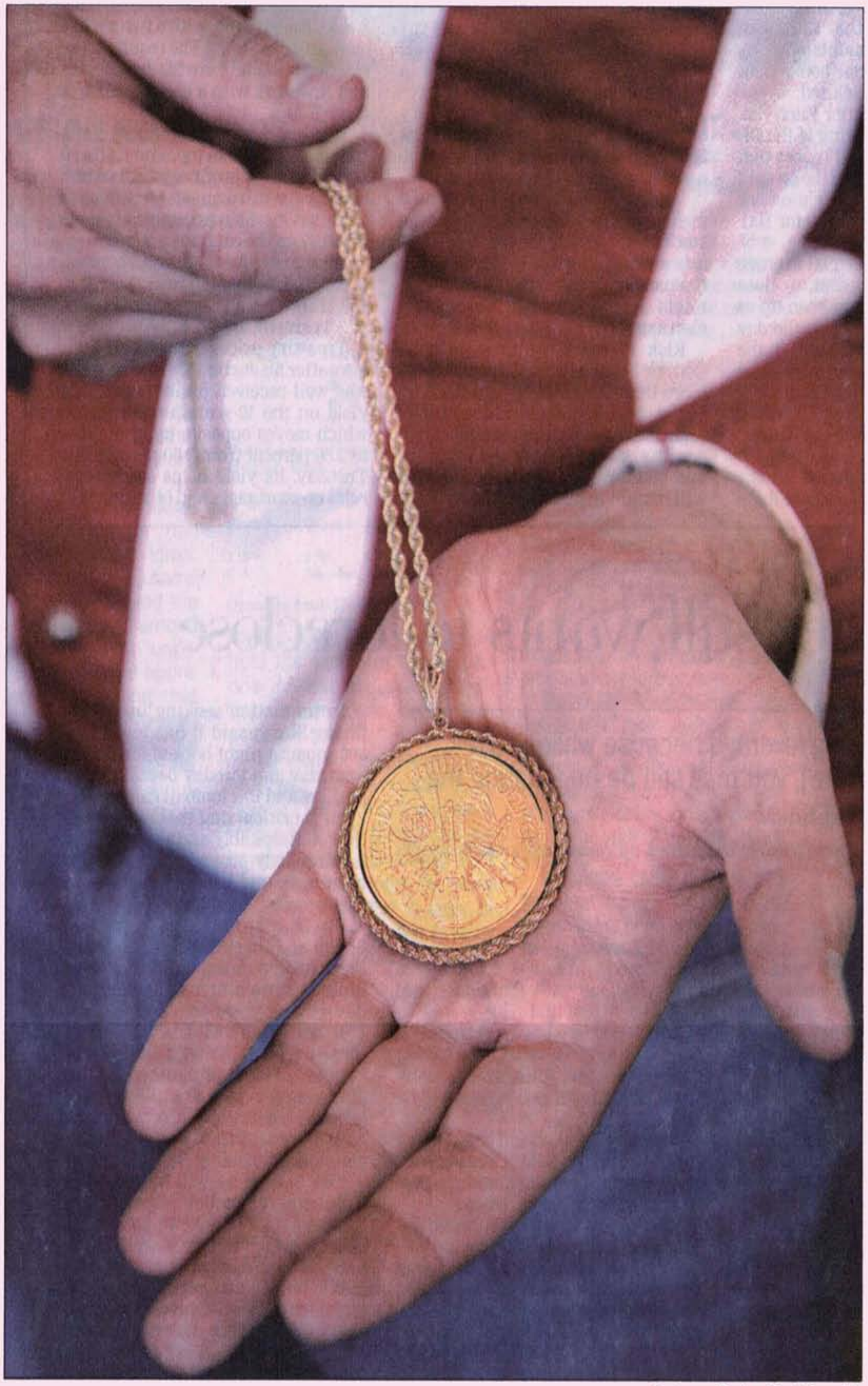

Rebecca Droke/Post-Gazette

Blaine Shiff holds a Vienna Philharmonic gold coin at the cybercoins.net shop in Dormont.

Precious metals having their day

Some see gold, silver as investment solutions

By Tim Grant
Pittsburgh Post-Gazette

In a battered economy tarnished by one of the nation's deepest recessions, gold still shines brightly.

Even during the summer months when prices are historically weak, gold set an all-time record of $1,265 a troy ounce in mid-June and appears likely to set another record this fall when prices often rally to their peak as the holiday season approaches.

While some experts predict the world's current economic uncertainties and government policies seem guaranteed to continue the run-up in metal prices indefinitely, others see a veritable gold rush that could produce a bubble that will eventually burst.

For now, the gloss does not seem to have faded despite a good, long run, and that could mean even higher prices as the holiday jewelry buying season starts.

"Normally, September to December is pretty strong for both gold and silver," said David Morgan, a precious metals expert based in Spokane, Wash.

Mr. Morgan, who publishes the Morgan Report on the precious metals industry, expects the price of gold to surpass previous highs and hit $1,300 an ounce by year end. He said silver prices could climb as high as $25 an ounce.

Spot gold prices closed Wednesday at $1,255 an ounce. Silver closed at $19.92 an ounce, its highest since $20.92 on March 17, 2008. Precious metals are measured in troy ounces, which are slightly heavier than regular ounces: 31.1 grams versus 28.3 grams.

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Some see gold and silver as investment solutions

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Gold tends to appreciate under the worst economic conditions, which explains why it is thriving even as the country waits to see if there will be inflation or deflation or even a double dip recession. For many investors, it appears to be the ultimate solution for all possible scenarios.

"The gold rally started in 2001, and it has been a steady and measured rise in its appreciation," said Juan Carlos Artigas, research manager for investments at the World Gold Council in New York. "Going forward, we expect the demand for gold to remain positive."

He said continued global economic uncertainty has convinced investors that they need to look beyond options such as stocks and bonds.

High gold prices have also piqued interest in selling jewelry for cash.

Blaine Shiff, co-owner of Cybercoins.net in Dormont, said the recession had hit some customers so hard they were parting with gold items to make ends meet. Other customers are eager to buy gold and silver before it gets more expensive.

"The typical seller is someone who needs the money either because they are unemployed or a they hit a rough patch," Mr. Shiff said. "The typical buyer of gold and silver is a forward-looking person," he said, adding that one of his clients from Alabama recently liquidated a $100,000 stock portfolio and flew here to convert the cash into gold coins.

Eddie Lowy, owner of Banner Coins, Downtown, said 99 percent of the gold and silver jewelry and coins he buys in his shop is melted down at refineries. There are not enough retail buyers who can afford to buy the pieces nowadays.

"In the Pittsburgh area, buyers are very thin and scattered," Mr. Lowy said. "The disparity of wealth in this city is very high."

Even at today's prices, it is not too late to hop on the gold bandwagon, said Peter Schiff, CEO of Euro Pacific Precious Metals in Westport, Conn. "It's never too late to get out of a burning building unless you plan to burn with it."

Mr. Schiff, a contrarian adviser who predicted the subprime mortgage crash years before it occurred, is predicting gold could reach $5,000 an ounce or more. He has not offered an estimate on when that might happen.

Mr. Morgan predicts gold will reach a minimum of $2,500 an ounce and that silver will hit $100 an ounce between 2012 and 2015. "Gold will become harder to own for the middle class," he said. "More people will move into silver not because they want to, but because gold will be too expensive."

Not all investment advisers are bullish on precious metals.

P.J. DiNuzzo, president of DiNuzzo Investment Advisors in Beaver, said the meteoric gold and silver price increases could yield one of the biggest asset bubbles since technology stocks and subprime mortgages

"Investors need to remember that, in general, the investment everyone is clamoring for generally turns out to be a very bad decision," Mr. DiNuzzo said. "We do not include precious metals in our typical asset allocation.

"In rare cases to address a client's safety concerns, we would recommend purchasing no more than 5 percent of the overall portfolio allocation into a gold exchange traded fund," he said.

Still others think recent events bolster their faith in metals.

For a while this year, James DiGeorgia, editor and publisher of the Gold & Energy Advisor in Boca Raton, Fla., thought he might be off in his predictions that the gold price would wind up between $1,400 and $1,500 an ounce by the end of the year.

"Now that the Fed has signaled it will do anything it can to get the economy growing," he said, "the supply of U.S. dollars vs. gold will be exaggerated even further, and that could easily lift the target price of gold to the $1,400 to $1,500 range before the end of this year."

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