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Headline: Downgraded Credit Worthiness of the US and Its Effect on Gold

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Coverage

« BULLION



PRITHVIKOTHARI
Managing director,
RSBL and current
president Bombay
Bullion
Association, (BBA)

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The US is fumbling beneath the weight of substantial federal debt. So heavy is the burden that the country was recently threatened by a downgraded outlook on credit-worthiness. This was no joke, as the idea of one of the globe's biggest financial machines being downgraded was enough to send most investors running for cover.

The debt ceiling of \$14.294 trillion has been reached, and as of the middle of May, US Treasury Secretary Timothy Geithner is in a position where he has twice asked for the lid to be lifted. The trouble now is that Congress may have to look at some extraordinary measures to get funds, including federal employee payroll trimming. When the debt reaches its ceiling, the tarnish on our reputation is pretty visible. That is why the outlook for the nation was lowered.

Presidential hopeful Ron Paul recently made headlines by suggesting that the US sell gold holdings to try to curb debt issues. The US is struggling - at least that's what the hullabaloo about the debt ceiling has been. Standard & Poor's already downgraded the outlook for US debt, arguing that it is unlikely lawmakers will be able to wrestle down the huge deficit. Last week Moody's warned that they are about to do the same thing. They want to see Congress increase the debt limit in the "coming weeks" or they will pull the sterling credit rating.

What does all of this really mean? If all the major economies in the world are fumbling towards default, then it is hard to make a case for any of them in terms of investment.

Gold is the only thing that appears worth keeping, whereas the other payroll cutting and real estate selling measures make more sense. Other central banks appear to understand this - Mexico, Russia, and a host of others have been adding to their gold reserves in the recent financial turmoil. Maybe the US government should consider a fire sale on other assets to offset some of their debt, and actually buy more gold.

There used to be a strong tendency for investors to look for havens amid troubled times. The trick nowadays is determining what fits that bill. Low-interest currencies? The US dollar and yen appear too unstable nowadays for that kind of assessment. Real estate? It should go without saying that all the old rules of thumb for this one are out the door. Tried and tested names in stocks? A global recession, especially a potential double dip one, is likely to change the way we look at everything - including some of the "institutions" of investment.

Precious metals? Absolutely. Finite and without links to government manipulation (not in terms of blatant policy settings, that is) precious metals like gold and silver are apparently offering the last port in the great financial storm of this century.