



## Is Gold a Long Term Buy?

Everyone has seen the commercials on TV about buying gold and how to add it to your portfolio. Is it a good idea? I'll let you decide that. However, let me give you some details that might help you make your decision.

First, gold has moved from \$280 per ounce to \$1750 per ounce (current price as of 10/31/11) in 8 years. If you had 1 oz. of gold, you have made \$1,470 about 525%. Now that is a great return. But after something has gone up 500%, should you buy it? In the case of gold, yes. However, the risk has increased and it is best to buy on dips as opposed to just buying it and hoping for the best.

There are basically 4 ways of buying gold. Buy gold coins/bullion, ETF's, stock in companies that mine gold or gold futures. The first one is more difficult because once you buy coins, you have to sell coins. You can't use them at Wal-Mart. You can carry them in your pocket, but you will have to find a special venue to get rid of them. The last three are the easiest way to control gold and take advantage of its move and not worry about trying to sell it. Again, I'll let you decide which is best for you.

Over the long haul, gold is more than likely going higher. But nothing goes straight up. Below is a weekly chart of gold futures with a 3, 21, 65 period simple moving average (3 moving averages with one 3 week average, one 21 week average, and one 65 week average). Notice how it bounces off the red line (21 week average) and notice the continual uptrend of the 21 and 65 week average. Until gold closes below the 65 week average, it will remain bullish. The best point to buy gold is when it gets down to the 21 period averages and the 3 period average turns up. This will keep you from buying in a down trend.

This is a big picture. In the weeks and months to come, we will look a intermediate and short term trends as well.



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