Gleaming or Dull

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Gold has mesmerized human kind throughout history. The ancient Incans, the Egyptian Pharaohs, the Kings and Queens of Europe, even the tribal chiefs of Africa, were all captivated by its illustrious glamour. As cultures evolved and industrialized, Gold was used as a common currency to create a level playing field for the diverse economies. The term "Gold Standard" was coined when the U.S. elected to use the rare metal as the cornerstone (collateral) for our paper currency. Today the phrase "Gold Standard" is used to describe any product, process or service that is deemed to be the "Best of the Best". Gold has always been synonymous with GREATNESS.

Gold has been primarily owned by a small segment of the population, the wealthiest, upper echelon of our society. Today most governments own gold in some form. Only recently has Gold been available for the masses to purchase as an investment option.

Gold, the commodity, experienced a long period of relatively flat performance. The precious metal first crossed $850 per ounce in 1982, but did not return to that level until 2007, a 25 year period of zero return. In fact from March 1, 1985 to January 1, 2000 the price went from $287.50 to $287.80, a 0.001% total return and a 0.0000667% return year over year. Not particularly attractive. Demand for Gold started to change in 2002 when the price was just $297.80. By October, 2012, Gold hit an all-time high of $1,791.80. This bull market in Gold created intense demand from both institutional and retail investors. A new "Gold Rush" was on. The momentous increase in price is reminiscent of the Real Estate market in the early/mid 2000's and the staggering increase in oil prices in 2008. You may recall the price of a barrel of oil reaching $145.33 on July 3, 2008, an astounding 104% increase over just one year.

2012 and early 2013, has seen a slowing in the price of Gold. Here are 4 factors contributing to the deceleration of the price:

1. Many thought the monetary easing by central banks in Europe, Japan, and our Fed would spur inflation upward (inflation is normally an accelerant for gold prices). Increased inflation has not occurred and some recent reports suggest that we experienced negative inflation at the end of 2012.
2. Some of the top buyers of gold (India & China) slowed their purchases in 2012.
3. The market seems to be "unwinding this trade". Some traders are betting on decreased prices. This observation is supported through options trading last fall, buying more contracts below the then current $1,700 price point. Other money managers are just lightening up on their positions in Gold.
4. I believe the incredible negativity surrounding the last U.S. Presidential campaign created a "doomsday" scenario that enticed some investors to buy gold. The election is over!

So, is the future of Gold up or down? Only time will tell. However, allow me to leave you with this thought. If you buy low and sell high, you make money every time. The premise for this philosophy (contrarian/value investing) is that you find areas of the market that are underpriced, but could still be desirable to investors, **IF** certain situations or conditions occur. You buy before the conditions occur (low) and sell after investors return (high).

If you buy high, you must sell higher to make money. The premise of this concept requires that you find someone to pay more than you did, based on their speculation, greed, or stupidity (i.e. investors buying oil at $140/barrel in 2008 thinking it would go to $200/barrel). Either investment discipline could work, we just prefer to focus on the prior philosophy (buy low, sell high).

About Jeff Shelton and SFG Asset Management

SFG Asset Management is a third party money manager providing actively managed asset allocation models to financial planners for use with their clients. After more than 20 years in the investment industry, Jeff Shelton has used a wide variety of investment products and money managers. His goal has always been to provide his clients with high quality, understandable investment options designed to meet their needs. In 2008, he found the right portfolio management team and expanded Shelton Financial Group to include SFG Asset Management. This new venture was designed by financial planners for financial planners. Our team is intent on allowing financial planners to focus on serving their clients. We do this by providing meaningful information to help with your client interactions, supporting planners through the red tape of opening and managing accounts, and by providing a suite of investment models that make sense to investors. We offer 15 different investment models in order to meet specific investor needs, however, the vast majority of assets are commonly in our cornerstone model, Select. Select will use six *unequally* weighted investment categories. The categories and weightings are typically adjusted quarterly using a proprietary ranking system that evaluates Risk and Opportunity. The Stock to Bond Ratio is variable and attempts to move toward or away from the market dependent upon the Risk vs. Opportunity. For more information on Select, or SFG Asset Management, please give Dan or Brandon a call at 260-436-7006 or check out our website at www.SFGfamily.com.