





# WHAT THE REST OF THE WORLD KNOWS ABOUT GOLD

## THAT THE UNITED STATES MAY NOT

BY MICHAEL HAYNES

The United States of America is a young country when compared to the rest of the world, celebrating its 237th birthday this July 4th. Following the Native Americans, the United States was further populated primarily by European settlers. From a financial perspective, those European settlers came from economies that valued Gold as a principal element in their currency.

In Chart 1 below, you can see the comparison of the central bank holdings of Gold beginning in 1845 through 1900. By the end of the century, European treasuries had combined holdings of approximately 1,581 tonnes of Gold, or about 162% above the treasury holdings of the United States at that same time.

Chart 1

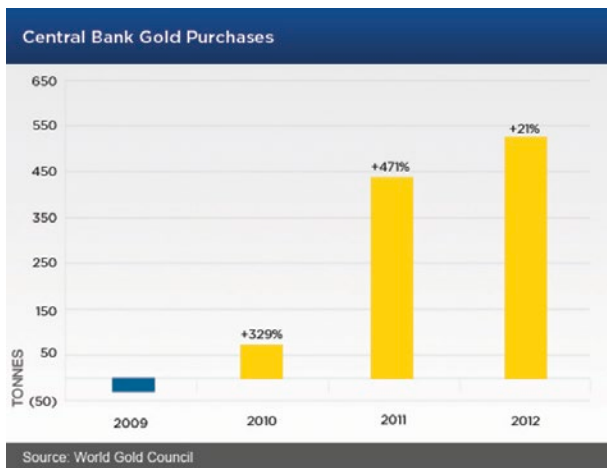




## Central banks have reversed their investment positions in Gold by changing from sellers of Gold during the beginning of the financial crisis in 2009, to buyers of Gold in 2010, 2011 and 2012.

Today, central banks around the world are still accumulating Gold to provide safety and security for their respective country. In Chart 2 below, you can see that central banks have reversed their investment positions in Gold by changing from sellers of Gold during the beginning of the financial crisis in 2009, to buyers of Gold in 2010, 2011 and 2012.

Chart 2



### The Investment Culture Of Each Continent - What Do They Know?

The culture of a country carries through to its citizens' economic behavior from generation to generation. For example, the people of Switzerland have been continuously populating the same geographic area since the Roman Empire in 200 B.C. Over the generations, that country has seen many changes in government and economics and the knowledge of managing personal financial affairs has carried forward.

In the same manner, the population of Germany has been on the same ground since Julius Caesar and the Roman Empire titled the area Germania. Although there have been numerous disparate governments and economic policies in the last 2,000 years, the German people have sustained a culture for managing their personal financial affairs.

Other cultures have similar family knowledge passed from

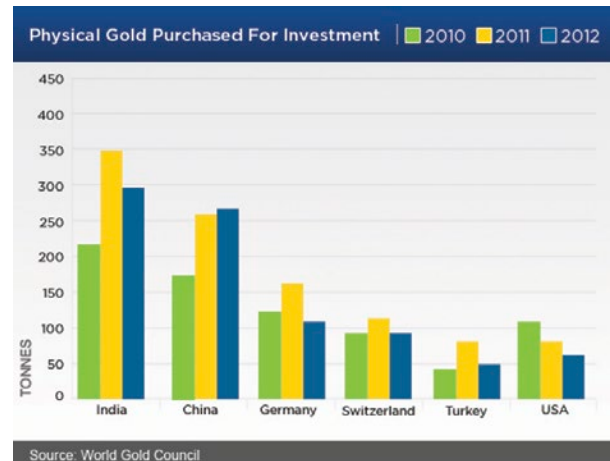
generation to generation. Although the country of India has seen many different types of governmental and economic policies during its history since 400 B.C., the financial affairs of the individual family have been influenced by the constant change in governments and economic boom-and-bust cycles.

On yet another continent, China has experienced perhaps more than most other cultures with recorded history dating back to the Shang Dynasty of 1700 B.C. With all of this economic and political turmoil over the centuries, the Chinese family has a cultural and historically influenced view of personal financial affairs.

In Asia Minor, perhaps the cradle of civilization, the population of Turkey has seen changes of government and economics since about 1900 B.C. Similar to other cultures, the Turks have seen and passed on to each generation a family view of personal financial affairs.

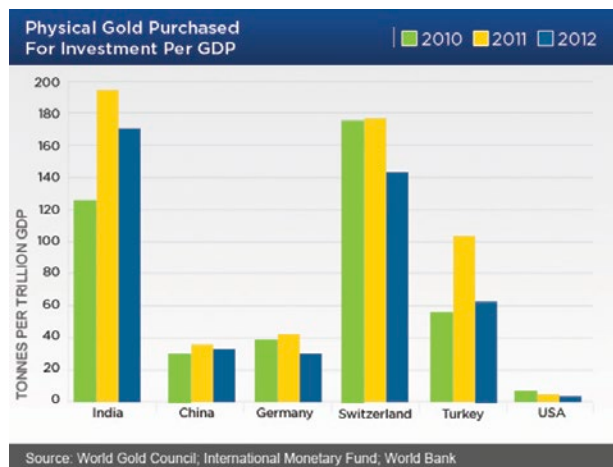
As you can see from Chart 3 below, these countries, representing most of the continents and major cultures of the world, have purchased physical Gold in bar and coin form for investment from 2010 to 2012. On average, investors located in the United States purchase about as much physical Gold as do investors in Switzerland and Turkey.

Chart 3.



While these investments are significant and demonstrate the interest of the investment culture in these countries, Chart 4 below shows the physical Gold investment per trillion dollars in Gross Domestic Product (GDP). This chart shows the relationship of the physical Gold investment to the size of the respective economies. Accordingly, every one of these countries purchases relatively more than six times the physical Gold purchased in the United States.

Chart 4.



### What Does The World Know That Americans Do Not?

The countries shown above represent most of the economically powerful continents of the world. Each of these groups have investing cultures that are at least 2,000 years old and multiple generations of experience in changing governments and economic policies. Since the global financial crisis of 2009, each of these more experienced investment cultures has invested on average from over seven times to more than 30 times more physical Gold than the investor population of the United States, when compared on the basis of the economic size of each country and the physical Gold investment in 2010, 2011 and 2012. Table 1 below shows the actual data, by country, for the tonnes of physical Gold per trillion dollars of GDP.

Table 1. Tonnes of Physical Gold Purchased Per Trillion Dollars in Country GDP

Year	India	China	Germany	Switzerland	Turkey	USA
2010	126	30	38	175	55	7
2011	196	35	44	176	104	5
2012	171	32	32	142	62	3
Average	164	33	38	165	74	5
Index	3098	617	722	3109	1389	100

Perhaps the most surprising realization from Chart 4 and the related Table 1 is that all of these investing cultures of the world purchase more physical Gold as it relates to their respective overall economy than Americans. Each of these investing cultures has seen the rise and fall of governments, inflation and currency devaluation and in some cases, even currency collapse. The individual family's investing experiences, through economic boom and bust, has imprinted on their portfolios the importance of asset allocation into physical Gold.

### Conclusion: Perhaps American Investors Should Evaluate Gold

In 2009, the world experienced the most difficult economic period since the Great Depression of the 1930s. The "Great Recession" of 2009 is still reverberating around the world with central banks adopting "loose" money supplies to lower interest rates and provide excess currency to ease the current economic pain at the risk of later inflation.

While battling the Great Recession, these same central banks, perhaps the top financial authorities in their respective countries, have changed direction with respect to Gold. From a position as seller in 2009 to a position as buyer starting in 2010, central banks have increased their Gold holdings by more than 500 tonnes.

Individuals in world investing cultures have responded to the latest Great Recession by increasing their ownership of physical Gold and other hard assets. With the experience and history of these family investments over thousands of years of economic ups and downs, these families have chosen to continue and expand their asset allocation into physical Gold.

What does this mean to Americans? Perhaps Americans should examine the behavior of these global financial professionals in the central banks and evaluate the strategy of individuals in world investing cultures. Perhaps now is the time to protect family wealth with an allocation of the portfolio to physical Gold. **AHA**

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