

Winnifrith: Gold could hit \$1,800 within weeks

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The price of gold could hit \$1,800 within weeks, according to the top-performing tips Smaller Companies Gold fund manager Tom Winnifrith.

The manager spoke as gold has hit a record high of \$1,673 this morning - a new all-time record high - amid a further bout of risk aversion.

The manager also predicted that the gold price could reach \$2100 by Easter 2012, having a positive impact on UK small- and mid-cap stocks. He expects them to increase by 25 per cent by the end of the week.

He said: "The sell off in gold stocks since Christmas has seen valuations fall by 20-40 per cent. That sell-off was unwarranted. Many gold mid caps now trade on sub two times cashflows and as gold surges panic buying will now see a sharp re-rating which should happen within days."

South Korea has just bought its first gold in years (27 tonnes) and across Asia, central banks are aggressively adding to gold and selling dollars and euros.

He added: "With Italy and Spain on the verge of joining Greece, Portugal and Ireland in the bailout club, the German taxpayer may well face a bill of up to €1trn (£874.8bn) to keep the currency afloat – whatever Angela Merkel says the volk on the strasse will say nein – the bailout is a disaster for Germany and the euro is bazookered.

"Meanwhile if credit ratings agency S&P wants to retain any credibility it will downgrade US debt from AAA within days. The US economy is floored, another bout of quantitative easing is inevitable and with GDP/debt ratios set to hit Greek levels within two years the dollar is a one way bet. Down."