If Gold's not at $1,500 and $2,000 in the next 18 months, I'm dead wrong - Embry

Gold's soggy summer days are coming to an end and the price is likely to begin a parabolic move upwards, says Sprott Asset Management's chief investment strategist, John Embry

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Historically, summer isn't usually that kind to gold but, as the middle of August approaches, so the yellow metal tends to rise.

But, this year, according to Sprott Asset Management's chief investment strategist, John Embry, the rise is likely to be much stronger than usual.

Speaking on Mineweb.com's Gold Weekly podcast, "I would expect the last few months of the year to be quite robust which in a seasonal sense is often the case, but this time I think it's going to be more robust than usual... If it's not between $1,500 and $2,000 in the next 18 months, I'm dead wrong."

Such a forecast is in juxtaposition to those who are beginning again to see slow signs of recovery and suggest that this could well lead to a drop off in the investment demand for the yellow metal that has helped to push up the price.

However, Embry believes such arguments do not wash.

"If you can show me how we were going to have a sustainable economic recovery in the western world, then I would accept that line of reasoning, but as far as I'm concerned (and I'm a great supporter of the Austrian School of Economics which deals in credit cycles) our chances of having a sustainable economic recovery in the western world in the next few years is almost zero...The only way you're going to have any kind of recovery continuing is if they start throwing so much money at this, it's going to make your head spin. That couldn't be more bullish for gold.

He adds, "We're reflecting perhaps most importantly on an announcement late last week by James Bullard, one of the Federal Reserve governors - he is the president of the St Louis Federal Reserve - he came out and as much as said that the US was lapsing into a Japanese style deflation and that probably another bout of quantitative easing was necessary

"I don't think it was coincidental that the gold price was smashed in the month before he made that comment for the simple reason that had it not been, gold would probably be approaching $1,500 - that's the reality and people just don't want to go there."

Added to the dismal economic outlook, Embry says is the reaction to dips in the price of gold by the Eastern world.

"The Achilles heel of the whole paper gold charade is that physical gold demand, even through this last $100 US smash in the price, remains robust by all basic things that I've been looking at, particularly in the east. The Chinese were just out today [Tuesday] again with more suggestion that the public buy more and what have you, and basically physical gold is moving from the west to the east and when that process is largely finished, then the price is going to go nuts because gold always goes where wealth is being created and it's most assuredly being created in the eastern world."

STOCKS OR METAL?

Despite the strong forecasts for the metal itself, Embry adds that at the moment he is beginning to see an inflection point.

“If I am correct in suggesting that the gold price is going to stage a breakaway move here some time in the next three to six months, then probably you’re going to get more leverage out of the stocks because they have lagged so badly in the most recent 12 months, that you’re probably going to see some massive catch-up because there’s going to be too many dollars chasing too little good product.

“I’m actually quite bullish on the producers right now, but again, the key advice for any person looking at this sector, is make sure you know what you’re buying in terms of that the company has the real goods, because you know as well as I there’s a lot of very bad promotional kind of companies out there that don’t have what they purport to have.