

GOLD MARKET UPDATE

24 November 2008

Gold had a significant break on Friday 21 November. It broke out of a trading range to a closing high of \$ 800.

But more importantly Gold made new weekly closing highs in many currencies including the Pound and the Swedish Kroner and the Euro.

Whilst the world's stockmarkets in 2008 have lost between 40% and 70%, gold has gained against all major currencies except against the dollar.

The table below summarises Gold's performance in four currencies. Since the lows in the second half of 1999 Gold has gained between 169% and 242% in these five currencies or 18% to 26% annualised.

YEAR	Gold in Euros	Gold in Pounds	Gold in Swedish Kr.	Gold in Swiss Fr.	Gold in US \$
1999-2008	+ 166%	+ 242%	+ 224%	+163%	+ 216%
2005-2008	+ 101%	+ 140%	+ 136%	+104%	+ 82%
2007-2008	+ 34%	+ 65%	+ 54%	+29%	+ 26%
2008	+ 13%	+ 28%	+ 24%	+5%	-4%
Annualised Return 1999-2008	18%	26%	24%	18%	23%

Gold has also outperformed all major stockmarkets in the last 9-10 years.

The Dow Jones has declined 77% against Gold since 1999 with similar percentages against most European stockmarkets.

This outperformance in gold is likely to accelerate in the next few years with **the target of another 95% fall in the Dow/Gold ratio**. (See chart below). **Consequently Gold will vastly outperform the stockmarket in the next few years.**

Thus both in absolute and relative terms Gold has had an outstanding performance in this century. But more importantly Gold is now likely to start its next move up to new highs after a correction that has lasted since February 2008.

The Gold rise in the second half of 2008 has been temporarily held back for the following reasons:

- US dollar strength which has been technical due to liquidation of assets mainly in emerging markets by US investors. **This trend is likely to reverse in 2009 with the dollar weakening considerably.**
- Hedge funds and other foreign investors selling gold with all other commodities to realise cash.
- Probable intervention by the US government in order to alleviate fear of a systemic collapse. A high Gold price is a sign of financial instability.

There has been unprecedented demand for physical gold in the last few months. It is virtually impossible to get hold of gold coins or gold in smaller denominations in most countries. One kilo bars (\$27,000) as well as twelve kilo bars (\$325,000) are still possible to find. Thus whilst the gold price has been going down there has been record demand for physical Gold. This is a sign of intervention in the futures market (primarily Comex in New York). This anomaly is likely to change soon. **When buyers of Gold futures on Comex demand delivery there will be an explosion in the Gold price since Comex does not have anywhere near sufficient stock to satisfy outstanding contracts.** A Comex default is not impossible.

STOCKMARKETS

The long term trend of all stockmarkets is down. Although we have seen major falls of 40-70% of all major markets there is still a very long way to go on the downside. This will take several years and be in connection with a devastating decline in the world economy. But markets don't move in a straight line and we will probably see a major correction up starting soon and lasting a few months. It could be similar to 1930 when the Dow after having lost 50% gained 50% before losing a total of 90% from the 1929 top to the 1932 bottom.

WEALTH PRESERVATION

Banks are still under tremendous pressure and the US dollar 8 trillion liquidity injections by world central banks have not reduced the threat of a systemic risk.

At best the risk has been deferred by a few weeks or months. In the last two years 306 US lending institutions have imploded with three rescued last week. The financial system is collapsing at an accelerating rate. Citigroup, one of the world's largest banks, has lost 87% in value this year and 57% last week. It might not survive for long in its present form. **(Sunday night a rescue package of \$20 billion new capital and \$300 billion of loans for toxic assets was required to save Citi from bankruptcy. But this will not be enough!)**

The table above (and the graphs below) show that gold has been one of the best and safest investments since 1999. In times of uncertainty gold represents real money and the only money that does not have a liability attached to it. Also, Gold can't be printed. This is why Gold is appreciating against all currencies.

In our opinion the real move in gold has not started yet. The problems outlined in our last report "*Fortune or Miseries*" will push Gold substantially higher in the next few months and years.

Gold should not be bought in paper form (such as Exchange Traded Funds, Futures or in a bank as unallocated gold).

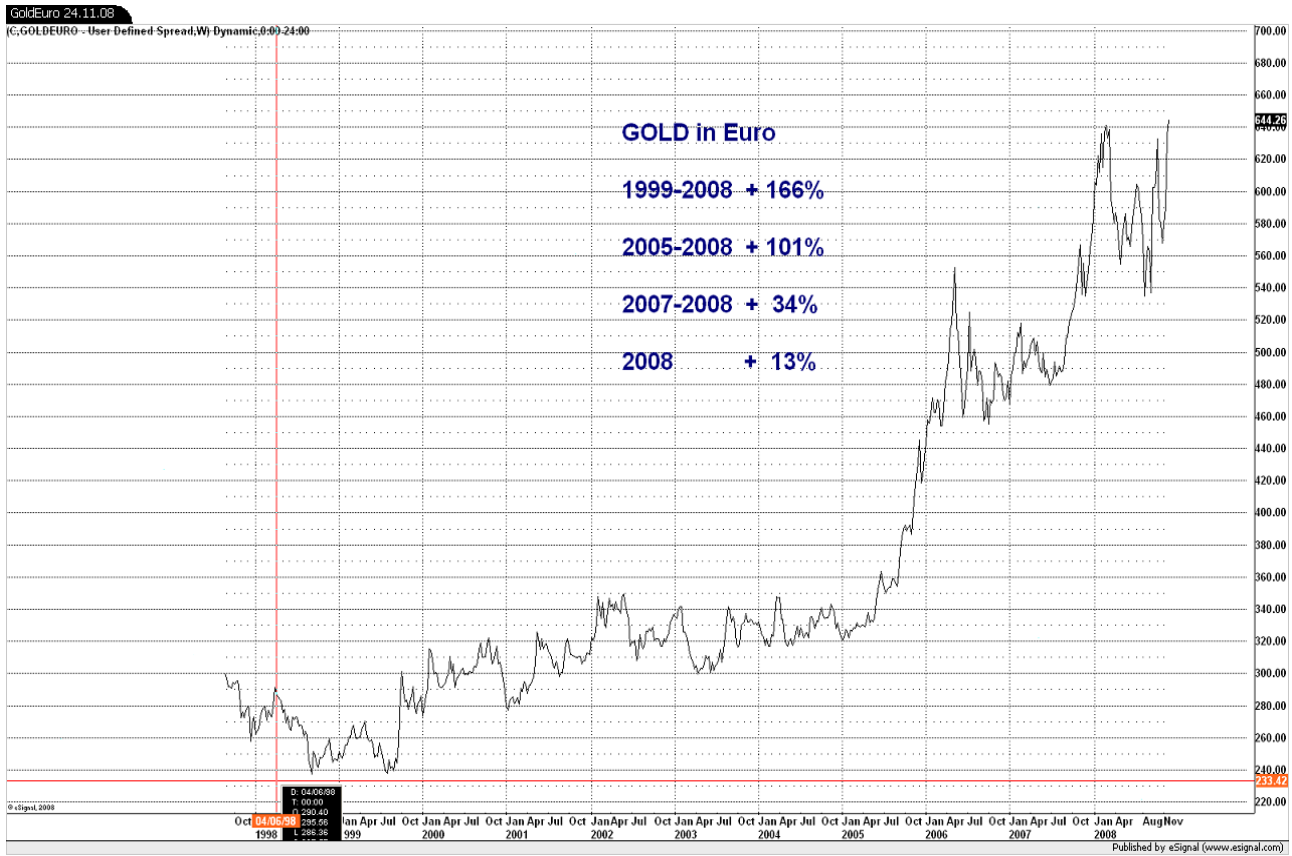
The Only true form of wealth preservation is to acquire physical Gold, to own it in one's own name and to store it outside the banking system preferably outside the country of residence.

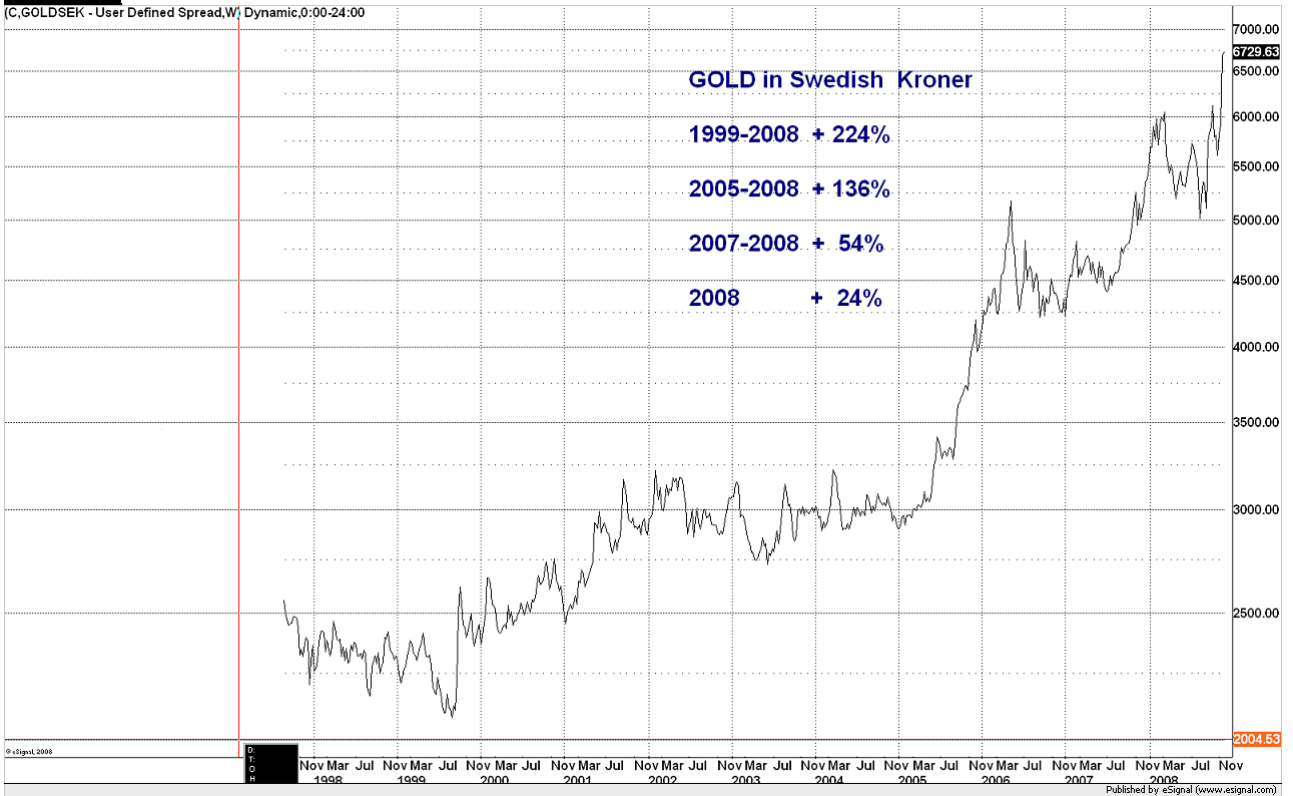
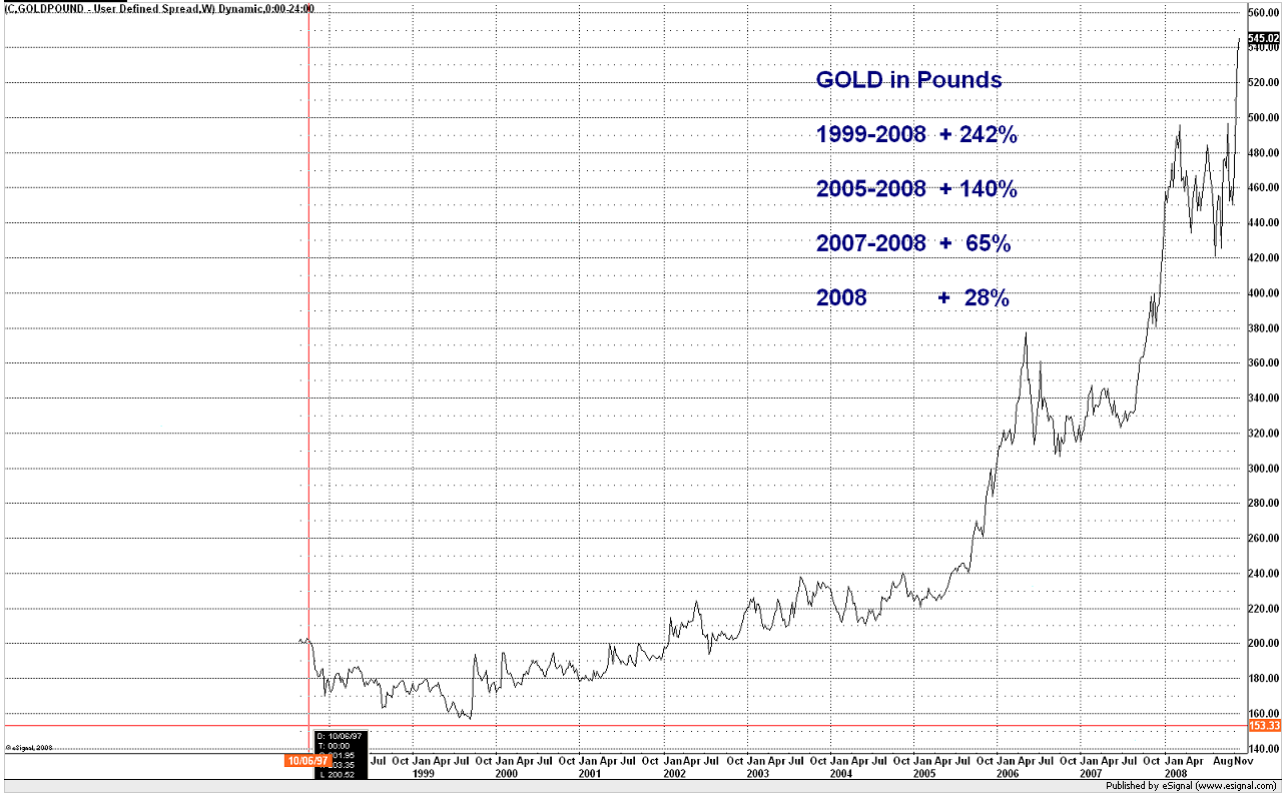
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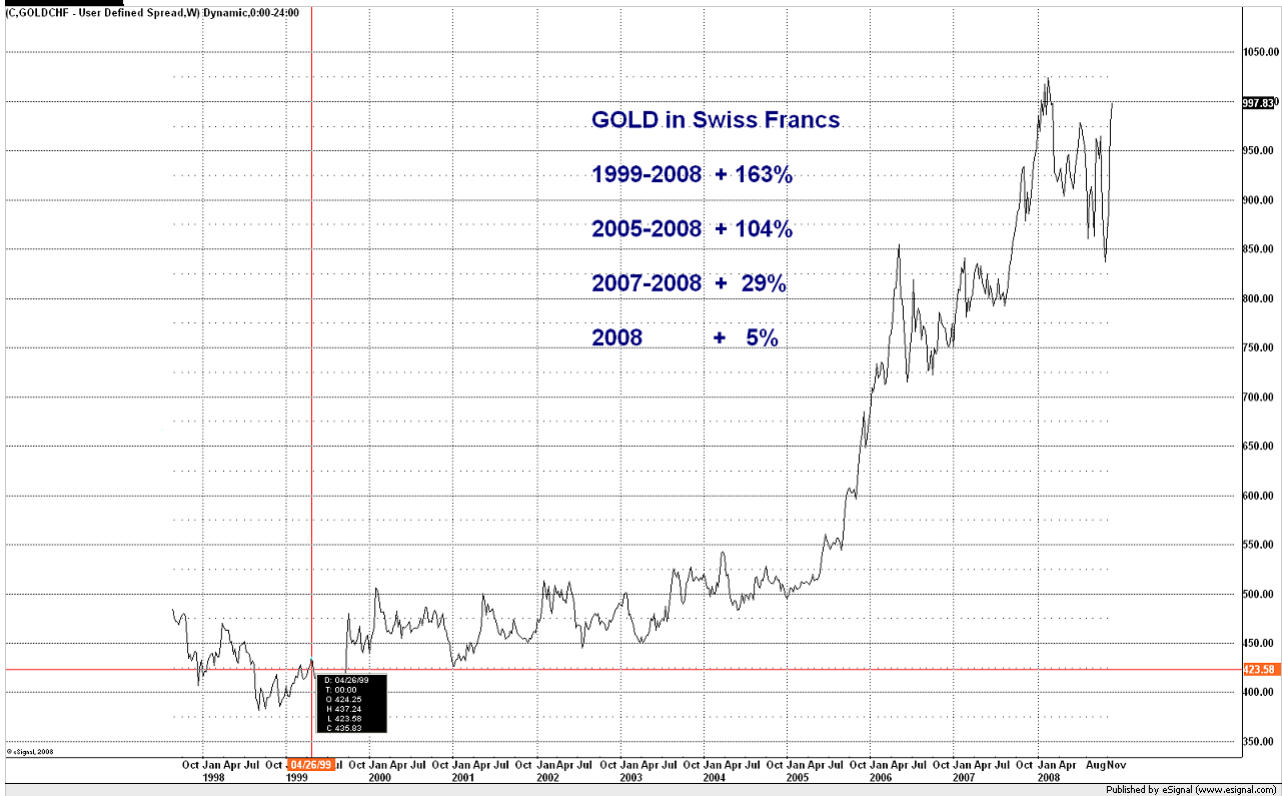
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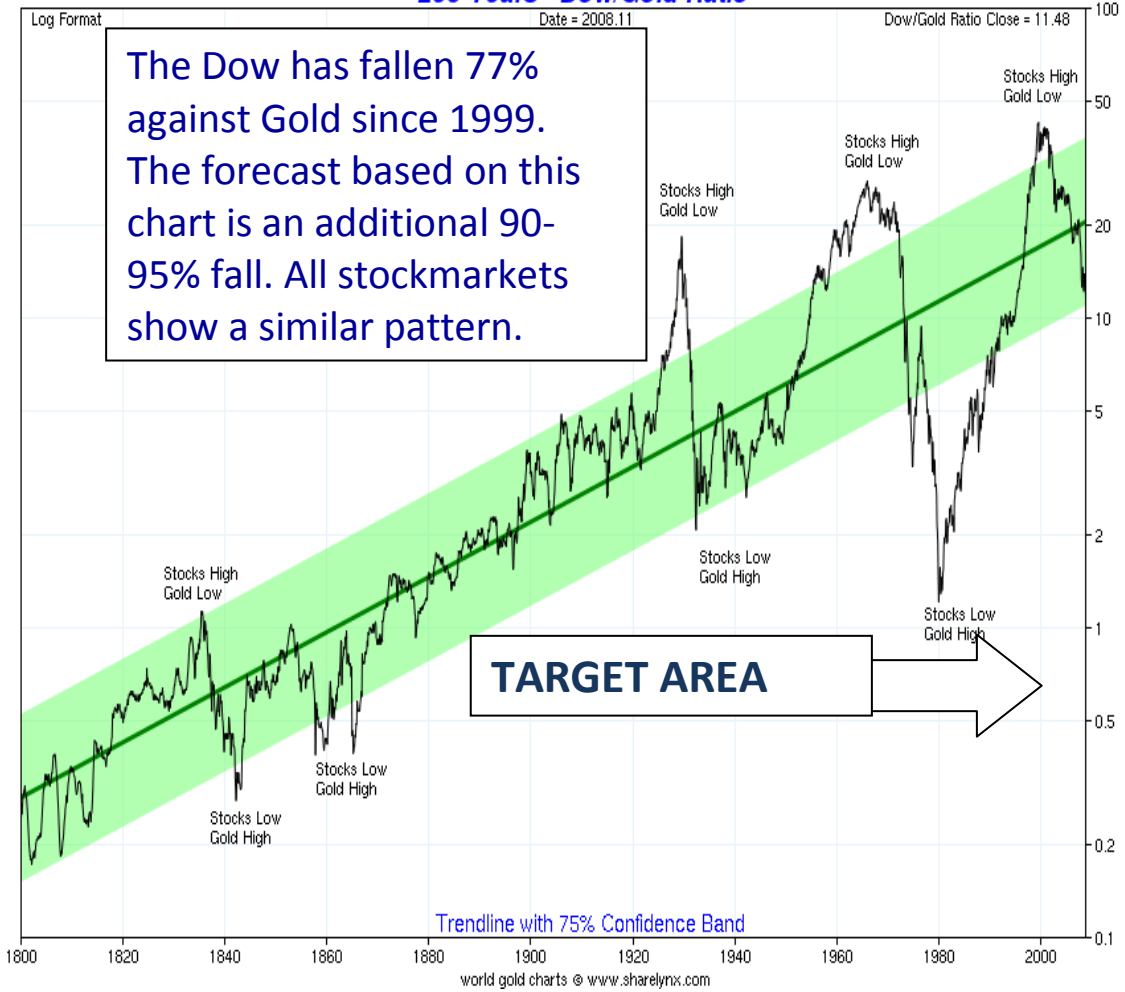
Below are charts of Gold in Euro, Pound, Swedish Kr and Swiss Franc. Also included is a chart of the Dow Jones against Gold.







200 Years - Dow/Gold Ratio



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