WHAT THE REST OF THE WORLD KNOWS ABOUT GOLD

THAT THE UNITED STATES MAY NOT

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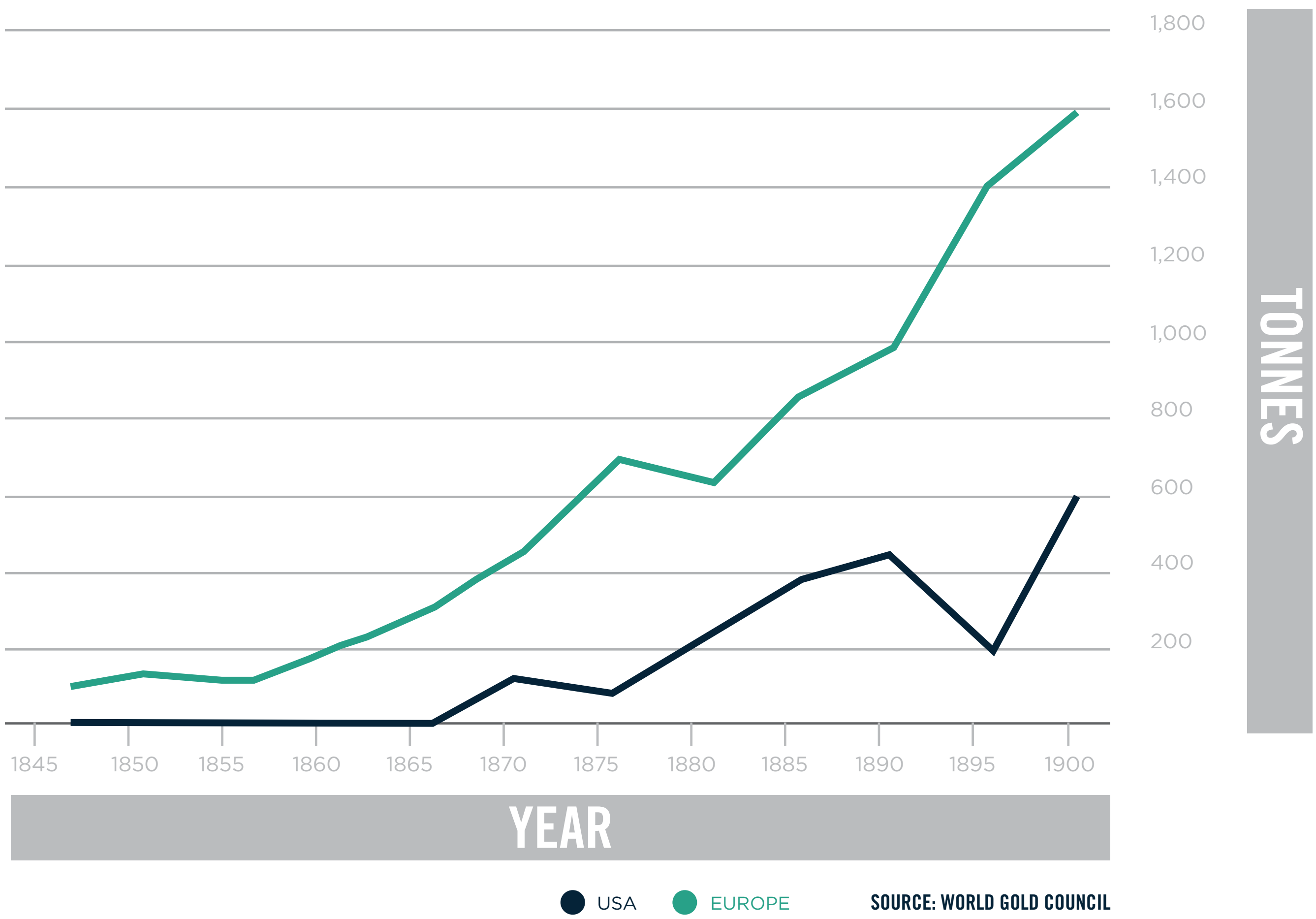
The United States of America is a young country when compared to the rest of the world, as we celebrated our 238th birthday July 4, 2014. The American Indians notwithstanding, the United States was further populated primarily by European settlers. From a financial perspective, those European settlers came from economies that valued Gold as a principle element of their currency. Despite this predisposition for Gold ownership, the U.S. Central Bank greatly lagged behind European banks in Gold ownership for more than 100 years.

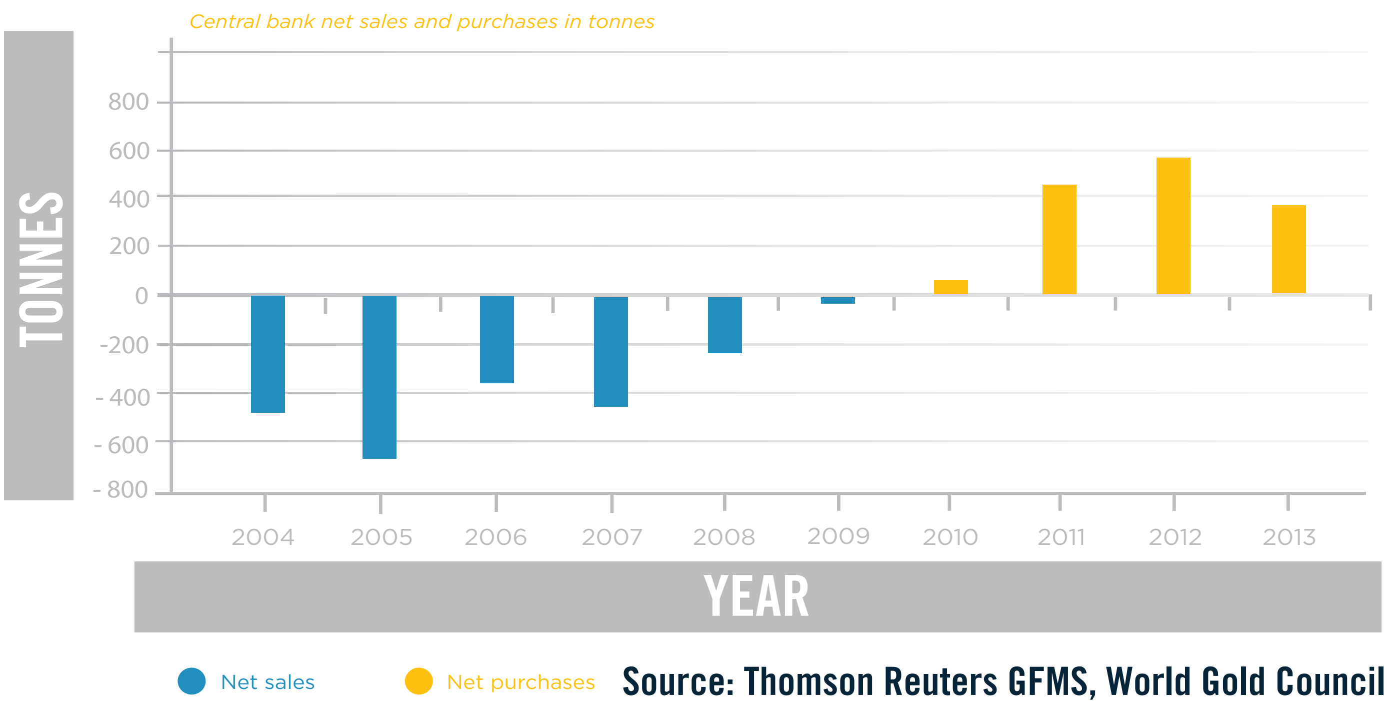
Chart 1 shows the comparison of central bank holdings of Gold from 1845 through 1900. By the end of the century European treasury authorities had combined holdings of approximately 1,581 tonnes of Gold, or about 162 percent more than the treasury holdings of the United States. With the Bretton Woods Conference of July 1944, the U.S. dollar became the world's reserve currency and the U.S. became the protector of the world's Gold standard. It is worth noting that the U.S. dollar became the world reserve currency not because of the U.S. military power, but because the U.S. owned enough physical Gold to back the paper money system (back when paper currencies had to be backed by actual Gold).

Chart 1.

Central Bank Holdings of Gold, Europe and USA, 1845 – 1900.



Today, central banks around the world are still accumulating Gold to provide safety and security for their respective country. For more than two decades, central banks were net sellers of Gold, but during the third quarter of 2009, central banks became net buyers of Gold and have remained such through second quarter 2014. It is important to note this change came at the same time central banks began printing money to accommodate easy money policies.



Source: Thomson Reuters GFMS, World Gold Council

- Central banks bought a healthy 369t in 2013, well in line with the World Gold Council forecast range.
- The sector has been a source of net demand for four consecutive years and this is expected to continue into 2014.

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. Those families have seen many changes, in both government and economics, and knowledge of how to manage 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 governments and economic policies in the last 2,000 years, the German people have their own culture for managing their personal financial affairs.

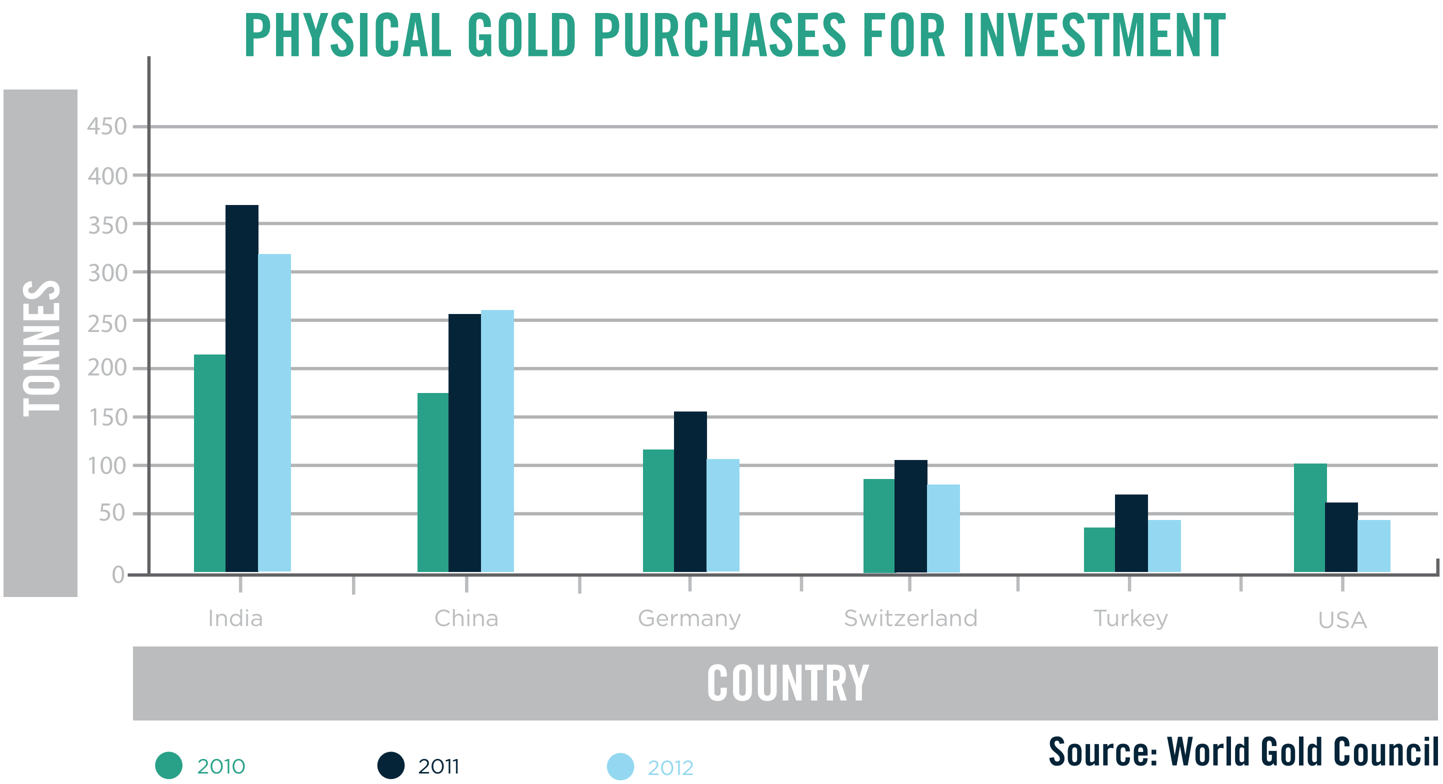
Although the country of India has seen many different forms of government and economies during its history since 400 B.C., the financial affairs of the individual family have been influenced by the constant change in governments and economic boom-and-bust.

China has seen perhaps more than most other cultures, with history dating back to the Shang Dynasty of 1700 B.C. After centuries of economic and political turmoil, the Chinese family has a unique 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. Like other cultures, the Turks have seen and passed on to each generation a family view of personal financial affairs.

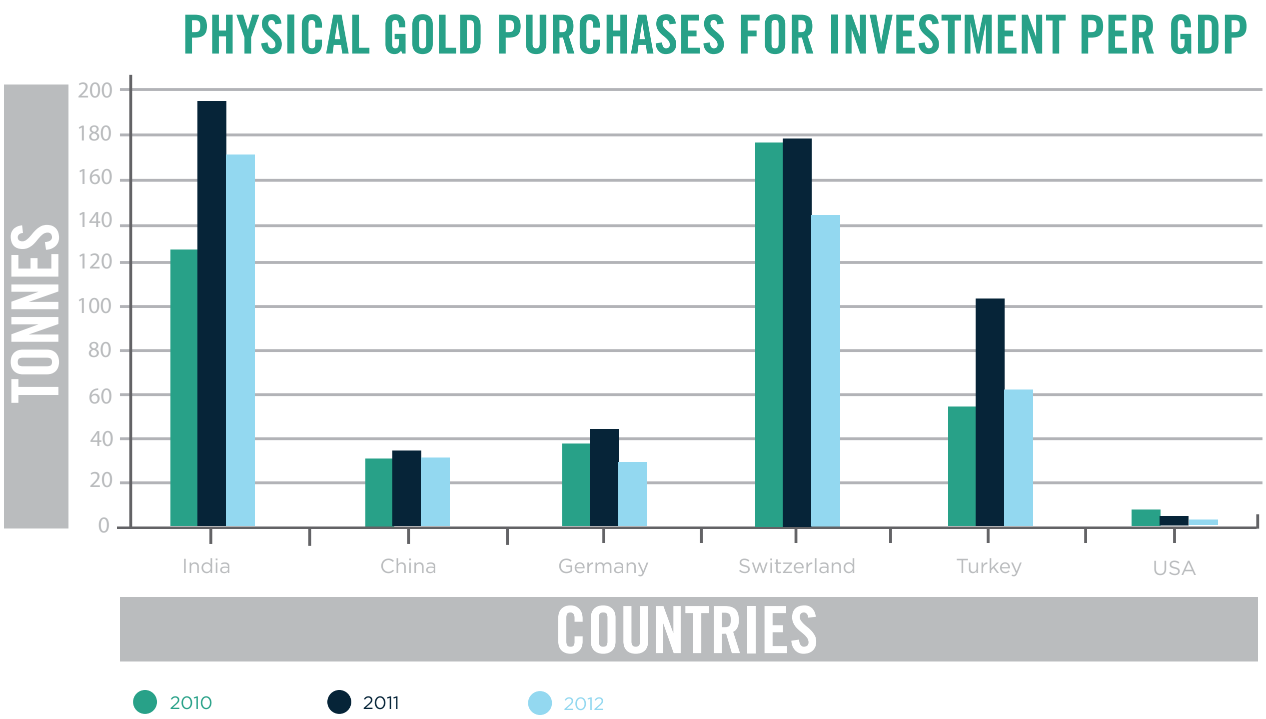
As you can see from Chart 3 below, all of these countries representing major cultures of the world have purchased physical Gold in bar and coin form for investment from 2010 to 2012. On average, investors in the United States purchase about as much physical Gold as do investors in Switzerland and Turkey. It should be noted that China and India together represent more than 50 percent of the world Gold demand.

Chart 3. *Physical Gold Purchased For Investment, 2010-2012, by select country.*



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, which demonstrates the relationship of the physical Gold investment to the size of the respective economies. Accordingly, every one of these countries purchases more than six times the physical Gold purchased in the United States.

Chart 4. Physical Gold Purchased Per GDP, 2010-2012, by select country.



Source: World Gold Council, International Monetary Fund, World Bank

What Does the World Know That Americans Do Not?

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

Perhaps the most surprising realization from Chart 4 and the related Table 1 is that all of these investing cultures 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, currency devaluation, and in some cases even currency collapse. The individual family investing knowledge, through economic boom and bust, has imprinted on these family portfolios the importance of asset allocation into physical Gold.

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	**3,098**	**617**	**722**	**3,189**	**1,89**	**100**

Conclusion: Perhaps American Investors Should Evaluate Gold

In 2009, the world experienced the most negative 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 supply 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 experts in their respective countries, have changed direction with respect to Gold. From a position as seller in 2009, to a position as buyer in 2010, 2011 and 2012, central banks have increased their investment in Gold by more than 500 tonnes.

Individuals in world investing cultures have responded to the Great Recession by increasing the ownership of physical Gold. 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.

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.

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Peter LaTona is the Director of Business Development for APMEX. LaTona has been with APMEX, Inc since 2009. Under his leadership, the APMEX Trading Department was transformed into the Sales Department that exists today. Previously, sales orders by telephone were discouraged. Today, the APMEX Sales Department focuses on educating our clients, providing them with updated market information, extensive product knowledge and a VIP level of concierge–like service. APMEX's highly trained Account Managers are non-commissioned salaried employees, who are here to help customers make informed decisions. LaTona was also instrumental in the creation and growth of the APMEX Precious Metals IRA business. In his current role, LaTona is responsible for relationships with financial advisors and family offices, as well as developing new sales channels.

Prior to joining APMEX Inc, LaTona enjoyed a 27 year sales management career with AT&T. His career began in Miami, Florida and culminated in Oklahoma City as Director of Sales Development. Upon his retirement from AT&T in 2006, LaTona created a sales consulting business and APMEX, Inc became one of his first clients.

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