

JIM RICKARDS'  
STRATEGIC INTELLIGENCE

# THE PERFECT PHYSICAL GOLD PORTFOLIO

Everything You Need to Know  
About Buying the Right Kind of  
Physical Gold

# **The Perfect Physical Gold Portfolio**

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**Jim Rickards**

Is gold a commodity, an investment, or money?

The answer is all three.

Gold is a chameleon. It changes in response to the environment.

At times, gold behaves like a commodity. The gold price tracks the ups and downs of commodity indexes. At other times, gold is viewed as a safe haven investment. It competes with stocks and bonds for investor attention.

And on occasion, gold assumes its role as the most stable long-term form of money the world has ever known.

A real chameleon changes color based on the background on which it rests. When sitting on a dark green leaf, the chameleon appears dark green to hide from predators. When the chameleon hops from the leaf to a tree trunk, it will change from green to brown to maintain its defenses.

Gold also changes its nature depending on the background.

Right now, gold is behaving more like money than a commodity or an investment. It is competing with central bank fiat money for asset allocations by global investors.

That's a big deal because it shows that citizens around the world are starting to lose confidence in other forms of money such as dollars, yuan, yen, euros and sterling. You know that with recent reports that central banks are increasing their purchases of physical gold by a large quantity.

What indications do we see that gold is now behaving like money? One gets so caught up in day-to-day volatility (and the infamous spikes and smashes) that it's easy to lose sight of the forest for the trees. In fact, the larger trend without the noise is steadily upward.

At today's price at around \$1,900 per ounce, gold is up 85% from its late 2015 levels. And gold is up 65% since September 2018. Those are not world-beating gains, but they're solid returns in a world of stock market crashes (2018, 2020), the strongest dollar since 2000 (and before that, 1985), and recently rising interest rates.

The other encouraging trend is that the simple moving average (SMA) has been rising steadily since January 2018. (SMAs are a lagging indicator because of the weight given to older information. It bottomed two years after the spot price of gold).

The fact that the gold SMA is still rising shows that the recent trading range of \$1,750 to \$2,000 per ounce is beginning to dominate the prior range of \$1,250 to \$1,500 per ounce from 2017 to 2019, another period of rising interest rates.

The third element that emerges is that gold has been range-bound for two years. After the rally from late 2018 to late 2020, gold has traded in a broad range with a floor of about \$1,750.

The following conclusions seem reasonable:

1. If the long-term trend is higher, and the recent floor is \$1,750 per ounce, then the floor will hold.
2. If the long-term trend is higher, then gold will break out of its current range to the upside.
3. If gold is range-bound in the face of headwinds (slow growth, rising interest rates, strong dollar, and demand destruction), then any mitigation in the headwinds will be a catalyst for higher gold prices and a break-out above \$2,000 per ounce.

Slow growth and demand destruction may be with us for some time. But rising interest rates and the strong dollar have a shelf life. The early-2023 Fed pivot on rates may be a false narrative, but rate cuts in late 2023 are not.

The Fed will overplay its hand as usual, but when the economy is weak enough, they will eventually have to fold their cards and cut rates.

When the Fed does cut rates, the dollar will weaken in lockstep. The combination of lower rates and a weaker dollar will be the green light for gold's break out from the trading range. That makes today's price level a good buying opportunity.

Right now, as investors around the world are losing confidence in a long list of emerging-market currencies, investor preferences are shifting toward dollars and gold. This accounts for gold's outperformance of the rest of the commodity complex when measured in dollars.

And when the price of gold is measured not in dollars but in rubles, yuan or rials, the percentage price increase in gold is even more impressive, because those currencies have all declined lately against the dollar.

When you understand that gold is money and competes with other forms of money in a jumble of cross-rates with no anchor, you'll understand why the whole monetary system is going wobbly.

It's important to take off your dollar blinders to see that the dollar is just one form of money. It's not necessarily the best for all investors in all circumstances, but gold is a strong competitor in the horse race among various forms of money.

This is great news for those with price exposure to gold. The price of gold in many currencies is going up as confidence in those other currencies goes down. As a currency gets weaker, it takes more of it to buy the same amount of gold.

Confidence in currencies is dropping because investors are losing confidence in the central banks that print them. For the first time since 2008, it looks like central banks are losing control of the global financial system.

Lost confidence in fiat money starts slowly and then builds rapidly to a crescendo. The end result is panic buying of gold and a price super spike. Why? Because gold doesn't have a central bank and doesn't have the associated risks.

In addition, gold always inspires confidence, because it is scarce, tested by time and has no credit risk. That's why investors flock to gold during times of uncertainty.

We saw this behavior in the late 1970s. Gold moved from \$35 per ounce in August 1971 to \$800 per ounce in January 1980. *That's a 2,200% gain in less than nine years.* Right now, we see global uncertainty coming from every angle. This means we may be looking at the early stages of a super spike that could take gold to \$10,000 per ounce or higher. When that happens, there will be one important difference between the new super spike and what happened in 1980: **You won't be able to buy gold this time.**

Back then, you could buy gold at \$100, \$200 or \$500 per ounce and enjoy the ride. In the new super spike, you may not be able to get any gold at all. You'll be watching the price go up on TV but unable to buy any for yourself. Gold will be in such short supply that only the central banks, giant hedge funds and billionaires will be able to get their hands on any. The mint and your local dealer will be sold out. That physical scarcity will make the price super spike even more extreme than in 1980.

The time to buy gold is now, before the price spikes and supplies dry up. I recommend a 10% allocation of investible assets to physical gold and other precious metals for your permanent portfolio.

## The Case For Silver

Another metal I think you should own is silver. Silver has many industrial applications. It's also a true commodity and a form of money, like gold.

The price of silver may rise or fall based on industrial utilization and the business cycle, independent of monetary factors such as inflation, deflation and interest rates. Nevertheless, silver is a form of money (along with gold and dollars) and always has been.

My expectation is that as savers and investors lose confidence in central bank money, they will increasingly turn to physical money (gold and silver). I call silver the once and future money, because silver's role as money in the future is simply a return to silver's historical role as money.

I believe that you should own both gold and silver. And the best way to invest in physical gold and silver is through coins and bullion bars.

## Jim Rickards' Recommended Precious Metals Portfolio

*The following recommendations are subject to these overall conditions:*

1. You should put approximately 10% of investible assets in precious metals. The reason I've chosen 10% is that this allocation is sufficient to preserve wealth in scenarios of hyperinflation and market panic. However, in the event of extreme deflation and declining asset prices, a 10% allocation will not cause major nominal dollar losses.
2. The definition of investable assets in the case of an individual excludes home equity and business equity. For example, if your net worth is \$1 million and consists of \$300,000 of home equity and \$200,000 of business equity, then your investible assets are \$500,000. In that case, your allocation to precious metals should be approximately \$50,000.
3. Only you can decide if gold is not the best investment for you at this time. These allocations are based on my research and should not be considered personalized investment advice. If you are unsure about any of these recommendations, you should discuss your individual circumstance with your financial adviser.



## Descriptions of Recommended Precious Metals Investments



**American Gold Eagle:** A gold bullion coin from the U.S. Mint. It contains one ounce of pure gold and some additional alloy for a total weight of 1.09 ounces. These coins are 22-karat gold (92% purity).



**American Gold Buffalo:** A gold bullion coin from the U.S. Mint. It contains one ounce of pure gold, 99.99% purity, and weighs one ounce. These coins are 24-karat gold.



**Gold bullion:** The best way to hold gold bullion other than bullion coins is a one-kilo gold bar of 99.99% purity from a reputable refiner or mint such as PAMP, the Perth Mint or Argor-Heraeus. Each one-kilo bar weighs 32.15 ounces.



**American Silver Eagle:** A silver bullion coin from the U.S. Mint. It contains one ounce of fine silver, 99.99% purity, and weighs one ounce.

If you're not starting with a large amount of investable assets, I recommend buying Silver Eagles separately. But if you have a larger amount to start with, I suggest you buy the Silver Eagles as part of a Monster Box.



**Monster Box:** A Monster Box is a sealed case, delivered directly from the U.S. Mint, containing 500 one-ounce American Silver Eagle coins of 99.99% purity. The coins are packed in plastic sleeves of 20 coins each, and each sleeve is individually sealed. There are 25 sleeves in each Monster Box. If you acquire a Monster Box, I recommend that you do not break open the exterior Mint seals unless you need to use the silver as currency.

Keep in mind that since the number of coins in a Monster Box is fixed and to avoid odd-lot purchases of Silver Eagles the recommended allocations below are not exactly 10% in all cases.

**Note:** The choice between American Gold Eagles and American Buffalos for gold coins amounts to a personal preference. The amount of gold is the same in both cases. My personal preference is for American Gold Eagles because of their durability. American Buffalos are relatively soft and will accumulate excessive wear if they need to be used as a circulating currency. The American Gold Eagle composition was based on the British Sovereign gold coin, which was a circulating currency and money good on five continents from the end of the Napoleonic Wars to the First World War.

## Recommended Precious Metals Holdings

All recommendations are based on a gold price of \$1,900 per ounce, a silver price of \$23 per ounce and modest commissions. *These recommendations must be adjusted for material price changes* in gold or silver bullion. Also, in the event that gold prices gap upward in a super-spike pattern, that will indicate collapsing confidence in central bank money, in which case the 10% allocation may need to be adjusted higher. (Stick with Strategic Intelligence for our latest thoughts on these allocations.)

If you wish to follow these recommendations, simply find your amount of investable assets in the following list, then buy the listed amounts of bars, coins and Monster Boxes.



# The Rickards Recommended Precious Metals Portfolio™



x10

x300

x10

## Investable Assets of \$10 million:

- 10 gold bullion bars
- 300 American Gold Eagles
- 10 Monster Boxes



x2

x300

x5

## Investable Assets of \$5 million:

- 2 gold bullion bars
- 300 American Gold Eagles
- 5 Monster Boxes



x1

x300

x5

## Investable Assets of \$4.5 million:

- 1 gold bullion bar
- 300 American Gold Eagles
- 5 Monster Boxes



x1

x250

x4

## Investable Assets of \$4 million:

- 1 gold bullion bar
- 250 American Gold Eagles
- 4 Monster Boxes



x1

x200

x3

## Investable Assets of \$3.5 million:

- 1 gold bullion bar
- 200 American Gold Eagles
- 3 Monster Boxes



x1

x175

x3

## Investable Assets of \$3 million:

- 1 gold bullion bar
- 175 American Gold Eagles
- 3 Monster Boxes



x1

x150

x2

## Investable Assets of \$2.5 million:

- 1 gold bullion bar
- 150 American Gold Eagles
- 2 Monster Boxes



x1

x100

x2

## Investable Assets of \$2 million:

- 1 gold bullion bar
- 100 American Gold Eagles
- 2 Monster Boxes



### Investable Assets of \$1.5 million:

- 1 gold bullion bar
- 75 American Gold Eagles
- 2 Monster Boxes



### Investable Assets of \$1 million:

- 1 gold bullion bar
- 50 American Gold Eagles
- 1 Monster Box



### Investable Assets of \$500,000:

- 35 American Gold Eagles
- 1 Monster Box



### Investable Assets of \$250,000:

- 20 American Gold Eagles
- 100 American Silver Eagles



### Investable Assets of \$100,000:

- 10 American Gold Eagles
- 100 American Silver Eagles



### Investable Assets of \$10,000:

- 1 American Gold Eagles

This Perfect Gold Portfolio and our friends at Birch Gold Group are the starting point to help you understand how to allocate your wealth and protect it as the monetary system weakens.

To grow your wealth, keep reading our groundbreaking analysis and recommendations in *Jim Rickards Strategic Intelligence*.

All the best,

Jim Rickards  
Editor, *Jim Rickards' Strategic Intelligence*



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