

[A Sobering Look at Gold Investing](#)

By [The Mogambo Guru](#)

05/13/09 Tampa Bay, Florida I looked around the barroom and said, “The gold exchange on the Comex is a den of lying, thieving, corrupt bastards who are in cahoots with the lying, thieving, corrupt banks and the lying, thieving, corrupt government!”

Instead of the expected rousing response of, “You’re right, Mighty, Mighty Mogambo (MMM)! This is an outrage!” all I got was a few, “Shut the hell up!” replies and one wag saying, “Tell us something we don’t already know! Hahaha!”

Undaunted, I continued on with an appeal to their greedy natures by saying, “Well, GoldForecaster.com reported the interesting news that ‘With a hefty increase in long positions of nearly 28 tonnes and the trimming of some short positions, COMEX turned around again and went long last week.’ This means that although the gold exchange is full of lying, thieving, corrupt bastards, they are not stupid! They are buying gold! These are the insiders! And they’re buying! Gold is going up! They know it! I know it! Now you know it!”

There was a sickly silence in the room until the bartender came over and bent down low and said, “Why don’t you go someplace else with your Stupid Mogambo Crap (SMC), because we are all really sick of hearing you run your loud mouth.”

So I look him in the eye with every ounce of sincerity I can muster, and I say, “But this is a chance to make some money! Your retirement and investment accounts are down by almost half, and the valuations of stocks are too high by more than half! Hell, the price-to-earnings ratio for the Dow Jones Industrial Index is now a hefty 43.1! It should be, historically, less than 20!”

My voice rising, my eyes started to bug out in hysteria, and I said to him “And as bad as that is, it is better than the Dow Transportation Index which has a P/E ratio of 54.40, which in turn is better than the S&P 500 Index, which sports a staggering P/E of 62.45, thanks to a piddly \$11.88 of earnings!”

I can see his eyes actually glazing over in confusion and disinterest, and so I again turn to my bar companions and shout, “Hell, the dividends of the S&P500 are \$22.86, meaning that the corporations in the index are paying out 50% more than they make! How long do you think stock prices will go up, you morons, when they are giving away the store? And yet with a guaranteed fall in the stock market, insiders buying gold, and central banks around the freaking world suddenly creating money by the ton and buying gold, you don’t buy gold? You’re all morons! Morons!”

Almost as if planned, the bartender and most of the patrons get simultaneously to their feet and start coming at me, shouting, “That’s it! You’re outta here!”

Instantly, I size up the situation and see that I need an Uzi! Unfortunately, a single .45 automatic with seven in the clip and one in the pipe is not going to quite get the job done here!

Instead, I go to Plan B, and hold up my hand, saying, “Wait! Wait! Listen to this! Telegraph.co.uk says that European banks sold about 3,800 tonnes of gold ten years ago, getting about \$56 billion for it.

“Now they calculate that the banks made about \$12 billion by investing the money in bonds, but because today’s gold prices are so much higher, they would have \$40 billion MORE if they had just kept the gold!”

The surly crowd started looking at each other, mumbling and again stumbling towards me like zombies, probably calculating in their heads that the banks made a \$12 billion gain on \$56 billion in ten years, so they made a nice 21.4% profit, making me look like an idiot who needs some sense knocked into his head, and they were just the crew to do it.

So, thinking quickly, I distracted them by pointing to the door and shouting, “Look out! It’s the cops!” which made half of them scramble out the back door and the other half quickly go back to their tables and act like nothing happened. Hahaha! Works every time!

Taking this opportunity to get to the point that I was trying to make, I said, “This means that the people who bought the gold are up \$52 billion on a \$56 billion investment, while the people who sold the gold only made \$12 billion!”

Again, the silence and disinterest was palpable. So in a final attempt to get through to them, I ordered them to “Sober up, go out and buy gold, silver and oil, ya drunken, lowlife morons!”

They still didn’t move, except to make a few rude hand gestures and one of them spit at me.

It was only later, when I was reviewing what went wrong, that I realized my mistake; I told them to sober up first! Otherwise, they would have realized “Whee! This investing stuff is easy!”