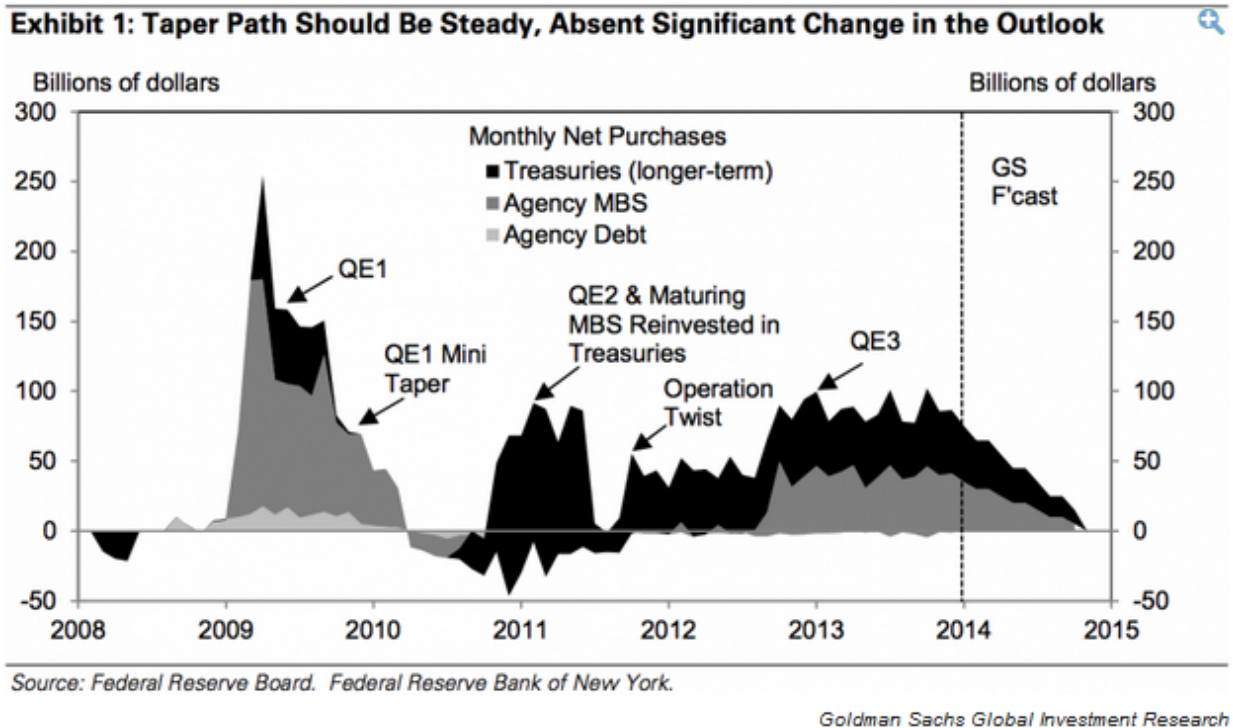


How will moderate to quick tapering by the U.S. Federal Reserve and the European Central Bank affect the prices of precious metals?

When all is said and done, the answer to the question comes down to this. How much of the current price of gold, silver, platinum, and palladium already has a good deal of tapering built in?

Here is some background to the story.

The following figure was put out by Goldman Sachs Global Investment Research based upon data provided by the New York Federal Reserve. The chart details all the various market manipulations the U.S. central bank attempted since 2008. The actions include the initial QE1 in early 2009, the second QE2 in late 2010, Operation Twist in fall of 2011, and QE3 in late 2012.



Here is what the price of gold has done over the same time frame (next page).

It is not very surprising to anyone who watches the precious metals markets closely that the two appear connected.

What is more unexpected than the connection from 2008 to 2012 is the lack of any connection starting in 2013. In 2013, tapering continued at the same broad pace, while gold was down around 28% (London PM).

What caused the decline?

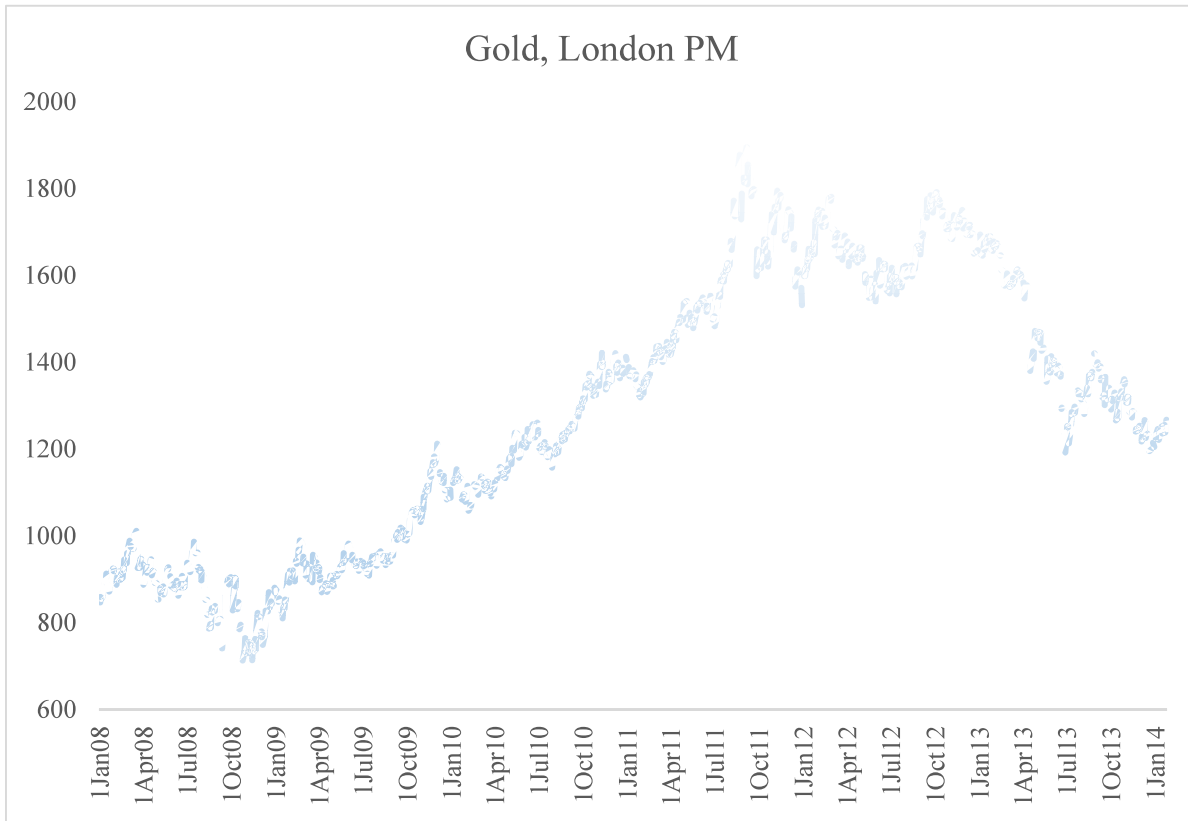
One major reason is that markets anticipated an end to quantitative easing, and thus the risk of high inflation has decreased.

With tapering already priced into the price of the precious metals markets, what could *actual* tapering do to the value of the metals?

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*Actual* tapering could push the prices up by increasing uncertainty in the financial system



Overall, tapering continues to be a hot topic of discussion among investors, economists, and financial analysts. When it comes to the effect tapering might have on the prices of precious metals, the likelihood is that tapering will boost prices of precious metals presuming most of the effect of actual tapering is already priced into the prices of gold, silver, platinum, and palladium.