



## Why Jim Rogers is Bullish on Gold

By Dan Richards

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*Jim Rogers, a native of Demopolis, Alabama, is an author, financial commentator and successful international investor. He was educated at Yale and Oxford. Along with George Soros, he co-founded the Quantum Fund, a global-investment partnership in 1973. During the next 10 years, the portfolio gained 4,200%, while the S&P rose less than 50%. Rogers then decided to retire – at age 37.*

*Dan Richards interviewed Rogers at the CFA annual investment conference in Scotland on May 11.*

*A video of this interview is available [here](#).*

**One of the topics of the day is the future of currencies generally, and the US dollar in particular. What is your US dollar position in your portfolio?**

I actually own the dollar at the moment, although I am terribly, terribly pessimistic on the dollar over any extended period of time. The reason I own it is because everybody's bearish on it including me. It has gotten pounded down. I'm a bad market-timer, but when I saw everybody pounding it down and everybody bearish I stepped in to buy. Now, if it doesn't rally, I will have to sell and take a loss, but if it rallies I will sell and take my profits. Long-term, though, the dollar is a mess.

**Are you optimistic on any currencies?**

I'm much more optimistic on the Canadian dollar, the Australian dollar, and I own the yen. The renminbi is probably the best currency buy you can make. It's not that easy, but you can buy the renminbi legally at times.

**What is your stance on gold today?**

I own gold and silver, because paper money all over the world is being debased. In a few years we will probably all have our money in physical assets, because nearly all paper money is being debased at a rapid rate by politicians who have learned how to buy votes. It is the wrong thing to do, but they don't care. They're worried about the next election.

**James Grant, who spoke earlier at this conference, advocated a return to the fixed gold standard. Do you see that on the horizon?**

I don't think that would happen, although throughout history there've been times when people have grabbed for gold. If we had a major crisis tomorrow, we would probably grab



for the euro. When the euro breaks up people may grab for gold. I own gold, but I don't think that is going to happen, not anytime soon. Now in the next thousand years I'm sure there will be times when people will grab for gold again. They have many times.

**When you talked about all the currencies that you own, one notable exception was the euro.**

I do own the euro. There are several others I own. I didn't name them. I own the Norwegian krone and several others.

The euro was pounded down summer of 2010, so I bought euros, scared to death, but I bought euros and I haven't sold them yet.

**You mentioned you're extremely optimistic on the Chinese currency, the renminbi. There has been a lot written about the manipulation of that currency. Do you see the Chinese government and other governments being able to maintain depressed levels of currency?**

All currencies are being manipulated these days, including the US dollar. The Chinese have been maintaining their currency for the last six years. And they are opening it more to other buyers. They are not doing it as fast as I would. I would do it this afternoon if I could.

**And you wouldn't be concerned about the impact on exports as a result of that?**

Some exporters would suffer, but imports, such as cotton or oil or zinc, would go down in price. So that helps the 1.3 billion Chinese. It increases their purchasing power, which we all want to happen. It helps many people.

The Japanese yen has gone up 400% over the past few decades. They still have a balance of trade surplus. If the Chinese would adapt just as the Japanese have...

**Among the things that you are noted for was founding the Rogers commodity Index in 1998. You were early in terms of forecasting the big run-up in commodities that took place over the last 10 years. What prompted that call?**

I had traveled a lot, including riding my motorcycle around the world, and I could see what was happening in Asia and other parts of the world. There was a massive move towards growth. Communism had failed. Socialism had failed. And people wanted to be prosperous.

Having been investing for many years, I could see that people had not been investing in productive capacity. They stopped building offshore drilling rigs in 1981, for example. It



doesn't take too much to figure with supply going down and demand going up, that's a bull market. Prices were very depressed. It had to be a bull market.

**The conventional view is that over the very long term, commodities have not been a great investment. Do you subscribe to that view?**

Let's say that is right. That doesn't preclude the fact that there have been great 15- and 20-year periods when commodities have gone through the roof. If you remember the 1970s, great fortunes were made in commodities while great fortunes were lost in stocks. At the turn of the 20th century, great fortunes were made in commodities and great fortunes were lost in stocks.

So even if that theory is correct, there are still great periods when you can make a fortune in commodities if you get your timing right.

**We've been through a fairly dramatic downward slide just last week (in early May) in commodities, 10-13% depending on the fund. What fueled that in your view?**

The main thing was that the Chicago Mercantile exchange raised margin requirements on a silver four or five times in a pretty draconian way. Nearly every time that has happened it caused prices to go down. It's pretty simple arithmetic. That's what happened when people started getting hit with margin calls.

In my view it is a temporary blip. We had the same kind of thing happen in 2008 and 2010. But the basic supply and demand is still out of balance, and prices are still going to go higher over the next decade.

**You don't see capacity coming on stream addressing that imbalance?**

By 2008, when we were long into a bull market, capacity should have started coming on-line. But all of the planned capacity got hit by the financial crisis and was canceled, delayed or rescheduled. So it made it even worse – or better, depending on your point of view – because a lot of capacity that could have or should have come on-stream is now not coming on or is coming on much later.

**You are speaking today about three Cs: China, commodities and currency. In 2007, you and your family moved to Singapore. At the time, you said that in 1807 someone smart moved to London, in 1907 to New York, and today to Asia. Tell me about your thinking behind that move.**

We moved to Asia, but most of the cities in China are too polluted. I wanted my children to grow up speaking Mandarin. Mandarin will be the most important language in the 21st century. The only way I could do that was to move to Asia. So we packed up and did it.



## **What about the shift to Asia in the next century?**

The largest creditor nations in the world now are China, Japan, Korea, Hong Kong, Taiwan and Singapore. You know who the largest debtor nations in the world are, and you know where they are. Throughout history people go where the money is. They don't go with the debtors; they go where the assets are. That's where the savings are, investing is, the energy, the drive, the education. It's all happening in Asia now.

## **There are some concerns around things like water pollution in China. Do you see those as being potential obstacles to Asia being able to achieve its potential success?**

Not all of Asia is terribly polluted, but in China, especially in the cities where we were going to live, cities are very badly polluted. The Chinese know this, and they are trying to do something about it. So there are staggering opportunities for somebody to make a lot of money, because they're going to clean it up. I assure you they are going to clean it up. As they clean it up, lots of money will be made, and then they will be even more attractive cities.

The one worry of course is water. I've traveled around the world a couple times. I have seen whole cities and societies and cultures disappear if the water disappears. There is nothing you can do if the water disappears. If they don't solve the water problem there is no China story. But they know that too, and they are spending hundreds of billions of dollars to solve the water problem. We presume they will, but if they don't, in 50 years we should be worrying about something else.

## **Now you are clearly very bullish on Asia. You have made a very big bet moving your family to Singapore. The one part of Asia that you have gone on record as being not quite so optimistic about is India. Can you talk about that a little bit?**

India is very anti-capitalist. They are very chauvinistic. It's not a real country. There are hundreds of ethnic groups, religious groups and linguistic groups, most of whom don't like each other. It is something the British pushed together in panic in 1947. In my view, it doesn't have a great future.

It's a fabulous country to visit. But as far as doing business there, it's complicated and difficult. The wind is at your back in China, and the wind is in your face in India.

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