[JTC: An important “reality check” from the *Independent Speculator* suggests another “reason” to invest in gold in 2024.]

Don’t Ignore the Digital Gold Rush: How to Profit From Memetic Gold

by Kyle Johnson

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There’s relatively little to say about gold that hasn’t been said before—but that won’t stop people from trying. Here’s why you shouldn’t stand in their way.

With gold firmly established above $2,000 an ounce, it’s increasingly safe to say that we’re at the beginning of another gold bull market. Seems like it’s an appropriate time to revisit gold’s bull run from 2001 to 2011.

But not in the traditional sense.

Most gold bugs love diving into technical details of things like COMEX contracts, LBMA data, Bank of International Settlement reports, and central-bank buying. All important information. But what if such information is less important than many believe?

Consider the following.

By August 2008, the economy was swirling the toilet. Gold was roughly $800 an ounce. Goldman Sachs published a twelve-month forecast of $740 an ounce. Yet by August 2009, gold was firmly above $950, and broke $1,200 that December.

It’s unclear whether Goldman and other Wall Street firms have since refined their models and methodologies. But even at the time, how could they have been so wrong? They have access to the best information and intellectual talent money can buy.

Those in the know would undoubtedly offer some very impressive sounding and technical explanations. But technical data are insufficient to model and forecast what really comes down to a matter of ever-fickle mass psychology—not beyond a few days.

Don't believe me? Consider the track record of Jim Simons—math wiz and founder of Renaissance Technologies, the most successful quantitative or algorithmic fund in history. It has a staggering 66% annual rate of return. Average holding period? Just two days.

Yearly gold forecasts should be taken with a grain of salt.

Gold bugs will talk your ear off about the case for gold—unsustainable government debt, the dangers of fiat currency, no counterparty risk, etc. The long-term investment thesis is ironclad.

Fine. But it'd still be foolish to ignore the power of shortsighted thinking. Meme stocks, crypto, and NFTs prove investors will dump billions into speculative investment vehicles with extremely unimpressive investment theses... and sometimes, seemingly none at all.

Can any financial modelers offer proof that gold is immune from such emotion-based investing?

Of course not.

Therefore, it should be presumed that FOMO ["Fear Of Missing Out"] and YOLO ["You Only Live Once"] will impact the gold-dollar exchange ratio (as Lobo calls it) to one degree or another, when "animal spirits" take hold.

Bullion, stocks, ETFs, or otherwise… how many people were memed into buying gold during the last bull run?

I suspect a great many, though few would admit it. Memetics is more than a clever cartoon. It's the study of how ideas transfer from person to person. "Virality" is a metaphor, but ideas do spread from person to person—and in mass via broadcast and social media. Should gold ownership become a meme, it would turn gold haters into gold speculators. Previous attitudes won't prevent this. Humans rationalize decisions both before and after they're made. Greed trumps loyalty in so many people. Having a selective memory protects the ego.

Investors profess to be "data driven." But few saw the Global Financial Crisis coming when the writing was on the wall—in neon lights.

For most, the economy crashed out of the clear blue sky. Many went from never thinking about gold to finding it indispensable. Turn on the TV in 2009–2011, see ads for gold bullion. Drive to work, there's a guy on the corner spinning a gigantic "Cash 4 Gold" sign. Read the news, gold is in the headlines. And I'm told this was peanuts compared to the mania of the late 1970s.

I'm no fan of corporate media; their primary function seems to be to control narratives. But never forget that they are subject to market forces. These days, they need clicks to pump their metrics (comparable to air time back in '70s). More clicks = more advertising revenue. Simple as that. Their readers' interests are, at best, just a means to that end. For example, they care not if you actually buy gold from Costco. However, they care a great deal if you click a link and read about buying gold from Costco.

Examine headlines through the 2007–2011 lens, and the gold-as-a-meme thesis holds water.

As you'd expect, there were headlines every time gold neared or breached certain thresholds ($900, $1,000, $1,100, etc.). Eventually, significant intraday moves made headlines.

There was a slew of articles about the history of gold, gold as money, the gold standard, etc. Even NPR wanted a piece of the action—it published a multi-part series on gold and the meaning of money. CBS and CNN addressed issues related to gold in Fort Knox. Forbes discussed FDR and gold confiscation.

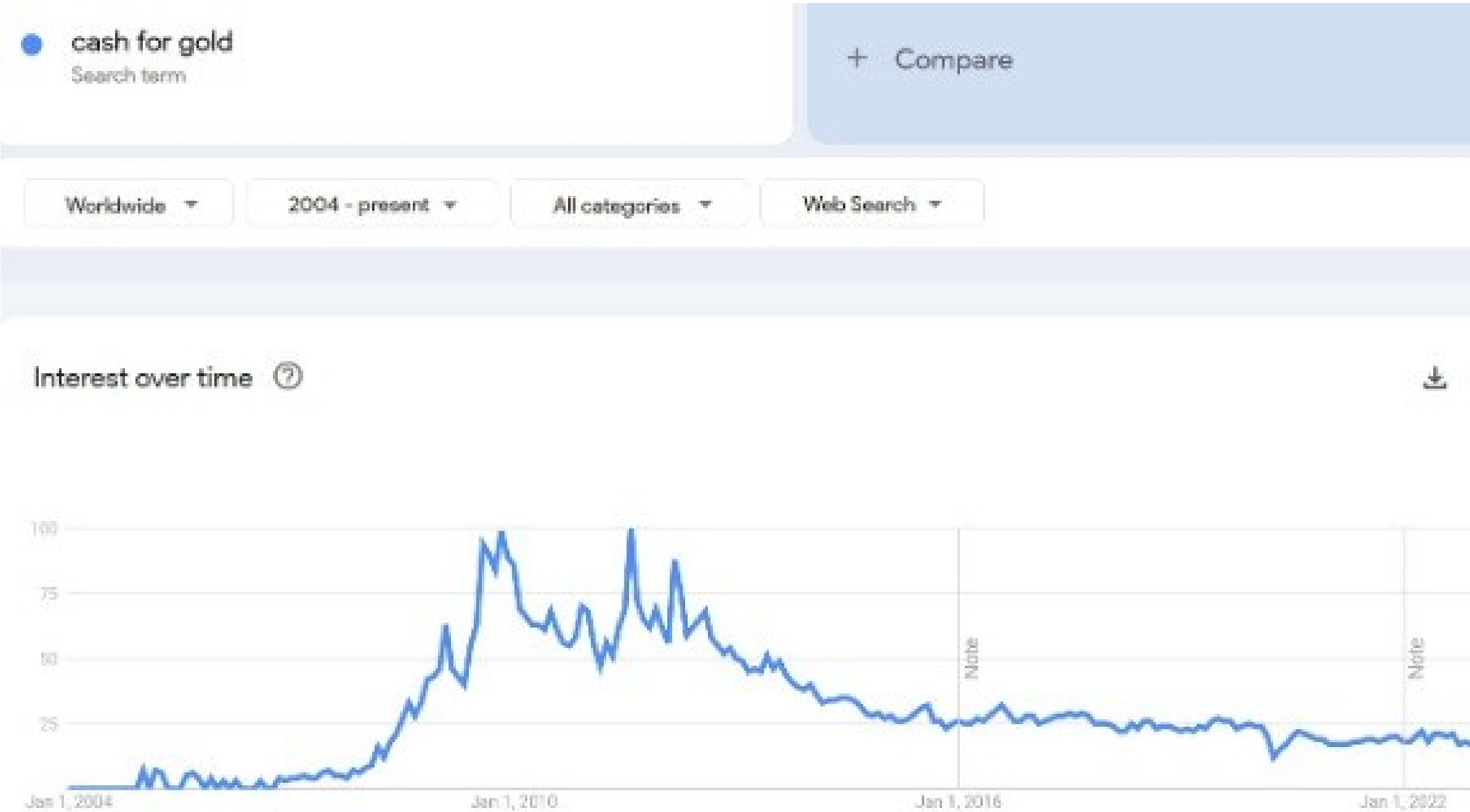
In 2009, Business Insider ran a headline about gold potentially going to $5,000 an ounce. By October 2011, CNBC ran headlines about gold hitting $10,000 an ounce if the US returned to the gold standard. There were endless articles discussing whether or not gold was in a bubble.

There was a curious number of articles promoting platinum and rhodium as better alternatives—including one from the *New York Times*.

Media consumers couldn't avoid articles about environmental concerns related to gold mining. Nearly every major outlet published human impact stories about gold mining in places like the Congo.

NPR ran a piece on the cultural impact of gold in Iraq. The *New York Times* discussed the cultural impact of gold on Koreans. Then another piece on people selling family heirlooms. CNN wrote a piece about Mr. T's gold jewelry. And then another on edible gold. The *Wall Street Journal* discussed a golden version of the Monopoly board game. Business Insider wrote about a bust of pop star Justin Bieber—of course, made of solid gold.

I think I'd need a large number of interns to comb Library of Congress microfiche archives for data from the '70s, but in today's digital world, the data on the GFC is readily available and quite compelling. Forget click-farming. This was click-mining. Even mainstream media had digital gold fever. The impact is undeniable.



But you know what was difficult to find?

Up-to-date information about gold miners.

I think Reuters did the best job covering mergers and acquisitions in the mining space. On several occasions, it noted how gold miners carried the TSX. But for every article serious investors would care to read, you could easily find more puff pieces about hobbyists panning for gold on the weekends.

Frustrating?

Only if you understood there was important information you should be looking for… and didn't know where to look. While experienced investors hunted down information about warrants, drill results, costs, and the like, novice investors acted based on news articles and "free" advice from "experts."

Gold bottomed in 1999 at roughly $250 per ounce and fell to almost that level in 2001. With gold nearing $1,300/oz. in September 2010, CNBC published the following two pieces:

- *18, 31 or 60? Age-Based Gold Investing Plans.* This article offered guidance on various gold-related investments based on reaching different benchmarks in life.
- *Gold Rush: Getting In On the Rally.* This piece discussed basics such as TV ads selling gold coins, cash for gold ads, ETFs, and mining stocks.

Over a dozen years into gold's bull run, CNBC was cranking out beginner-level content.

With gold around $1,800/oz. in November 2011, *Forbes* published two gold-related articles on the same day:

- *The Gold Debate: Miners Vs. Metal* covered the performance gap between physical gold and mining stocks.
- *Is GLD Really As Good As Gold?* discussed what assets back the SPDR Gold Trust.

Many gold bugs had been anticipating a crisis-driven bull run for decades. Two months after it peaked, some *Forbes* readers were considering mining stocks for the first time.

Savvy gold bugs remembered to take profits, and got paid by novices entering the space. And I'm not just talking retail investors. Plenty of professionals got smacked chasing momentum into mining stocks.

All signs indicate that this is about to happen again. Soft landing, crash landing, no landing… doesn't matter. Gold looks ready to rip higher.

Media outlets still profit from whatever gets clicks. I think a new digital gold rush is on the horizon.

The growth of social media over the past 10+ years will likely make it bigger than the last one. Memetics and click-mining might not make the world go 'round. But they can help make gold's price go up—along with the share prices of miners digging it out of the ground—even if mainstream media drag their feet.

Be mindful of technical data. Perform due diligence on the gold stocks you buy. But prepare for gold's memeification.

Comparing today's headlines to those during the last bull run, I'd say the party has barely begun. Fair warning: it's first come, first served.

KJ

PS: If you want Lobo's latest thoughts on gold (and other resources like uranium), consider subscribing to our free, no-hype, no-spam newsletter—the *Speculator's Digest*. You can't find this content anywhere else.