Could Gold Really Jump 15% in December?

Description

The Swiss might be responsible for bringing early holiday cheer to gold bulls this year by delivering a big boost to bullion demand.

On November 30, the people of Switzerland will vote on a referendum that could force the Swiss National Bank (SNB) to reverse a selling spree of the country's gold reserves.

Switzerland still has large bullion holdings, but the country used to own a lot more of the precious metal. The SNB began selling its gold around the year 2000 when prices were extremely low. The selling continued through 2008 and the Swiss gold reserves now represent just 8% of the Swiss National Bank's assets.

A "yes" vote on the referendum would stop the SNB from selling any more of the precious metal. The SNB would also be forced to purchase bullion during the next five years until the holdings represent 20% of assets. Analysts estimate the Swiss National Bank would have to buy 1,500 to 1,800 metric tons of gold to meet the requirements. The third part of the referendum says all gold owned by Switzerland, but held in other countries, would be repatriated within two years.

The movement, known as "Save Our Swiss Gold", was started by members of the Swiss People's Party who are unhappy with the SNB. The Swiss government and the SNB never thought the idea would get any traction, but the Swiss people have rallied behind the motion because they are uncomfortable with the central bank's penchant for expanding the balance sheet, otherwise known as "printing" money. Since 2008, only the U.S. Federal Reserve and the Bank of England have "printed" more money that the SNB, according to Axel Merk, president of Merk Investments.

The SNB has done this to prevent the Swiss franc from strengthening beyond the 1.20-per-euro floor the country wants to maintain in order to support economic growth.

Now that the vote is less than two weeks away, the government, currency traders, and gold bugs are wondering what will happen if the referendum actually passes. A recent poll conducted online by *20 Minuten*, a popular Swiss newspaper, discovered that 38% of respondents supported the referendum, 47% planned to vote against it, and 15% said they still hadn't decided.

What's the upside potential for gold?

The market doesn't expect the referendum to pass. In the event of a surprise, there could be a significant pop in the price of gold during the first few days, and possibly beyond. Some analysts say it would signal the end of the current bear market in bullion.

Back in November 2009, news that India had purchased 200 tons of gold from the IMF sent the price of bullion 15% higher in the following month.

Commerzbank just released a report saying the 2014 move in gold could be greater than that in 2009, if the Swiss referendum passes, because the amount of gold the SNB would have to start buying would be significantly more than the 200 tons bought by India.

Should you buy?

If you have been sitting on the sidelines waiting for an excuse to buy beaten-up gold stocks like **Agnico Eagle Mines Ltd.** (TSX: AEM)(NYSE: AEM), **Yamana Gold Inc.** (TSX: YRI)(NYSE: AUY), or **Kinross Gold Corporation** (TSX: K)(NYSE: KGC), this could be the time to take a small position, but buying gold stocks on the hope of a "yes" vote in Switzerland is a risky bet.

Many investors prefer stocks that are less volatile and deliver consistent dividend growth and capital appreciation. If that sounds like you, check out the free report discussed below.

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3. NYSE:KGC (Kinross Gold Corporation)
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