

Gold Could Reach \$3,000 to \$5,000 an Ounce

Billionaire Thomas Kaplan speaks at the Octavian Forum.

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Shining: Billionaire investor Thomas Kaplan thinks that gold's equilibrium level could be as high as \$5,000 an ounce. *William Waitzman for Barron's*

Even as the stock market continues to make new highs, there are voices of caution that see opportunity elsewhere, namely in gold.

Looking at equities, “You have to suspend your disbelief in the state of the world because of the massive debt that’s been accumulated,” says Thomas Kaplan, the billionaire chairman of investment fund Electrum Group. Kaplan, whose early call on oil’s rise made him a fortune on the sale of Leor Energy to Encana in 2007, addressed investors at the Octavian Forum, a conference organized by former hedge fund manager Richard Hurowitz, publisher of the Octavian Report—an eclectic quarterly on finance, the arts, and geopolitics.

Investors will make money on gold even if the world is doing well, but “won’t get carried out on a stretcher if any of the black swans show themselves,” says Kaplan, who admittedly has a dog in the fight as the chairman of Novagold Resources.

Although Kaplan isn’t currently buying gold, and says it’s not inconceivable that gold, whose futures price is up 11% this year and was recently trading at \$1,277.40 an ounce, could fall to the \$900s, he believes that gold “represents the best risk/reward ratio of any asset class today.”

Indeed, Kaplan thinks that, given the parlous state of gold exploration and reserves, the normative supply/demand equilibrium level of gold is \$3,000 to \$5,000 an ounce. His rule of thumb is that if you regard gold as a currency, 20% of an investor’s cash should be in gold. Says Kaplan: “At the very least, gold should represent 5% of an investment portfolio.”