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Gold’s long-term trend is up, BlackRock, Midas fund managers argue

If investors want to know where the price of gold is headed in 2013 and beyond, they need only to keep an eye on the global money printers. If those keep whirring away, gold will move higher, says a manager at a top BlackRock gold fund.

“We see no fundamental change in the underlying story for gold,” said Catherine Raw, who co-manages BlackRock’s World Gold Fund BWGAX . “We believe there will be a stepping-up motion for gold over time, driven by the underlying trend of increasing liquidity, increasing money supply, the potential of devaluing of paper currencies and the revaluing of gold relative to that.”

Of course, gold GCG3 hardly gave the reaction one would expect last week when it crashed below $1,700 an ounce (and has barely revisited since) a day after the Federal Reserve announced it would supply unlimited quantitative easing and keep interest rates low until unemployment drops to 6.5%. ”These are short-term issues,” said Raw. “For a longer-term investor — we invest on a three to five year basis — we see this as just noise.”

The Fed announcement has also been blurred over fiscal cliff negotiations, she said. Investors fearing leaders won’t get the issue sorted have been more apt to put their money in the dollar.

“We do expect there will be peaks and troughs, but expect average prices will be higher. If we were to trade around $1,800 for the year, which is the level we are focusing on for our portfolios, I would say we could see a trading range of $1,750 to $1,900 (an ounce) for 2013,” said Raw.

“While the big announcements have been made, one mustn’t forget this round of QE is open-ended and unlimited so the printing continues. We believe this is what will drive the gold price,” she said. And investors shouldn’t forget that while Fed policy is the most significant, there are other drivers.

“Cumulatively, you could argue the collective policies of Asia and Europe combined have a greater influence – and going forward it is our expectation that inflationary pressures in the Asian region are likely to be increasingly influential on the direction of the gold price,” said Raw.

Meanwhile over at the Midas Fund MIDSX , portfolio manager Thomas Winmill said he believes negative real interest rates are favorable for hard assets such as gold.

“At Midas, we would agree that so long as U.S. dollar creation exceeds GDP growth, gold prices should increase because gold is denominated in U.S. dollars,” said Winmill. “For example, were gold denominated in Zimbabwe June 30, 2009 dollars, its price would be somewhere north of 1 trillion Zim dollars per gram."

– Barbara Kollmeyer