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Hedge Fund Boss Baha Sees $3,000 Gold

By Reuters
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LONDON, July 28 (Reuters) - Gold could rise to $3,000 an ounce, while stock markets look likely to plummet in coming years as governments print even more money to try and stimulate economic growth, says the founder of $1.4 billion hedge fund firm Superfund.

Though gold XAU= hit a record of $1,628/oz on Wednesday as investors spooked by a possible a U.S. debt default sought a safe haven, Superfund founder and owner Christian Baha believes further loose monetary policy in developed economies will put pressure on paper currencies and drive gold higher.

"I still think gold is very cheap, and paper currencies are overvalued," said Baha, who has kept almost all his personal liquid assets in physical gold or silver or gold-denominated versions of his funds for the past eight years.

Baha said the yellow metal could hit $3,000 "easily" in one-to-two years, depending on how much money is printed, while hyperinflation could see it go to $10,000.

"It's just a question of time until the dollar or euro inflate more, and eventually you get hyperinflation. The Fed is printing too much. It's just monopoly money. I don't believe it's the end of QE (quantitative easing); they will find a new way to keep printing money."

His views echo those of a number of other fund managers, who are hunting for ways to protect their portfolios from the euro zone debt crisis and the possibility of another global recession.

Baha, whose computer-driven hedge funds follow trends in global futures markets and quickly trade market anomalies, also said quantitative easing had helped support stock markets -- the FTSE 100 is up 9 percent over the past year -- but that a sharp market fallback was likely eventually.

"I hope the (government budget) deficits will disappear, but if they don't, I want to be protected," he said.

“I think there's more volatility coming up. I assume in the next few years we'll see a big crash, because there's so much money being printed, which keeps the market going up, but there will be some hard reactions in the market."

A Reuters poll of 63 economists on Wednesday found one in four, up from one in five a month ago, thought the Bank of England would launch a second round of government bond purchases.

VOLATILITY

Baha also said his $230 million Superfund Blue, a market neutral hedge fund that aims to profit quickly from market anomalies, would do better out of today's volatile conditions than in markets with little volatility.

The fund returned 24.41 percent in 2008's market chaos and is up 5.35 percent so far this year.

In comparison, the average hedge fund has struggled this year, particularly in May and June's choppy markets and commodities sell-offs, and is up just 0.77 percent for the first six months of the year, according to Hedge Fund Research.

Superfund Blue uses a range of factors such as pattern recognition, momentum and trading volume to pick stocks that have strong technicals -- i.e. they are well-regarded by other investors -- and are likely to move higher, be that after a rise or fall in price.

The fund, which has seen gross exposure vary between 160 percent and 12 percent over the past week, then hedges the position by going short the wider index, but will sell it the same day or within a few days.

"There are no really bad market conditions, it doesn't care what the market is doing," said Baha.

"Even in a market crisis, the Blue strategy will perform very well, as we've seen in 2008. Higher volatility is what the fund likes a lot."

By Laurence Fletcher