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USING THE HUMBLE LOAF OF BREAD AS A BARMETER FOR THE GOLD PRICE (OR VICE VERSA)

This quirkily interesting article can be found on the internet at www.coin-auctioned.com where the author has attempted to use this analogy to predict the market moving forward.

Its provenance however – insofar as the original biblical referencing goes – appears to be challenged by theologians, and they indicate that it remains unsubstantiated by a specific biblical story, chapter or verse. However, the narrative states that in the period 600BC, during the reign of King Nebuchadnezzar, 350 x 1kg-size loaves of bread could be purchased with 1oz. of gold. This then would indicate a direct correlation between the price of gold and the price of food – and perhaps an historical first?

What remains true today however, is the fact that in times of uncertainty both gold and ‘our daily bread’ become increasingly important for people from all walks and sectors of life and business.

So, let’s just look at the basic premise and see where this takes us, (of course the sceptics would also note that today’s loaves of bread DO NOT weight 1kg, and the standards that are applied today for weighing and measuring gold would almost certainly NOT have been the same as those used in biblical times), but let’s not ruin a good story!



So, basing our calculations on loaves of bread in modern-day Australia over the most recent ~25 years (which have fluctuated considerably in both price and loaf size to remain competitive within the supermarket environment) we find:

- In 1997-98 gold was \$480oz and bread cost \$1.60 loaf = 300 loaves per ounce
- In 2007-08 gold was \$800oz and bread cost \$2.50 loaf = 320 loaves per ounce
- In 2010 gold was \$1,360oz and bread cost \$3.50 loaf = 388 loaves per ounce of gold
- In 2015 gold was \$1,298oz and bread cost \$4.70 loaf = 276 loaves per ounce of gold
- In 2020 gold was \$2,058oz and bread cost \$5.38 loaf = 382 loaves per ounce of gold

So, during these years it can be seen that the barometer remained roughly equivalent to that of the stated historical measure, inflationary pressures roughly keeping pace.

It is predicated however by the original author, that market shocks may be experienced moving forward that will unbalance this unusual equation as a result of the introduction of new, clean technologies (for both agriculture and mining), carbon pricing and the disruptions caused by a global pandemic.

But it is a quirky and interesting correlation!