



Buy Gold and Silver in June, Sell in September

Description

The popular trading adage, “sell in May and go away” may hold true for some investors. But when it comes to commodities and precious metals, analysts at BMO Research are focusing on a new adage: buy in June and sell in September.

It may not be as catchy, but the guys behind BMO Research have found that the approach has appeared to work for most years over the past two decades for gold and silver metals and gold and silver equities represented on the Philadelphia Gold & Silver Index (XAU). The observation also appears to hold for key North American senior gold stocks that are included in the XAU like **Barrick Gold Corp** ([TSX: ABX](#))(NYSE: ABX), **Goldcorp Inc** (TSX: G)(NYSE: GG), **Kinross Gold Corp** ([TSX: K](#))(NYSE: KCG), and **Newmont Mining Corp** ([NYSE: NEM](#)).

Buying gold equities in June and selling in September made money four of in the past five years, eight of the past 10 years, and 12 of the past 20 years (based on the XAU Index).

The study suggests that commodities and mining equities go through seasonal low prices in May and June, and thus, selling those holdings is not advisable. Instead, the muted prices in June pose to be an opportunity to buy in anticipation of a rally in September.

July is typically the weakest month for gold and silver prices. This was found when BMO Research analyzed the daily price of the metals to the annual maximum and minimum prices by using 5-, 10-, and 20-year averages. Additionally, the average trading pattern shows a strong start to the year with a first quarter rally, followed by a weaker second quarter and finally, a metal price recovery in the third quarter.

Seasonal changes

As the seasons change, so do the prices of gold and silver. Gold sees a pick-up in demand usually during September and October due to the auspicious gold festive season celebrated in India. While fruitful Indian monsoon is often echoed in the demand of gold, this year there are other factors in play.

The relaxation of gold tariffs, duties, and regulatory restrictions on gold imports in India, due to the

appointment of the Modi government, will likely impact the timing and depth of demand.

Silver, being a fraternal twin of gold, usually copies the movement of gold twice over, i.e., if gold rises 1%, silver will rise 2% and vice-a-versa.

Currently the price of silver is showing a greater volatility when compared to gold on monthly price changes.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)
4. TSX:K (Kinross Gold Corporation)

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