



3 More Reasons to Invest in Gold Right Now

Description

I recently took a closer look at why investors should be investing in gold immediately and the [growing signs of an impending rally in precious metals](#). These factors coupled with growing institutional investment in gold and the beaten-down precious metals mining sector indicates a rally might be imminent, which even if modest, offers investors the opportunity to take considerable profits.

But recent economic and geopolitical events further support the thesis that firmer gold prices are inevitable.

1. Growing global economic volatility

Gold is typically perceived to be a hedge against inflation, and with better than expected U.S. economic growth along with the European Union and China implementing economic stimulus packages, inflation is expected to grow. Furthermore, ongoing instability in the Middle East is driving crude prices higher, making economic growth more expensive, which will translate into higher global inflation.

Growing inflationary pressures coupled with increasing economic volatility, as witnessed with the emerging markets sell-off earlier this year, and mounting geopolitical uncertainty will drive demand for gold higher.

2. Rising geopolitical risk

The escalating conflict in the Ukraine, the Israeli invasion of Gaza, ongoing civil war in Syria and the extremist Islamic insurgency in Iraq are all fueling growing global uncertainty and undermining economic confidence. The tragic downing of a civilian passenger jet in the troubled eastern Ukraine has raised the spectre of sanctions against Russia, if it continues supporting pro-Russian Ukrainian separatists.

The continuing instability in the Middle East, the world largest oil-producing region, underscores that growing geopolitical risks pose the greatest threat to global economic volatility at this time.

All of these factors are causing considerable unease among investors — creating greater volatility in global stock markets and driving renewed interest in gold, due to its perceived safe-haven status. Already the price of gold has popped by 3% over the last month, while the price of gold futures continues to spike. Futures contracts due in December 2016 have hit \$1,328 per ounce, or a premium of 1.3% over the current gold price.

3. Institutional investors are making big bets on gold

Renowned billionaire investor George Soros has been making some hefty bets on a recovery in precious metals. As I wrote last week, he has taken a \$120 million position in **Barrick Gold** ([TSX: ABX](#))(NYSE: ABX) along with substantial positions in **Yamana Gold** ([TSX: YRI](#))(NYSE: AUJ), **Silver Wheaton** (TSX: SLW)(NYSE: SLW), and **Franco-Nevada** ([TSX: FNV](#))(NYSE: FNV).

But he is not alone in making this bet as Ray Dalio of Bridgewater Associates has taken a large stake in Silver Wheaton. A number of large hedge funds have also built positions in the industry including companies like Yamana Gold, **Goldcorp** (TSX: G)(NYSE: GG), and **Agnico Eagle Mines** ([TSX: AEM](#))(NYSE: AEM).

With major billionaire investors and Wall Street fund managers making a big bet on gold, now is the time for investors to join the party.

All of these factors have also seen a resurgence of inflows into the world's largest gold ETF, the **SPDR Gold Shares** (NYSE: GLD), which has popped a healthy 8% for the year-to-date and should continue appreciating in value. This is certainly one way for investors to place a bet on firmer gold prices, but a number of beaten-down gold miners like Barrick and Yamana offer considerable value as do the precious metal streamers Franco-Nevada and Silver Wheaton.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:FNV (Franco-Nevada)
4. TSX:WPM (Wheaton Precious Metals Corp.)
5. TSX:YRI (Yamana Gold)

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