6 Reasons Why Gold is Set to Rally

Description

It's been a tough year for gold Bulls with the precious yellow metal plunging 9% over that period and signs of worse to come. This can be attributed to a strengthening U.S. dollar and better than expected performance from the U.S. economy.

But there are growing signs of a rebound occurring before the end of the year. Here are 8 reasons why gold is set to rebound.

1. Demand from the world's largest consumers of gold is set to grow: A key driver of the recent lows in the gold price has been declining demand from the world's 2 largest consumers India and China. But imports into India have returned to normal levels, with demand expected to rise through 2015. The World Gold Council expects demand from China to rebound, growing by 25% over the next five years.

2. Central bank buying continues to add support: According to estimates from the World Gold Council, global central banks added 242 tons of gold in the first half of 2014 and are expected to add a total of 500 tons for the full year. Key among these buyers was Russia, with it making its largest gold acquisition since defaulting on its internal debt in 1998. Russia purchased US$1.5 billion of gold in September.

3. The Swiss gold referendum could be a game changer: On November 30 Switzerland will go to the polls to vote on a measure aimed at preserving the country's gold reserves. If the resolution is successful it will prohibit the Swiss National Bank from making further gold sales, force it to repatriate Swiss owned gold to Switzerland, and increase its gold holdings to be a minimum of 20% of its assets. This would force the Swiss National Bank to buy considerable quantities of gold, as gold currently makes up less than 10% of its total assets.

4. Growing geopolitical tensions and uncertainty: Rising geopolitical turmoil in the Middle-East, with the conflicts in Iraq, Syria and Libya escalating coupled with simmering tensions in the Ukraine will continue to drive an uncertain outlook. There is also no end in sight for these conflicts and they appear ready to escalate even further, potentially drawing international intervention. This could further increase demand for safe haven assets of which gold is the most widely accepted.

5. The failure of QE: Near legendary former Fed chairman Alan Greenspan recently claimed quantitative easing (QE) had failed, indicating that it delivered no material benefit to the real economy. Instead it has created a fragile and unsustainable asset bubble which is primed to spark the next global economic crisis. Greenspan advised that under these conditions gold is probably a good investment and it will be measurably higher in 5 years.

6. Wall Street has bet heavily on gold: Major institutional investors continue to bet heavily gold. Legendary investor George Soros who once broke the Bank of England has bet heavily on gold, accruing significant stakes in a number of beaten down gold miners. These include a US$8 million bet on **Barrick Gold Corp.** (TSX: ABX) (NYSE: ABX), US$11 million on **Goldcorp Inc.** (TSX: G) (NYSE: GG), US$21 million on **Yamana Gold Inc.** (TSX: YRI) (NYSE: AUY) and US$14 million on **Agnico Eagle Mining Ltd.** (TSX: AEM) (NYSE: AEM).

But Soros isn't the only Wall Street guru betting big on gold. He has been joined by hedge fund managers John Hussman and Ray Dalio who have also built up considerable stakes in miners including Barrick, Goldcorp and Agnico Eagle.

Clearly, gold is set to rebound and based on recent comments from Greenspan and the colossal bets made by some of Wall Streets most famed investors on gold, a massive gold rally is ahead. This makes now the time to take the plunge.

If a contrarian bet on gold isn't your "cup of tea" then take a closer look at these dividend stocks for income hungry investors.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:AUY (Yamana Gold)
3. NYSE:B (Barrick Mining)
4. TSX:ABX (Barrick Mining)
5. TSX:AEM (Agnico Eagle Mines Limited)
6. TSX:YRI (Yamana Gold)

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