

1 Big Reason Gold Will Rebound in 2015

Description

While everyone has been focused on crashing oil prices, gold is staging a comeback. Gold has seen a nice rally since the start of 2015; futures closed Monday's session at US\$1,232.80 per ounce, their highest point since last October.

What is pushing the metal higher? Mostly it's increased safe-haven demand following renewed concerns over the economic health in Europe, while the terrorist attack in Paris added extra impetus to the upside. In addition, last Friday's jobs report by the U.S. Labor Department put a damper on the expectations for a pending increase in the benchmark rate by the U.S. central bank.

The U.S. dollar

One crucial development that suggests gold has already bottomed is gold's ascent despite a strengthening greenback. Gold is a dollar-denominated commodity, which means it almost always moves in the opposite direction of the dollar. But, on January 8, the dollar index (an index that compares the U.S. dollar to a basket of other currencies) hit a new high at 92.76. Gold was not phased by this and continued its upward trajectory. In fact, gold is gaining right now against all currencies, a pattern that is a very bullish signal for the metal.

A fundamental shift?

Most of gold's rout in 2014 was due to a strengthening greenback. But the recent trend, one in which in the face of heightened global geopolitical and economic tensions the U.S. dollar fails to dictate gold's price, is a new development and one that suggests that the U.S. dollar has lost its control over gold's movement. Now, gold prices are low enough that other factors are having more influence on the metal. This is a strong signal that the bottom has been hit.

There will always be a demand for gold

The demand for gold will never completely evaporate. This is because it is one of the two most loved safe-haven investments. The other? The U.S. dollar. There will always be a reason for investors to flock to safe-haven investments because unfortunately, we are living in a time when it seems we can't go a week without some geopolitical or economic crisis. Right now, with the U.S. dollar so high investors may be more interested in gold, which is relatively low-priced.

Now is the time to buy gold

The recent break of the trend for the U.S. dollar to push gold lower is a major piece of evidence in support of the fact that gold has bottomed and will slowly start to recover. The best time to buy any investment is when they are at their lowest price, and if you want to buy gold miners at their low point, now might be your last opportunity. So, which one should you buy?

My top pick

Of the gold miners available right now, my top pick is **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AME](#)). Agnico Eagle Mines is a low-cost producer that is expecting increased production this year, a rarity of the gold miners. In order to survive low prices, many gold miners are experiencing production setbacks as cost cuts have derailed expansion. While cost-cutting has been a necessity, cutting them to the point where production suffers is bad news when it comes to benefiting from gold's price rebound.

Agnico Eagle Mines stock has already soared almost 25% this year, and I think these gains are just beginning, but if you don't buy soon you may lose your opportunity to add the miner to your portfolio, at a low cost.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

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Author

Iklingel

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