



Gold Investors: Could the Yellow Metal hit \$1,400 in 2017?

Description

Gold is back above US\$1,250 per ounce, and investors are wondering if the latest upswing is the beginning of a new rally.

Let's take a look at current situation to see if gold could move higher.

President Trump

Gold initially extended its 2016 sell-off in the wake of the U.S. election, as investors exited safe-haven assets and shifted funds into equities.

The strong appetite for stocks has continued, but the exodus out of gold hit the wall in mid December, and the metal has been rising ever since.

What's going on?

President Trump's attitude towards key trading partners is causing some concern.

Trump called China "the grand champion of currency manipulation" on February 23, sending a signal that he is not ready to tone down his criticism of the country's policies.

Trump has also set his sights on the North American Free Trade Agreement (NAFTA). His full intentions are still not known, but pundits say we could see anything from minor changes to a major overhaul that results in bilateral deals with Canada and Mexico.

The more aggressive President Trump becomes on various trade issues, the more likely it is that gold will move higher.

Europe

The United Kingdom shocked the world last year with its decision to exit the European Union. As Prime Minister Theresa May moves closer to triggering the exit process, possibly by the end of March, markets are concerned negotiations between the U.K. and the E.U. could get ugly.

On top of that, France is heading into elections where the current poll leader is Marine Le Pen, head of the far-right National Front party.

Le Pen has indicated she wants to drop the euro and hold a referendum on France's membership in the E.U. If she wins, things might get ugly in the financial markets, at least for the short term, and that would probably boost demand for gold.

Italy is also raising concerns, as it battles with a brewing banking crisis. The country has already bailed out Monte Dei Paschi, the world's oldest bank, and investors are worried the non-performing loan problem could get out of hand.

The Federal Reserve

Rising interest rates in the United States are a strong headwind to the gold rally and could very well offset any support coming from trade or geo-political fears.

The Fed plans to raise interest rates three times in 2017. If it follows through, gold will have a tough time moving significantly higher.

However, any signal that the Fed might decide to hold back, as it did through most of 2016, would be positive for the yellow metal.

Is US\$1,400 possible?

For gold to hit US\$1,400 this year, there would probably have to be a significant market shock, potentially out of Europe, as well as a decision by the Federal Reserve to raise rates less than expected.

That might well happen, but investors should be careful about getting too optimistic. As we saw last year with Brexit, the market has a tendency to shrug off big events.

Which stocks are attractive?

If you are positive on gold, **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) should be on your radar.

The company is the world's largest producer of the metal and has made good progress on its restructuring plan with debt levels now under control and all-in sustaining costs down to the point where the business is generating significant free cash flow.

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