



Gold Investors: Is the Yellow Metal About to Break to the Upside?

Description

Gold continues to trend higher in the wake of the U.S. rate hike, and a series of additional potential catalysts are fast approaching.

Let's take a look at the current situation to see if gold might be setting up for a breakout.

Fed shock

Gold is supposed to fall when the U.S. Federal Reserve raises its target interest rate, right?

Well, that's the normal line of thinking, except when the metal has already sold off ahead of the expected hike, and the Fed comes out less hawkish than anticipated.

That's what happened last week, and the relief rally that ensued is holding up quite well.

The Fed said it is sticking to the plan of raising rates three times in 2017. This is still a headwind for gold, but it isn't as strong as it would have been had the Fed said it is considering four moves instead of three, which is what the market was worried might happen.

Now that the Fed debate is more or less done, the market is looking to other risks.

Europe

Brexit negotiations are set to officially begin March 29. Up to this point, there was some lingering hope that a new referendum might be called to save the market from all this uncertainty, but that was wishful thinking.

Now, markets hope the U.K. and Europe can negotiate an amicable separation. That might happen, but some pundits say the process, which could take two years, is likely to get quite ugly.

France, meanwhile, is about a month away from choosing a new president. One of the top contenders, Marine Le Pen, would like to drop the euro and hold a referendum on France's E.U. membership.

If she wins, gold could see some strong safe-haven demand.

Further south, Italy is still struggling with a banking crisis that could threaten the broader European financial system.

Trump

President Trump's aggressiveness towards China continues to make markets nervous. At the same time, the U.S. appears headed for a clash with North Korea, and the FBI just announced it is officially investigating Russian interference in the U.S. election, including any potential "links" between Moscow and Trump campaign officials.

So, the next few weeks and months promise to be exciting ones.

Should you buy gold stocks?

As we saw with the Brexit vote last year, the gold market could simply shrug off any negative news and move lower, so you have to be a long-term gold fan to buy the market today.

If you are in that camp, **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is probably a good name to consider.

The company is reducing debt, cutting costs, and generating solid free cash flow. Management even raised the dividend when the Q4 2016 earnings came out.

As the world's largest producer with one of the lowest cost structures, Barrick is in a strong position to benefit in a rising gold environment.

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