



Could Gold be The #1 Asset to Hold in The Next Year?

Description

Since the start of the year, the price of gold has risen by 12%. This is a relatively impressive result at a time when stock markets across the globe have risen sharply. They have benefitted from improved investor sentiment, which usually makes a defensive asset such as gold less appealing. Therefore, the fact gold has risen in price is somewhat surprising in that respect.

Of course, the world faces significant geopolitical uncertainty from the situation in North Korea. It remains difficult to predict how events will unfold. For the gold price, it could be a key catalyst which could send it sharply higher or lower over the next year.

Upside potential

Looking ahead, the gold price could be positively impacted by continued uncertainty regarding North Korea. The tension which has been building in recent months has shown little sign of decreasing, with missile launches and strong rhetoric causing investors to become increasingly risk averse at times. While such periods of risk aversion have not caused a bear market for global share prices, they have the potential to do so should they continue or even increase in scale and length.

Gold has historically been seen as a store of wealth. During major recessions and depressions in the past, it has generally been in high demand. The same situation could take place if the situation regarding North Korea worsens, and this could push the price of gold higher.

Since gold trades 30% below its all-time high of \$1,837 per ounce, it could be argued that there is significant upside ahead. This could make gold miners more attractive to long-term investors, with their profitability having the potential to increase over the medium term. They may also provide a dividend, which could counter the lack of income return that a direct investment in gold would offer.

Downside risk

Of course, the gold price could fall in future. The situation regarding North Korea may improve over the coming months. Looking back at the country's recent history, missile launches and strong rhetoric have

been a common theme – especially in recent years. Thus far, a military conflict has been avoided, and it could be argued that the status quo will be maintained over the long run.

This could cause interest in gold to diminish. Investors have generally been bullish in 2017 and if the threat from North Korea subsides, this optimism could prompt a significant rise in share prices in the coming months. As such, the price of gold could fall and leave investors in the precious metal nursing losses.

Takeaway

While the outlook for gold is uncertain, it may be prudent for investors to consider the appeal of gold miners. They may benefit from a higher gold price should tension in North Korea remain high, and in some cases they may offer a strong investment case due to a wide margin of safety.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/07/30

Date Created

2017/10/08

Author

peterstephens

default watermark

default watermark