



3 Ongoing Political Developments That Could Spark a Run to Gold

Description

In a late October article, I'd [covered](#) whether or not Bitcoin and other cryptocurrencies had overtaken precious metals as a safe haven for a growing number of investors. Although units of Bitcoin continue to show incredible momentum at the end of 2017, investors should not necessarily write off gold as a safe haven during periods of geopolitical turmoil.

For example, the spot price of gold and shares of companies such as **Barrick Gold Corp.** ([TSX:ABX](#))([NYSE:ABX](#)) and **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) gained momentum during periods of political strife in 2017. One such example was the firing of FBI Director James Comey on May 9, which set off a political firestorm in the United States. The spot gold price rose from under \$1,230 to over \$1,300 in less than a month, as accusations of obstruction of justice were directed at the U.S. president and impeachment talk abounded in Washington.

Let's look at three ongoing developments that could spark a similar run to the safe haven.

The uncertain fate of U.S. tax reform

On November 29, the Senate Budget Committee voted 12 to 11, along party lines, to approve the new Republican tax-reform plan. In early November, I'd covered why successful tax reform could be [very bad news](#) for gold equities. By the same token, a slip-up by Republican legislators could spring a run to gold. The U.S. Senate is expected to take a final vote on the bill by Friday, December 1.

U.S. Treasury Secretary Steven Mnuchin has said that failure to pass tax reform could wipe out 2017 gains in the U.S. stock market. Republicans, who possess 52 seats in the Senate, can only afford to lose two votes and successfully pass the plan. All Democrats and Independents are expected to vote against the tax-reform bill.

Tensions on the Korean Peninsula

On November 28, North Korea conducted yet another ballistic missile launch, which drew the ire of the U.S. and Japan. Some U.S. experts have surmised that the trajectory of the missile, which landed west of the Japanese island of Honshu, suggested that North Korea now has the capability to strike well into

the U.S. mainland. Tensions between North Korea and the U.S. appeared to reach a fever pitch in July and August, and U.S. leadership has continued to hold an internal debate over whether a military solution is viable or not.

Leadership in North Korea appears unwilling to abandon its nuclear weapons program any time soon. The ongoing crisis will undoubtedly spill into 2018 with no telling of how or when the political climate will cool.

Saudi Arabia-Iran rivalry intensifying

On November 28, Iranian president Hassan Rouhani accused Saudi Arabian leadership of deliberately antagonizing his country to cover up internal problems. The heated rivalry between the two nations has been expressed in the support of opposing sides in numerous regional conflicts, including the ongoing Syrian Civil War and Yemeni Civil War. With the Saudi Arabian state in turmoil after a political purge conducted by crown prince Mohammed bin Salman, it appears that the tensions between the two Middle Eastern powers will heighten in the coming months and years.

Bottom line

Shares of Yamana and Barrick could rise if the geopolitical situation worsens, so investors should not write off gold.

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1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

TICKERS GLOBAL

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2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

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