



3 Developments Working Against Precious Metals Right Now

Description

The spot price of gold settled at the \$1,250 mark on December 8. This marks the lowest point for the yellow metal since July 2017. In a late November article, I'd discussed how the [geopolitical situation had served to boost gold](#) at times this year. These factors, even coupled with a weak U.S. dollar, have not given gold and silver the momentum to rise above levels reached in February.

Shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Yamana Gold Inc.** (TSX:YRI)(NYSE:AUY) have declined 15.8% and 16.1%, respectively, in 2017. Top silver producer **Silvercorp Metals Inc.** (TSX:SVM)(NYSE:SVM) has decreased 8% in 2017. In a late November article, I'd [covered](#) gold and silver and asked if investors should decrease their exposure heading into the new year.

The trend appears gloomy for gold and silver heading into 2018. Let's look at three ongoing developments that are hurting precious metals.

U.S. tax reform

On December 2, the Republican-controlled Senate voted by a 51-49 margin to push through a tax-reform bill that will see corporate taxes slashed by as much as 15%. Gold has shed over \$30 in the week since the vote. The U.S. stock market has seen tremendous gains on the expectation that the Trump administration will be able to push through its pro-growth agenda. Tax reform remains the big prize.

The legislation still hangs in the balance, though it appears the bill has enough momentum to get over the finish line. In response to the estimated \$1.5 trillion that will be added to the U.S. debt as a result of the loss in tax revenues, Republican leaders have turned their attention to "entitlement reform."

Rising U.S. rates

The United States Federal Reserve will hold a meeting on December 12-13. Experts and analysts are expecting the Federal Reserve to hike the key benchmark rate as the U.S. economy continues to show major improvement. The U.S. added 228,000 jobs in November, and the unemployment rate is at its lowest point in almost 20 years.

A rate hike will undoubtedly send the dollar higher heading in 2018. Improving U.S. growth in 2018 should see policy makers push for several more rate hikes. The Federal Reserve will also see a new chairman in 2018, as Janet Yellen departs for Trump nominee Jerome Powell.

Rise of Bitcoin

The incredible rise of Bitcoin and other cryptocurrencies have usurped precious metals as the premier speculative add in 2017. Bitcoin has seen its price rise from \$1,000 in January to as much as \$19,000 in early December. As of this writing, it continues to trade around the \$15,000 mark.

The sharp rise has prompted cautionary calls that the unregulated Bitcoin market could be in a substantial bubble. However, others have predicted that the value of Bitcoin could continue to balloon into the tens of thousands and beyond in 2018.

Whatever the fate of Bitcoin turns out to be in 2018 and beyond, cryptocurrencies have staked a position as a speculative add as well as a hedge against fiat. This could generate downward pressure for gold in the short and medium term.

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1. Investing
2. Metals and Mining Stocks

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1. NYSE:AUY (Yamana Gold)
2. TSX:SVM (Silvercorp Metals Inc.)
3. TSX:YRI (Yamana Gold)

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