



There Are Signs That Gold Will Perform Robustly During 2018

Description

Over the course of 2016, gold broke out of its bearish trend and commenced on what many analysts called the new bull market for gold. During 2017, after falling sharply at the end of 2016, gold surged above US\$1,300 per ounce, as geopolitical tensions across the globe and, notably, on the Korean Peninsula rose to a boiling point. After falling in value, the yellow metal finished the year above the psychologically important US\$1,300 barrier, as investors moved to safe-haven assets because of renewed tensions in East Asia.

Despite this latest rally, gold remains ~5% shy of its 2016 high of US\$1,364.4, which was its highest price since early 2014. There are signs that gold will appreciate further during 2018.

Now what?

Fears of a major market correction [keep rising](#), because equities keep reaching ever greater record highs, sparking concerns that stock valuations have outstripped fundamentals, such as corporate earnings and the economic outlook. In the event of a correction, investors will stampede for exits, as they seek to lock in gains and shield their portfolios from losses by investing in what is regarded as the ultimate safe-haven asset: gold.

When that correction will occur is anyone's guess, but it will more than likely require an external event to be triggered.

One key risk for stocks, which will also propel gold higher, is escalating geopolitical tensions between North Korea and the U.S., with leaders of both nations engaging in grandstanding and sabre rattling. In the latest developments, North Korea's Kim Jong-un has stated that the entire U.S. is within the range of the rogue state's nuclear weapons. Such a claim will elicit further strong words from President Trump, who, after initiating additional sanctions against North Korea, appears determined to escalate the situation.

The growing likelihood of the Bitcoin bubble bursting over the course of 2018 is very real. If it occurs, it will be beneficial for gold and potentially bad for stocks. In the space of a year, the cryptocurrency has soared more than 13-fold to have a market cap of US\$225 billion, which is 88% higher than the largest

Canadian company listed on the S&P/TSX Composite Index, **Royal Bank of Canada**.

While it is widely accepted that Bitcoin possesses all the characteristics of a bubble, including a parabolic price curve and irrational investing by unsophisticated investors, what these numbers don't show is its incredible volatility. In mere weeks, it broke through US\$20,000 only to plummet to under US\$13,000 and then rally once again to end 2017 at US\$14,000.

With all cryptocurrencies combined having a market cap of ~US\$598 billion, and two regulated major exchanges having launched Bitcoin derivatives, the [threat of contagion](#) into other financial markets and asset classes is very real when the bubble bursts. The likelihood of that occurring is rising, as hyper-speculative investment activity grows, volatility accelerates, and governments step up efforts to regulate cryptocurrencies.

When the bust comes, investors will flock to gold because of its status, as the ultimate store of value and safe-haven assets. It has even been speculated that the exponential rise of cryptocurrencies has attracted considerable funds that otherwise would have been invested in gold.

So what?

One of the best means for investors to gain levered exposure to gold is by investing in precious metals streamer **Osisko Gold Royalties Ltd.** ([TSX:OR](#))([NYSE:OR](#)). During mid-2017, it completed the \$1.1 billion purchase of a portfolio of 74 royalty, streaming, and precious metal off-take agreements, which will give its earnings a healthy bump, especially as gold appreciates.

During November 2017, Osisko also acquired a gold stream on favourable terms from **Aquila Resources Inc.** for the Back Forty development-stage project located in Michigan. This will further boost earnings when it comes online. The potential these deals have to boost earnings is evident from Osisko's third-quarter 2017 record production results, where gold output shot up by an impressive 65%.

An appealing aspect of Osisko is that unlike gold bullion, it is an income-producing investment, rewarding patient investors with a 1% dividend yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:OR (Osisko Gold Royalties)
2. TSX:OR (Osisko Gold Royalties)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/06/28

Date Created

2018/01/02

Author

mattdsmith

default watermark

default watermark