



3 Reasons to Hold Gold Throughout 2018

Description

Last year, gold increased by close to 13%. The shiny metal finally seems to have found a bottom after declining by close to 35% in the preceding years. Investors have had very little utility for the metal during an expanding economic period, as stocks performed so well. In spite of acting as a hedge against inflation and safety in the wake of any major calamity throughout numerous generations, it never ceases to amaze just how fast the metal can be thrown aside, and yet it never loses its lustre.

Coming into 2018, investors have not [had it this good](#) in a very long time. With close to a decade between now and the previous recession, gold may see a lot of interest for a variety of reasons over the next year.

Cryptocurrency

As many investors have used this new currency to diversify their portfolios and hedge against market fluctuations, the “running to the exits” may create a huge demand for gold, which may act as a catalyst for investors to see massive gains from the metal. Although there are very few productive uses for gold, it will not stop investors from considering investing in companies such as **Goldcorp Inc.** (TSX:G)(NYSE:GG), which currently trades close to tangible book value.

North Korea

With the potential for governments, companies, and investors alike to get spooked, the uncertainty between countries (even if it is insignificant to the greater economy) has historically been a reason for investors to rush into gold. With relations between North Korea and the United States in a very delicate state, it could take no more than a tweet to send the price of gold up by another 10%.

As a reminder, the smaller the gold company, the more sensitive it is to the overall price change of the metal itself. In the case of **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)), the amount of tangible book value per share is nothing short of \$4.49, as the current share price sits at less than \$2. Investors can reap the huge potential that this name has to offer should gold increase further in value.

Higher interest rates

With interest rates on the rise, investors will need to familiarize themselves with this terminology: *backwardation* and *contango*.

As gold is a commodity that can be stored, the price for delivery in the future will be higher than the current spot price. This is contango. In the even that the price for delivery in the future is set at a lower rate than the spot rate, it would be known as backwardation.

In the case of gold, higher interest rates may cause a gap in the spot and future prices and a higher future price will be needed to justify tying up money in a transaction. Although the jury remains out on this particular point, the expectation is that this aspect has properly been priced in to the market over the past few years, making gold a [very attractive investment](#) for 2018.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

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