



3 Reasons the Early Surge for Gold Can Continue

Description

In a mid-December article, I'd [covered](#) the weakness experienced by gold and silver in the wake of U.S. tax reform, but I urged investors not to give up on precious metals in the lead up to the new year. The spot price of gold rose above the \$1,300 mark in the final days of December for the first time since early October 2017. Silver also jumped above the spot price of \$17 — a mark it had not reached since September 2017.

The price of Bitcoin has also tempered in recent weeks, but other cryptocurrencies, like Ethereum, have risen precipitously in its place. I'd recently [covered](#) the competition between precious metals and cryptocurrencies as speculative assets.

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)) has climbed 10.6% month over month as of close on January 5. **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) has jumped 7.6% in the same period. Let's take a look at three reasons precious metals could sustain this momentum beyond January.

U.S. December non-farm payrolls come in weaker than expected

According to recently released U.S. non-farm payrolls, the country added 148,000 jobs in December, which came below the expected 190,000. Average hourly earnings rose 0.3%, although the November hourly earnings were revised down to 0.1% from 0.2%. A report from the Department of Labor recently showed the underemployment rate, which includes unemployed people looking for work and part-time workers looking for full-time jobs, climbed to 8.1% in December.

Business optimism still abounds in the U.S. after an incredible stock market run in 2017, and the recently passed U.S. tax reform that is expected to generate over \$5 trillion in corporate revenue over the next decade. Still, anxiety remains over an aging bull market and stagnant wage growth.

Future rate hikes and a weak U.S. dollar

Many analysts expect the U.S. Federal Reserve to move forward on at least two rate hikes in 2018, even after a less-than-stellar jobs report. The U.S. dollar has continued to hover around year-over-year lows into the second week of January. The Trump administration is expected to attempt to push its

infrastructure spending plan in 2018 and has hinted at the possibility of entitlement reform to pay for its \$1.5 trillion tax-reform legislation.

Ongoing NAFTA negotiations and the possibility of a “tougher” stance against China regarding trade are also considerations in 2018. In any case, even at the current pace of economic growth, the Federal Reserve appears committed to its gradual pace of interest rate hikes, which could be good news for gold looking ahead.

Spike in physical gold demand

Gold has built momentum in January in anticipation of rising physical demand in Asia. However, this demand was lower in the past week, as the spot price of gold jumped over \$1,315. Gold prices are expected to remain stable with the expectation that physical demand will inch upward ahead of the Chinese New Year.

With global markets demonstrating optimism not seen since before the Great Recession, gold and silver equities still possess attractive valuations. Precious metals are worth consideration to begin 2018.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:K (Kinross Gold Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/29

Date Created

2018/01/08

Author

aocallaghan

default watermark