



## Gold at \$1350/oz: The Bargain of The Century!

### Description

This year has been a positive one so far for the price of gold. It has risen by 3.7% and yet the year is still only a matter of a few weeks old. This performance follows gains in 2017 for the precious metal, with its price rising by around 12% last year.

Certainly, the same time period has been a positive one for stock markets across the globe. However, gold could be an even more [effective asset](#) to own than many shares in the medium term.

### Inflation-proof

While shares are generally a sound means of overcoming the threat of higher inflation, gold has historically been the more popular asset during periods of high inflation. It is seen as a store of wealth by many investors, and this could be a reason for its rise in recent months.

In the US, Donald Trump's lower tax and higher spending plans could cause economic growth to increase. However, a side effect of a more aggressive fiscal policy could also be a higher rate of inflation. While the Federal Reserve has so far been relatively proactive in terms of raising interest rates in response to the threat of inflation, issues such as time lags and fear of slowing down the rate of economic growth may mean that higher inflation is unavoidable.

In such a scenario the popularity of gold could increase yet further. With it trading 27% lower than its all-time high, there seems to be scope for it to rise significantly in the medium term.

### Defensive asset

Gold may also prove popular in the case of a bear market. While the current Bull Run does not yet appear to be running out of steam, history shows that a bull market can quickly turn into a bear market. One piece of major, negative news flow could spark a correction which becomes a bear market. And with stock markets across the globe already trading at record highs, there could be scope for significant falls in future years.

In fact, it could be argued that a bear market is inevitable. No bull market in history has lasted in perpetuity, and in more challenging trading conditions the price of gold could increase. Investors seeking a store of wealth and defensive asset may turn to the precious metal, and this could lead to more gains in future.

## Insurance

While the price of gold is not guaranteed to rise given higher inflation or a bear market, history shows that there is a good chance that it will. As such, it could be seen as a form of portfolio 'insurance' in case the outlook for share prices comes under pressure.

While it may not be sensible for an investor to hold a large portion of gold or [gold miners](#) in their portfolio, holding some could be a sensible move. And with share prices now at record highs, it would be unsurprising for the precious metal to outperform stock markets over the next few years.

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## Author

peterstephens

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