



Could Geopolitical Risks Boost Gold and Silver?

Description

An analyst from the Danish investment firm Saxo Bank recently pointed to the Geopolitical Risk Index as being at its highest level since the 2003 invasion of Iraq. The index also spiked in August 2017, as fears over a possible conflict with North Korea hit fever pitch. A series of dismissals in the White House coupled with anxiety over [rising trade tensions](#) appear to be rattling investors. The 12-month moving average on the Geopolitical Risk Index has been steadily climbing since the middle of 2010.

Over the past two weeks, the White House has seen Chief Economic Advisor Gary Cohn, Secretary of State Rex Tillerson, and now National Security Advisor H.R. McMaster depart due to resignation or dismissal. The increased geopolitical risk and the creeping Russia investigation led by Robert Mueller has not been a boon for gold. Compare this to the [bump precious metals received](#) in the wake of the firing of FBI director James Comey in the spring of 2017.

Saxo Bank global macro strategist Kay Van-Peterson has said that the bank is shorting gold ahead of the next U.S. Federal Reserve meeting. The Fed is expected to raise rates in response to positive economic news in recent months. New Fed chairman Jerome Powell was fairly hawkish in his first few media appearances.

After the hike however, Saxo Bank has projected that gold could gather momentum. Van-Peterson also pointed to the risk of heightening trade war that could result in bullish conditions for both gold and silver going forward.

Let's look at three gold and silver equities to monitor going forward.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX)

Barrick stock has dropped 12.3% in 2018 as of close on March 16. Shares have plunged 37% year over year. The company released its 2017 fourth-quarter and full-year results on February 14. Barrick managed to reduce its debt by 19% or \$1.51 billion to \$6.4 billion, and it plans to shrink its overall debt to \$5 billion by the end of fiscal 2018. Net earnings climbed to \$1.44 billion in 2017 largely due to divestments in its Valadero and Cerro Casale projects.

Alamos Gold Inc. ([TSX:AGI](#))([NYSE:AGI](#))

Alamos Gold stock is down 18.2% in 2018 and 34% year over year. In the fourth quarter of 2017, Alamos Gold completed its acquisition of Richmond Mines Inc., an Ontario-based mine. The company produced a record 429,400 ounces of gold in 2017, which represented a 10% increase from the prior year.

Silvercorp Metals Inc. ([TSX:SVM](#))(NYSE:SVM)

Silvercorp have seen its stock rise 1.5% in 2018 but is down 31% year over year. In its fiscal 2018 results, Silvercorp saw its silver production dip, but it ramped up its lead and zinc production, as base metals have surged over the past year. Strong economic growth could continue to propel base metals in 2018, which could somewhat offset the sluggish price of silver since the end of 2016.

Are precious metals a good bet right now?

The dip in gold and silver will likely already be priced in by the time the Federal Reserve hikes interest rates this week. Investors will also want to watch the upcoming meeting between North Korean leader Kim Jong-un and President Trump closely as the U.S. seeks to come to a resolution regarding the Korean Peninsula.

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Author

aocallaghan

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