



Can Gold Outperform the Slumping TSX?

Description

Gold prices moved down on April 5 after it appeared that trade tensions between China and the United States would subside on comments from chief economic advisor Larry Kudlow. Both countries have made it known that they are willing to negotiate rather than resort to a full-blown [trade war](#). Canadian and U.S. indexes finished the day in the black, but the optimism appears to have been short-lived.

On the evening of April 5, President Donald Trump sought to apply further tariffs on Chinese goods, the value of which was reportedly close to \$100 billion. The bulk of these tariffs will focus on Chinese industrial technology and machinery. This sent U.S. futures tumbling. The spot price of gold inched up in late night and early morning hours.

Analysts have gone back and forth in recent weeks in trying to decipher the direction of the Trump White House. In many cases, this White House has taken a hardline stance, only to ease on its policy after revision. The recent steel and aluminum tariffs are a prime example, as the Trump administration initially telegraphed that it would not allow any exemptions for allies. In the following days, the administration backed down and [allowed exemptions](#) for Canada, Mexico, and Australia.

The S&P/TSX Index has fallen over 5% in 2018 as of close on April 5. A recent report showed that the TSX was the 77th worst performing index out of 93 global exchanges in the first quarter. The spot price of gold has inched up marginally in 2018, but performance for gold equities has been scattered. Should investors bet on the safe haven in the spring?

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) has dropped 12.7% in 2018 as of close on April 5. Shares actually reached above the \$4.50 mark in late January before it was battered due to the global stock market sell-off in early February. **Goldcorp Inc.** (TSX:G)(NYSE:GG) has climbed 11.5% in 2018 so far, and the stock is up 7.9% month over month. **Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)) has dropped 6.2% in 2018 but is up 2.9% month over month.

Stephen Letwin, CEO at **Iamgold Corp.**, predicted that gold prices would climb due to lack of exploration in the industry and the absence of replacement production. Gold mines increased production in 2017, and some analysts expect that the peak was reached last year. Some gold bulls

see the safe haven reaching as high as \$1,500 on lower production and geopolitical fears in 2018.

Should you bet on gold over the TSX in April?

Despite the sluggish performance from the TSX thus far, it is difficult to bet on gold right now. The spot price has established a ceiling around the \$1,350-1,360 range, and it is anyone's guess whether or not a breakthrough will be achieved in the near future. Choppy market conditions could result in an altering of central bank policy, but for now policymakers in the U.S. have remained steadfast in their intention to hold several more rate hikes in 2018. This is likely to cap gold's potential going forward.

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1. Investing
2. Metals and Mining Stocks

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2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:WPM (Wheaton Precious Metals Corp.)
4. TSX:YRI (Yamana Gold)

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Date

2025/06/30

Date Created

2018/04/06

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