



Should You Pile Into Gold in July?

Description

Back in late May, I'd discussed why June would likely be a [significant month](#) for gold prices going forward. The spot price of gold was hovering around the \$1,300 mark in the last week of May; it has since plunged nearly \$50 month over month. A number of factors have contributed to its drop.

Geopolitical breakthroughs made in June

The media salivated over the prospects of the North Korea-United States summit in the lead up to June 12. The landmark meeting between North Korean leader Kim Jong-un and President Donald Trump had huge geopolitical significance, but it also represented a risk for gold. That meeting turned out to be a [public relations success](#) for both nations, and the price of gold slipped below \$1,280 in the days following.

Some analysts have argued that the summit lacked substance. Indeed, both leaders signed a vague agreement, and it is expected that the more detailed and important negotiations will occur in the next few months between the top advisors for both leaders. In any case, the meeting appeared to put a lid on a combustible situation on the Korean Peninsula. The uncertainty had powered gold for much of 2017.

Greenback gaining momentum

The U.S. dollar has posted solid gains since late April, even in the midst of volatility for the top U.S. indexes. The Federal Reserve elected to hike its benchmark overnight lending rate to a range of 1.5% to 1.75% in its June meeting. It has proven more hawkish in previous months with the U.S. economic picture remaining strong, and analysts are expecting two more rate hikes in 2019. This could generate more downward pressure for the yellow metal.

U.S. trade policy has also had a positive impact on the dollar. Many investors are fleeing from equities in the face of a tumultuous global trade situation. The spike in bond yields has made alternatives slightly more attractive, and the promise of future rate hikes may exacerbate this trend into the summer.

Alternatives have not fared well

The spot price of silver has also experienced steep declines in this short period. It has failed to generate the kind of short-term momentum that gold has in 2017 and 2018. Cryptocurrencies have also faltered, as Bitcoin is threatening the key \$6,000 threshold in early morning trading on June 27.

Is a rebound in gold possible this summer?

There is a lot working against gold right now, and in the near term it is a risky play. **Goldcorp Inc.** (TSX:G)(NYSE:GG) stock has dropped 1.7% month over month as of morning trading on June 27. Shares are up 11% in 2018 so far. **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)), another top Canadian gold producer, has been largely static in 2018. Meanwhile, **Kinross Gold Corporation** ([TSX:K](#))([NYSE:KGC](#)), which has shown improvement in successive earnings reports, has seen its share price drop 7.9% in 2018.

There are many headwinds facing gold right now, so investors should consider looking elsewhere or, at the very least, maintaining small positions in their portfolios.

CATEGORY

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2. NYSE:KGC (Kinross Gold Corporation)
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