



3 Positive Signs for Precious Metals Right Now

Description

The spot price of gold has failed to gain any momentum as we come into the final days of summer. A strong dollar and a booming economy south of the border has buried the yellow metal for much of the year. Silver prices have fared even worse. The spot price of silver hit a more than two-year low as it dropped below \$15 in July and August.

Back in May, I'd discussed why June would be a [big month](#) for gold and silver. Not only did the United States and North Korea managed to temporarily reduce tensions, which resulted in weakness for safe havens, but the U.S. Federal Reserve also elected to raise interest rates. This perfect storm sparked a drop for gold below the \$1,300 mark in early June, and by early August it had plunged below \$1,200.

This trend has been evident in the performance of gold equities. **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) stock has dropped 23.3% over a three-month period as of early afternoon trading on September 13. Shares are down 27% in 2018 so far and have plunged 38% year over year.

The company scored a victory in mid-August as it received key U.S. environmental permits for its Barrick-**Novagold** gold mine project in Alaska. Barrick has also undergone an ambitious decentralization effort that will see the company eliminate the role of its chief innovation officer. This move has likely been inspired by the leaner period experienced by gold miners over the past two years.

Does that mean investors should turn away from precious metals for the rest of the year? Not necessarily. In fact, gold and silver equities may offer nice value right now. Let's look at three positive signs for precious metals as we move into the fall.

Collapse of cryptocurrencies in the late summer

In late 2017, it seemed as if cryptocurrencies had a legitimate shot at [dethroning precious metals](#) as safe havens, at least in the near term. Bitcoin and other cryptos performed well into December 2017 before finally succumbing to inflated prices. Prices for major cryptos have since floundered and took another major tumble in early September. The volatility in the crypto market will likely see investors stray away from seeing digital currencies as viable safe havens going forward.

U.S. midterms loom in November

In the years following the financial crisis, precious metals have shown a tendency to respond sharply to geopolitical events. The November U.S. midterms are sure to produce fireworks in an increasingly fractured and intense political climate. Currently, the Democrats are favoured to retake the House of Representatives. There have been murmurs that the Democrats would be willing to file articles of impeachment, which would ignite a political firestorm that could further escalate the political warfare in Washington. More infighting could easily spook investors and spark a run for precious metals.

An aging bull market in a late economic cycle

The U.S. economy has posted impressive growth since the passage of the U.S. Tax Cuts and Jobs Act. However, wage growth has fallen back into stagnation again with inflation on the rise. The Federal Reserve has vowed to continue its path of gradual rate hikes, which will likely put a greater strain on consumers to service debt as we look ahead to the next decade. Tax reform has bought time, but there are more signs that we are in the latter stages of the current debt cycle. The threat of a future downturn should inspire investors to store at least a small percentage of gold and silver equities in their portfolios.

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