



Has October Has Exposed This New “Safe Haven?”

Description

Almost exactly one year ago today, I'd discussed the rise of cryptocurrencies as an [alternative to precious metals](#). Crypto has fallen out of favour after suffering a precipitous drop in late 2017 and early 2018, but the debate over its future as an asset class has raged on. Some crypto enthusiasts have argued that price stabilization will only add to its value as an alternative safe haven in comparison to gold and silver going forward.

This October has been [one of the most turbulent](#) for stock markets in the developed world since the financial crisis. Fortunately, this has provided an interesting case study for the performance of both asset classes over the course of the month.

Gold delivered in October

The spot price of gold sat just under \$1,200 as investors entered October. The yellow metal has since surged over \$1,230 but has encountered headwinds in the aftermath of yesterday's rally. Many of the top gold equities have benefited.

Barrick Gold ([TSX:ABX](#))([NYSE:ABX](#)) is the largest gold producer in the world. Shares climbed 17.2% month over month as of close on October 30. The stock is still down 7.8% in 2018 so far. Barrick announced a merger with **Randgold Resources** in late September, which will push the company to be the largest producer in the world. In the third quarter Barrick also reported adjusted net earnings of \$89 million.

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#)) is a Toronto-based gold miner with operations in North and South America. Shares of Yamana have failed to gain momentum from the increase in gold's spot price. The stock has dropped 4% over the past month. Yamana stock faced downward pressure following the sale of its Gualcamayo mine, which lead to an \$89 million impairment. The company is one of the most prominent miners in the world, but recent earnings have been consistently disappointing.

Crypto shadowed the broader market

The price of Bitcoin entered October trading at or above \$6,500 and has fallen steadily as the broader market suffered losses. Ethereum followed an almost identical trajectory. It was priced just above \$230 heading into October and has since dropped below the \$200 mark. It has settled to its lowest point since July 2017.

In fairness, digital currencies have faced tremendous headwinds in 2018. Regulators around the world have targeted cryptocurrencies after the Bitcoin craze shook the mainstream investing world throughout 2017. Cryptocurrency prices were hurt following a late October report that suggested U.K. politicians were putting pressure on the Financial Conduct Authority (FCA) to expand regulations for the sector.

The U.K. has witnessed the emergence of a burgeoning financial technology sector in recent years, and there are concerns that this crackdown could snuff out early progress. On the bright side, investors are unlikely to see substantive regulatory changes until 2019.

It is too early to declare cryptos down and out

The international regulatory pinch on cryptocurrencies has created an environment of distrust. The argument for holding Bitcoin or Ethereum as a safe haven is flimsy considering the constant pressures on crypto. Gold is still king during periods of financial turbulence.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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