



## 2 Bullish Signs for Gold in 2019

### Description

The spot price of gold was up to nearly \$1,250 per ounce in late morning trading on December 4. Gold has seen a resurgence in late November and early December due to several factors. The most recent spike comes on the heels of U.S. President Donald Trump acknowledging that US-China talks could lead to more tariff action in 2019.

Gold equities have seen [positive action](#) in the fall.

**Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) stock has surged 28.8% over a three-month span as of late morning trading on December 4. The stock is still in negative territory for 2018. Barrick released a very solid third-quarter report back in October. Gold production hit 1.15 million ounces in the quarter, reporting revenues of \$1.84 billion. Barrick is the largest gold producer in the world after its Randgold acquisition.

**Kinross Gold** ([TSX:K](#))(NYSE:KGC) stock is up 3.8% month over month. In early November I'd discussed why Kinross was an interesting target due to [global developments](#). The Brazilian election brought to power a party that could boost Kinross operations in 2019 and beyond. In the third quarter, Kinross produced 586,260 gold equivalent ounces and reported revenue of \$753.9 million.

Gold producers like Barrick and Kinross have been getting by on low prices since late 2016. A strengthening U.S. dollar has put a cap on gold's ceiling, but there are bullish signs on the horizon. Rising gold prices in 2019 have the potential to result in massive revenue increases for companies like Barrick and Kinross. Let's look at two reasons that investors should be optimistic about gold's outlook in 2019.

### A potential pause on rate hikes in the United States

On November 28, U.S. Federal Reserve chairman Jerome Powell spoke at an event in New York and said that the current policy rate of 2-2.25% was "just below" the neutral rate level. This implied that there was a limited need for additional rate hikes. North American indexes soared in response as interest rate anxiety has been a primary driver of the most recent global stock market sell off.

The U.S. dollar showed surprising strength considering the dovish take. A timeout for Fed rate hikes may not blow up the dollar in 2019, but a retreat would have major implications. With that in mind, let's look at the second reason to be bullish for gold next year.

### **Anemic global growth heading into the next decade**

**Goldman Sachs** surprised some last month when it projected 1.8% GDP growth in the US in the third quarter and forecast that this would slip to 1.6% in Q4. Goldman stated that the positive impact of tax reform will pass by the second half of 2018, and tighter economic conditions will hinder growth. However, Goldman is confident that the U.S. will stave off recession until at least 2020.

Global growth is also expected to slow in 2019. The Organization for Economic Cooperation and Development (OECD) lowered its forecast for global growth to 3.5% from its original projection of 3.7%. "Recent developments suggest that the global expansion has peaked and is likely to slow over the next two years," the OECD said in its report.

Slowing U.S. and global growth will put more pressure on policymakers, especially as fundamentals like real wage growth remain in a troubling range. A broad pullback has the potential to push interest rates back down in the coming years, which would be fantastic news for the yellow metal.

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1. Investing

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2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ABX (Barrick Mining)
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