



Will Brexit Chaos Spark a Bull Run for Gold?

Description

The shocking Brexit result on June 23, 2016 helped gold roll off impressive gains in the first half of that year. It vaulted 25% in the first two quarters of 2016, but would later succumb to headwinds that pushed it below the \$1,150 mark. Gold pushed above the \$1,300 mark on March 12 after British Parliament rejected Prime Minister Theresa May's Brexit deal by 391 votes to 242. A no-deal Brexit was also firmly rejected by British MPs on March 13.

To start the year, I'd recommended that investors [hold on tight to gold](#). Rising geopolitical volatility was one of the reasons for this outlook. The dovish turn from central banks is another development that has worked [in the favour of the yellow metal](#).

The deadline for Brexit is set for March 29. Odds are there will be a delay as Britain looks to avoid a crisis that would emerge in the wake of a no-deal Brexit. The Labour opposition, and even May herself, have floated the prospect of a second referendum. There is also the possibility of a snap election, which would likely emerge as one of the most contentious in recent memory.

There are good reasons to be bullish on gold in 2019, but the impact of Brexit will likely be negligible compared to the softening position on rate hikes from central banks.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD)

Barrick Gold is the largest gold producer in the world. Its stock had climbed 4.1% in 2019 as of close on March 13. However, shares were still down 3.8% in 2019.

Barrick recently abandoned its takeover bid for **Newmont Mining**, opting instead to merge its Nevada gold mines together. The company is expected to release its first-quarter results for 2019 in April. Higher gold prices should provide a boost to its bottom line.

Barrick is still trading at the high end of its 52-week range and boast an RSI of 58 as of close on March 13. Still, the stock is an attractive add for those looking for gold exposure due to its wide moat alone.

Goldcorp (TSX:G)(NYSE:GG)

Goldcorp is a Toronto-based miner that produced approximately 2.3 million ounces of gold in 2018. Shares of Goldcorp were up 11.1% in 2019 as of close on March 13. The stock was down 13.9% year over year.

The company also expects to release its first-quarter results in late April. Earnings were soft in Q1 2018 due to lower gold output and higher costs. Next month Goldcorp will be absorbed by Newmont Mining, which will in turn become the largest gold producer in the world. The gold miner arms race is expected to result in further consolidation in the industry, especially in Canada, in the coming months and years.

Gold prices have remained steady in the face of a strong stock market rally largely due to expectations surrounding monetary policy. Odds makers are dropping the chances of a rate hike in the U.S. this year, a bullish sign for gold going forward. Volatility produced by Brexit or other geopolitical events is icing on the cake for those holding gold equities.

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