
This Is The Hedge You Need Against Uncertainty

### Description

In the world today, almost everyone has given up on rising rates and the possibility of inflation. A large majority of investors believe that inflation is all but dead and central banks are more likely to lower rates than the raise them. This overwhelming consensus has led to the possibility that the tide has gone too far to one side, leaving any contrarian event at risk of causing a major calamity in the global economy.



These calamities could come in a multitude of forms. A decade of rock-bottom interest rates has resulted in the largest debt bubble that has ever existed in history. The International Monetary Fund stated earlier this year that debt has reached a record level of US$184 trillion. The level of debt is astounding.

While it seems unlikely, real estate downturns and resulting recessions have frequently followed periods of cheap credit. The problem this time is that that easy money is a global phenomenon, which could lead to a painful correction if things go wrong. We don't have to look much farther than the 2008 financial crisis to see what a credit crunch could look like.

And what if inflation picks up unexpectedly? This has happened numerous times in the past, so why not now? A sudden jump in inflation could lead to a massive increase in interest rates; it occurred in the late 1970s. Uncertainty can kill your portfolio, so you need to be prepared to hedge against it.

## Buy a gold ETF to hedge your portfolio

Each of these outcomes is extremely contrarian in nature. No one expects them to occur, which is what makes them so potentially damaging. Just think back to 2016, when no one thought interest rates would ever go higher. The sudden move upwards over the next couple of years shocked investors, eventually causing a minor collapse in the stock market in the fall of 2018.

Be prepared for the unexpected by using a gold investment. The market is brittle and could be negatively impacted by a sudden downward move caused by one of the factors already mentioned. Probably the best investment for most Canadian investors to use is **iShares S&P TSX Global Gold ETF** (TSX:XGD). This ETF provides exposure to many of the best gold-related companies in the world. And because it has exposure to the gold streamers like

**Franco Nevada** as well as gold producers, you are able to have leveraged exposure to the gold price recovery.

XGD is a slightly more expensive ETF with a management expense ratio of 0.62%, but it is a specialty ETF focused on gold, which requires more management than a standard index fund. With gold experiencing an excellent run this year rising to a six-year high of over US$1,400, this ETF has given excellent returns of over 16% year to date.

The ETF also has a modest dividend, which might make you sleep better at night. It is not huge at 1.41% as of this writing, but it might give you the income you need to hold on to this fund while you ride out tumultuous times.

## Gold is a hedge against uncertainty

Uncertainty is rising, and gold is once again taking its place as a store of wealth in troubled times. The dollar is tanking on a dovish Fed. Unrest in the Middle East and trade talks are increasing uncertainty around the world. Guard your portfolio with a gold hedge build around an ETF like XGD.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners



**TICKERS GLOBAL**

1. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

**PARTNER-FEEDS**

1. Msn
2. Newscred
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