Billionaire Ray Dalio Is Bullish on Gold: Is He Right?

Description

Ray Dalio is the founder of the world's largest hedge fund and is widely followed by investors who are searching for clues as to where the next big opportunity might lie.

In his latest publication, Dalio laid out his reasons for being bullish on gold. The report had an impact on the market, sending gold up 1% to US$1,425 per ounce.

What's the scoop?

Dalio says central banks around the world are gearing up to devalue their currencies, and this type of environment tends to be positive for gold. In addition, he says domestic and international conflicts are bullish for the yellow metal.

Finally, he suggests too many people have put their money into equities and are underweight gold. Dalio sees the move to gold and similar assets as the next "paradigm shift".

Ideally, investors want to be ahead of the crowd when a big transition occurs to maximize returns and minimize losses when the previous popular play goes out of favour.

Dalio's theory makes sense as the stock market extends its longest bull run in history. A broad shift to gold as a portfolio diversifier could turn the recent upswing in gold prices into a multi-year rally.

Gold has increased from US$1,200 last fall to the current price, but is still well short of the US$1,900 it hit at its peak in 2011.

Should you buy gold?

The U.S. Federal Reserve is widely expected to cut interest rates later this month and possibly again before the end of the year, reversing a rate-hike trend. The result will likely put downward pressure on the U.S. dollar.

Since gold is priced in the American currency, a falling greenback should support higher gold prices. If Dalio is right and currency devaluation is going to pick up steam, gold could get a nice bump.

Negative bond yields are also a potential driver of gold demand. The yellow metal doesn't pay any return, which makes it less appealing when interest rates are rising.

In the event more countries around the globe cut rates to the point where real returns are negative, gold start to look more attractive.

You can own gold directly through a gold ETF, but there might be a better way to play the rally. The share prices of the miners tend to make larger moves than the price of gold.

For example, **Barrick Gold** (TSX:ABX) (NYSE:GOLD) jumped 3% on the 1% increase in gold when Dalio's report was released.

Barrick recently merged with Randgold Resources to create a global mining giant with five of the world's top ten mines. The company's balance sheet is in good shape and its large production and low all-in-sustaining costs mean it can generate significant free cash flow if gold prices continue to increase.

The stock is trading at a 12-month high near $22 per share at writing, but is well off the $50 mark it hit when gold peaked in 2011.

Dalio has a knack for finding opportunities ahead of the crowd, so it might be a good time to follow his lead and add some gold exposure to your portfolio.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

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

Date
2025/07/25
Date Created
2019/07/17
Author
aswalker