



## Gold Will Continue to Outperform: Here's an Easy Way to Gain Exposure

### Description

Humans have placed a value on gold for thousands of years. Gold is one of the oldest things to have intrinsic value. When we wanted to move away from it as our currency, we still used it to back that currency, because of how much trust and belief goes into the value of gold.

It's valued because of its unique properties. Firstly, its shiny features make it appealing to consumers, especially in jewellery. Furthermore, gold doesn't corrode and can be easily melted to change into different shapes. Lastly, there is a finite amount of it, and it can't be created out of thin air. The price for gold needs to be economically viable in order for an increase in supply to make sense.

### Why is gold a good investment today?

For starters, [gold](#) performs its best when there is fear or uncertainty in the market. In addition, because gold is finite, when central banks around the world print money, the purchasing power of those countries decrease, but the amount of gold stayed the same, therefore the price of gold increases in those corresponding currencies.

This is why people say gold is a hedge against inflation. It's possible that in the same time frame, gold can appreciate against one currency and depreciate against another. For this reason, it's best to think of gold as a highly stable currency.

### What causes the price of gold to rise?

There are a number of reasons that would cause the price of gold to rise. The first and most popular reason is during periods of fear and [uncertainty](#) in the market place.

Right now, we're facing a trade war and the global decrease in interest rates, but the rise in gold could be caused by anything from poor economic numbers out of a major world economy to a massive conglomerate going into bankruptcy.

Anything that stokes fear in the market will likely cause the price of gold to rise, because it's a safe haven.

The logic is that when bad things are happening around the globe, central banks will be inclined to increase the supply of money.

The increase in supply of money lowers the purchasing power of those currencies, which increases the price of gold.

Another reason why the price of gold would appreciate would be a decrease in the supply of gold. Countries play a huge part in the buying and selling of gold, so when large countries are net buyers and there isn't enough supply to match demand, there will be a shortage.

The supply shortage would cause a price increase, which would incentivize companies to produce more, therefore virtually eliminating the shortage.

Of course, if countries are net sellers, there will be more gold flooding the market, which will naturally decrease the price for it.

One of the easiest ways to gain exposure to the sector is through buying an ETF. **iShares S&P/TSX Global Gold Index ETF** ([TSX:XGD](#)) is a great way to gain exposure to numerous gold companies.

## XGD

XGD is a Canadian ETF that aims to provide exposure to global gold companies. Its top holdings are **Newmont Goldcorp** (20%), **Barrick Gold** (~18%), and **Franco-Nevada** (~10%). The management expense ratio is just 0.61%, and the fund pays a small dividend that yields just 0.64%.

XGD is up more than 25% since the beginning of June, showing how global trade and economic-slowdown fears can increase the price so rapidly.

It seems as though this isn't going to blow over quickly, but even if it does, a position in XGD could still be warranted, especially to set your portfolio up for the next market scare.

Stay hungry. Stay Foolish.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

## PARTNER-FEEDS

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