



## Fear a Recession? Here's 3 Reasons Why the Rising Gold Price Could Help

### Description

The risks facing the world economy appear to be intensifying. The trade war between the US and China has gradually increased in terms of its size and scale, while Brexit is now a matter of weeks away. Furthermore, the outlook for the European economy remains precarious, while China and the US are forecast to post slower growth in 2020 than in 2019.

All of this could mean that investors become increasingly downbeat about the prospects for the world economy. This could lead to a volatile period for the stock market, while it may also mean that the gold price continues to move higher.

Here's why that trend could continue, and why buying into the rising gold price could prove to be a shrewd move.

### Store of wealth

History shows that gold has been a store of wealth for many centuries. During the most challenging economic periods, gold has often been in high demand. This has led to it offering a lower positive correlation with the wider economy's performance than many other mainstream assets.

Due to the aforementioned risks facing the world economy, the gold price has moved significantly higher during the course of 2019. It now trades 17% higher than it did at the start of the year. Since it had failed to rise over the previous four years, this suggests that demand for gold has spiked in recent months.

If the risks to the global economy remain high, gold could realistically trade much higher than it does today. In fact, when fears surrounding the world economy's prospects were elevated in 2011 it traded 23% higher than it does today.

### Interest rate falls

One factor that limited the rise in the gold price prior to 2019 was an increasingly restrictive US monetary policy. Since the US economy was delivering improving levels of performance, its interest rates were increased. This inhibited the gold price, since it became less appealing when compared to income-producing assets such as bonds and cash.

Now, though, investors expect the US to cut interest rates instead of increasing them. This could mean that gold gradually becomes increasingly attractive when compared to income-producing assets, which may lead to a rising gold price over the medium term. This could mean that if the economic outlook remains uncertain, interest rate cuts catalyse the gold price.

## Valuations

Even though the gold price has risen sharply in 2019, a number of major [gold miners](#) continue to offer good value for money. Therefore, they could deliver high long-term returns to investors – even if the world economy goes on to generate a high rate of growth.

As such, having exposure to the gold price through owning a diverse range of gold miners appears to be a sound move. It could help to protect your portfolio against the threat of a recession, as well as offer long-term upside.

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