1 Bearish and 1 Bullish Sign for Gold Before 2020

Description

The spot price of gold has climbed over 20% in 2019 so far. When this year began, I'd suggested that investors should look to the yellow metal in preparation for market turbulence. There are positive indicators for gold as we look ahead to 2020, but should investors put their faith in gold before the new year?

Barrick Gold (TSX:ABX)(NYSE:GOLD) stock has dropped 10% over the past month as of close on October 21. Shares have continued to exhibit weakness, even after it struck a deal to settle its lingering Tanzania dispute. The gold miner will pay $300 million to settle all outstanding tax and other disputes in the country.

The company missed its gold production estimates in the third quarter, which also generated downward pressure for the stock. Gold production hit 1.31 million ounces, which was down from the 1.35 million ounces it produced in the second quarter. On the plus side, copper output rose 14.4% to 111 million pounds.

Shares of Barrick last had an RSI of 38, which puts the stock close to technically oversold territory.

As usual, the spot price will be a huge determinate for Barrick stock going forward. Today, I want to look at one bearish and one bullish sign for the yellow metal as we look ahead to 2020.

Progress on the trade front

Gold and silver prices have encountered weakness due to some breakthroughs on the global trade front. To start, there was the limited trade deal reached between the United States and China. U.S. president Donald Trump recently said that talks had been coming along "very well." There are hopes that we will see something concrete before mid-November's meeting of the Asia-Pacific Economic Cooperation countries in Chile.

There are still major sticking points between the two economic giants, particularly on national security grounds. Investors should not expect any major breakthroughs in these areas, but the limited deal will likely include a rollback on some tariffs and a Chinese agreement to purchase more American agricultural products.

United Kingdom prime minister Boris Johnson is engaged in a political fight to push through his new Brexit deal. At the time of this writing, Boris Johnson was preparing to ask lawmakers to support the withdrawal deal he struck with European Union leaders earlier in October. The Johnson government could push for an extension to a January 31, 2020, deadline, giving lawmakers more breathing room to read through the details. The Brexit vote sparked a run for gold back in 2016, but confirmation that a no-deal Brexit has been avoided will alleviate concerns and likely lower demand for the safe haven in the near term.

Loosening monetary policy

Central banks across the developed world scrambled to stop the bleeding after a sharp market correction in late 2018. The United States Federal Reserve reversed policy on rate tightening and has moved forward with two rate cuts so far this year. A third rate cut in October is still reportedly on the table.

U.S. financial authorities have also signalled in October that loose monetary policy will remain in place into the next decade. The U.S. Fed will start buying $60 billion of Treasury bills a month in an operation that will stretch for at least half a year. In a separate action, the New York Federal Reserve injected $104.15 billion into financial markets to boost liquidity.

Any efforts to “normalize” monetary policy are being put on hold, as policymakers look to combat slowing global growth. Lower real interest rates and elevated recessionary risks should continue to be supportive for the spot price of gold.

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