



Forget Gold! I'd Invest in Undervalued Stocks Today to Make a Million

Description

Buying gold has become increasingly popular over the last few years. A combination of rising fears for the global economy's outlook and a falling US interest rate have combined to catalyse the precious metal's price. As a result, many investors have become more upbeat about its prospects.

However, the stock market could offer greater long-term investment appeal than gold. Many stocks are currently trading on low valuations which suggest they could deliver high returns in the coming years. Furthermore, the stock market offers greater diversity than gold, as well as an income. As such, now could be the right [time to buy shares](#), rather than the precious metal.

Gold's prospects

With US interest rates expected to stay at low levels over the near term, and fears surrounding the prospects for the world economy being relatively high, gold's price could move higher in the near term.

However, over the long run it may not offer high total returns. History shows that investor sentiment has always recovered from lower levels to catalyse global stock markets. As such, demand for gold could moderate – especially since it is currently trading at a relatively high price. This could cause its performance to be less impressive in the long run than it has been over the last couple of years.

Stock market appeal

While gold may be trading at a relatively high price, in many cases shares offer wide margins of safety. Risks such as a global trade war, Brexit and geopolitical challenges in the Middle East have contributed to a degree of caution being present among investors. This means that many stocks could be worth buying, since they appear to offer favourable risk/reward ratios.

The track record of the stock market shows that it has always recovered from periods of uncertainty to post new record highs. Certainly, this process of recovery can take time. But for investors who have a multi-year time horizon, the recovery potential of shares could be highly attractive.

In addition, shares offer an income return in many cases. By contrast, owning physical gold or a gold ETF does not produce an income stream. With global interest rates being low and many investors struggling to obtain a worthwhile positive real-terms return on their capital, the stock market may provide an obvious income solution.

Risk profile

Gold may be considered attractive as a result of its long history as a store of wealth. This makes it less risky in the eyes of many investors. However, it is possible to reduce the risk of buying shares through diversification. This reduces company-specific risk, which is the threat of one stock's poor performance hurting a wider portfolio's valuation, and is easier than ever to achieve.

With the cost of share dealing having fallen in recent years, building a diverse portfolio of stocks is a realistic goal for most investors. Given the stock market's low valuation and income prospects, now could be a good time to focus your capital on equities, rather than on gold.

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Date

2025/08/26

Date Created

2020/02/01

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