Alert: Gold Price Could Surge 80% in 2020

Description

Despite the recent rally, investors still seem anxious about the market. The economic shutdown could persist far longer than expected, potentially leaving permanent dents in the economy and consumer confidence for years. At times like these, investors consider the gold price a stabilizing force.

Gold has served as a safe haven for investors in nearly every previous crisis — and this time seems like no different. Gold price is currently at US$1,717 (C$2,433) per ounce, nearly the same as late February. The **TSX Index** has lost 20% over the same period. In other words, the shiny metal retained its value better than the rest of the global capital market.

Now, experts believe the gold price could move much higher. Two factors could drive the surge in gold's value in 2020 and beyond.

Flight to safety

As it isn't tethered to the rest of the economy, gold is considered a safe haven. Investors tend to retreat to it when bonds and equities become volatile and the economy becomes unpredictable.

Unlike other safe havens, like cash or government treasuries, gold actually appreciates when the market collapses. The gold price nearly tripled between 2006 and 2009, during the previous economic crisis. Gold funds such as the **iShares S&P/TSX Global Gold Index Fund** and gold miners such as **Barrick Gold** have delivered tremendous returns since late February.

Now, there are signs that the economic downturn could be deeper and longer than people expect. If that's the case, it could bolster the gold price further. If the gold price appreciates, gold mining companies with some borrowed capital can magnify their returns. This makes them the perfect bet for contrarian investors.

Money printing

Another driving force is the relentless pace of money creation during this downturn. Central banks across the world have unleashed a spectacular amount of stimulus in recent months. Fiscal and monetary stimulus is a necessity to put a floor under households and avoid economic distress. However, it also devalues the currency over time.

Bank of America analysts called this move “financial repression.” Their price target for gold is US$3,000 by the end of 2021, 74.7% higher than the current gold price. Billionaire hedge fund manager Ray Dalio echoed this sentiment. Before the market crash, he said he was looking to gold as a safe haven.

Although BoA’s forecast is far from certain, it indicates serious upside for gold over the next year. Canadian investors can probably gain some exposure through the many gold funds and miners listed in Toronto.

Foolish takeaway

There’s a reason investors have flocked to gold for millennia. The ongoing COVID-19 pandemic is a major crisis. However, it’s not the first crisis we’ve dealt with.

In every political, economic and social crisis in the past, gold has served as a shelter for the wealthy. The yellow metal retains its value and has a tendency to appreciate even when the world is falling apart.

Long-term investors should probably consider adding a gold fund to their portfolio to limit their downside. If you’re looking for a bet against the market, consider gold mining stocks. Either way, the metal deserves more attention.

CATEGORY

1. Investing
2. Metals and Mining Stocks

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date
2025/09/11
Date Created
2020/04/25
Author
vraisinghani