



Could Gold Really Hit \$4,000?

Description

The year 2020 has witnessed a major rally in the price of gold. With the U.S. dollar tanking, precious metals have been surging, sending gold to \$2,032 as of this writing.

This year's gains cap several bullish years for gold. Up 35% over the past 12 months and 85% over the last five years, it has been seeing major positive momentum.

Incredibly, some say the best is yet to come. Last week, an influential fund manager came out predicting that gold could hit \$4,000. That would be nearly double the current price. It may seem like a stretch, but it could come to pass. Here's why.

What it would take for gold to reach \$4,000

According to Frank Holmes of **U.S. Global Investors**, the price of gold is being supported by two closely related factors:

1. Inflation
2. Loose monetary policy

When inflation is high, investors seek safety in 'hedge' assets like gold, in turn driving up the price of gold. While the CPI has been moderate in recent years, Holmes said current CPI calculations fail to factor in many costs. Because the CPI doesn't factor in things like housing, he said, you end up with an artificially low estimate. In an interview with *Kitco*, he said that inflation would be 6% or higher if these costs were factored in.

Loose monetary policy contributes to all of this. Even before the COVID-19 pandemic hit, the Federal Reserve was pushing very low interest rates, and they went even lower to help combat the crisis. Canada also slashed rates to help the economy through COVID-19.

This sort of loose monetary policy tends to cause inflation, which in turn drives greater demand for gold. In Holmes' view, this demand could send the price all the way to \$4,000.

A Canadian gold stock that could benefit

If you think gold is set to rise, you have [many ways to profit from it](#). You could buy physical bullion and store it in a box. You could invest in gold futures. You could pay to have it stored for you by a company like Kitco.

If you prefer investments that generate cash flows, your best bet is to invest in gold stocks. Unlike most other gold investments, gold stocks may pay regular cash dividends that increase over time. This gives you a regular, dependable income source, without you having to time the market.

One great example of such a stock is **Kirkland Lake Gold** (TSX:KL)(NYSE:KL). Kirkland Lake Gold is a Canadian gold producer that mines several hundred thousand ounces of gold every year. In 2020, it's on track to surpass a million. The second quarter was a record breaker for the company; it mined 329,000 ounces of gold and [delivered \\$0.79 in EPS](#), up from \$0.52 in the same quarter a year before.

Even if gold *hadn't* been bullish, it would have been a solid quarter for KL, which increased its production by about 30% year-over-year. But gold was bullish in Q2, making the quarter a total blowout.

On the strength of its financial results, Kirkland Lake Gold doubled its dividend earlier this year. This makes it one gold investment that can provide solid income.

With gold stocks, your analysis is more complicated than with the raw commodity, because you need to take production levels, expenses and debt into account. As a gold producer that excels on all three of those fronts, KL is a solid way to bet on gold.

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