



Inflation Is Hot This Year: Why Isn't Gold Rising?

Description

Inflation is running hot in 2022. In April, the CPI rose 6.8%, and it was also high in the months period to that. This year has seen significant inflation driven by crude oil, which influences not only the price of gasoline but also transportation and food. Despite that, the price of gold isn't rising very much. For the year to date, it is only up 2%, which is not as good of a return as you'd expect in a period of high inflation.

Gold is considered an inflation hedge, because it often goes up when purchasing power goes down. The price of gold is up somewhat this year, but not enough to protect peoples' savings against inflation.

The tepid gains in the price of gold are having an effect on gold stocks. This year, **Barrick Gold** ([TSX:GOLD](#))(NYSE:ABX) stock is up 7.6%. That is much better than the raw commodity and actually ahead of Canada's (but not the U.S.'s) inflation rate. It's also far better than the TSX average for the year. However, GOLD's return would be much better if gold were really rallying. So, investors are wondering why gold stocks aren't delivering what they'd hoped.

In this article, I will explore two theories on why the price of gold isn't rising much, from two highly influential thinkers in the world of finance.

Peter Schiff: Misperception

Peter Schiff is an investor and gold salesman who is best known for commenting on gold and cryptocurrency. He hates crypto and thinks that gold is a better inflation hedge. So far this year, he's been right about that. While gold's returns haven't been amazing, they have been better than those of crypto, which is in a freefall.

Schiff believes that gold isn't moving, because investors are misperceiving its value. He thinks that investors are underestimating the risks to the U.S. dollar and failing to see that gold is [really worth over US\\$2,000](#). In fact, he thinks that, in the long run, the U.S. dollar could implode and send the price of gold even higher. For now, though, \$2,000 appears to be his price target.

Warren Buffett: Lack of utility

[Warren Buffett](#) is another financial mind who has chimed in on gold. He hasn't said much about this year's price action specifically, but he has commented on gold in general. In a past interview, he said that gold has "no utility" (he means usefulness not economic utility) in that it can't be used to produce anything useful. Technically, gold is used in small amounts to make electronics, but the vast majority of the demand for it comes from jewelry and speculation. According to Buffett, you can't compute the intrinsic value of gold, because it all depends on speculation. For that reason, it isn't an investment Buffett likes — although he did hold Barrick Gold stock briefly a few years back.

Foolish takeaway

Why isn't the price of gold moving much this year, despite all the inflation we're seeing? It depends on who you ask. Some think investors are misjudging the world's most reliable store of value; others think that gold just isn't that useful. Perhaps both perspectives have a bit of truth to them.

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