

MARKET OUTLOOK

Gold price: markets bullish on precious metals



Investors and traders are flocking to precious metals as safe havens from the market's volatility, after the close of 2018 marked the worst period for global stock markets since the financial crisis, and the start of January brought more weak economic data from China.

Gold rose to its highest level in six months on 2 January, reaching \$1,294.28 an ounce on 3 January. Silver meanwhile reached a five-month high of \$15.74 on the same day. After a moderate dip the following day, the upward trend for both commodities has resumed this week.

Throughout 2018, gold and silver prices had been on a steady decline amid rising US interest rates and a strong dollar. They began to move higher as the year drew to a close however, as investors searched for safe havens with stock prices declining.

Gold funds performed well in November and December with the HC Charteris Gold & Precious Metals fund and Investec Global Gold fund delivering returns of 12% and 11.6%.

12%

HC CHARTERIS GOLD & PRECIOUS METALS FUND RETURN IN NOVEMBER AND DECEMBER

The gains have continued into January as holdings in the SPDR Gold Trust - the world's largest gold-backed exchange traded fund - reached 798.25 tonnes on 4 January, its highest since 31 July 2018.

"The best-performing funds further highlighted the negative sentiment among investors as gold funds dominated the top ten performing list for the month," Adrian Lowcock, head of personal investing at Willis Owen, said.

Other precious metals also saw gains, with palladium reaching an all-time high price to the dollar on 7 January and platinum gaining 3% on 4 January.

In addition, China, Poland and Hungary have all added to their gold holdings for the first in many years, with the Chinese central bank for instance having added to its reserves for the first time since October 2016 at the end of December.

What's next?

The price of gold and silver is expected to continue rising as the US Federal Reserve announced it would ease off interest rate hikes.

"The main trend remains bullish (for gold). From a technical point of view, traders are now watching the two key levels of \$1,277 and \$1,300, which are new support and resistance levels respectively," Carlo Alberto De Casa, chief analyst at ActivTrades, said in a note.

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support and resistance levels respectively” - Carlo Alberto De Casa, chief analyst at ActivTrades

For Craig Hemke, editor and publisher of TF Metals report, the current market conditions are “eerily” similar to the 2010-2011 gold rally, indicating that the gold and silver price rally is just getting started.

“What's next will be a continued rally. It won't be straight up and it certainly won't be without bank resistance every step of the way,” Hemke added.