

Why it makes sense to buy Gold at the start of 2019



January 9, 2019 (<https://allgoldnews.com/why-it-makes-sense-to-buy-gold-at-the-start-of-2019/>)

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Various commentators expect the year ahead to mirror the final quarter and give investors a bumpy ride, due to the various hazards on the horizon. These range from Brexit uncertainties to fears of a potential economic slowdown in America, one of the relatively few bright spots of 2018.

Global stock markets, both developed and emerging, are stuck in a rut, amid concerns that the macro themes stoking volatility will not be going away anytime soon. Investors are, on the whole, adopting a glass half-empty attitude, with one survey showing that one in three investors expect the FTSE 100 index to see either slightly negative or flat growth in 2019.

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At times of market stress, it makes sense for investors to ensure they are adequately protected, and one way to achieve this is through seeking out investments that are genuinely uncorrelated to the fortunes of equity markets.

The trouble is that investors do not have a great amount of choice, with Gold, government bonds, and infrastructure being three of the main ports of call.

Of the safe-haven plays, Gold is viewed as the standout choice. Over the years the precious metal has proved its value when it comes to protecting portfolios from volatile markets. The final quarter of 2018 was another case in point, with the yellow metal rising to a six-month high of nearly £1,300 a troy ounce.

Moreover, the month of December saw gold funds shine, with **HC Charteris Gold & Precious Metals** and **Investec Global Gold** returning 12% and 11.6% respectively. The FTSE 100 declined by 5% during that period.

When it comes to Gold there are various pros and cons to weigh up. In terms of strengths, Adrian Ash, director of research at Bullion Vault, says gold has two main defensive characteristics that lead Gold to outperform during turbulent times.

“First, the physical security that Gold offers means that it cannot be devalued. It is a rare, physical, tangible asset. Second, Gold is deeply liquid, due to high trading volumes. In fact, if Gold was a currency it would be the fifth or sixth largest in the world,” says Ash. “As a result of those two traits, Gold tends to do well in times of financial stress.”

Against those benefits, though, Gold does not have a yield, nor does it generate cash flow or profit. Instead, its price simply reflects what the next person is prepared to pay for it, so it tends to be volatile.

Another downside is that the value of the dollar typically has an inverse relationship with the Gold price. When the dollar rises, Gold becomes more expensive for international investors to buy, because Gold is a dollar-denominated commodity. That is why in 2018, up until the start of December, Gold funds had racked up sizeable profits.

But over the past couple of weeks sentiment towards Gold has improved, against a backdrop of US stock markets falling and volatility increasing.

Those who are looking to add gold to their portfolios should look to keep exposure low, however, at around the 5% mark.

Routes to owning gold

Two of the main routes are via a Gold Specialist Fund or a physical Gold-Backed Exchange-Traded product, with the latter offering a low-cost way to directly invest directly in the metal without having to pay for storage or security.

As well as ETFs and Gold funds, there are other ways to gain exposure to the precious metal.

If you want to hold Gold personally, options range from trading physical Gold Bars on an online exchange such as Bullion Vault to buying from the Royal Mint, where you can also buy Gold coins. Charges for buying and storing vary.

Owning Gold Securities however has the most upside all be it riskier the returns can be astonishing! One such stock is CASA Minerals trading under symbol CASA-V. Exploration Assay results recovered 574 g/t Gold with drilling to commence in 2019.

In times of uncertainty GOLD is the clear choice for Wealth Preservation. Please visit us at casaminerals.com / Casa Minerals Inc. (TSX.V: CASA) is a Canadian-based company focusing on the development of Prime Gold Exploration targets in the

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Americas. Casa's management is actively searching for gold producing mining projects in Nevada, USA and Peru in addition to its high-grade Gold and Silver projects in central BC, and the well-developed VMS exploration project in northern BC, Canada.