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## WEALTH

# Go for gold: ABC Bullion's chief economist Jordan Eliseo



ABC Bullion chief economist Jordan Eliseo at the firm's gold smelter in Sydney. Picture: Hollie Adams

RICHARD FERGUSON

The Australian | 12:00AM March 11, 2017



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Jordan Eliseo is chief economist at the gold refiner and broker ABC Bullion. A former executive at Bankers Trust, these days his mission is to convert Australian investors to the wider attractions of the yellow metal.

## How did you get into the gold business?

Well, I've been in the investment markets for just over 20 years. I started my career during the early days of the tech bubble and the aftermath of the dot.com crash really got me interested in gold. In fact, I started buying it.

## So gold makes up the biggest bulk of your investments?

Yes, gold and silver are the two biggest asset classes in my investment portfolio — when it comes to precious metals they would be about 50-50. I also have a much smaller allocation of my investments to a few goldminers, which is much more about speculation rather than wealth protection. Goldmines and gold are distinctly different asset classes; people confuse the two.

I also invest in diversified management funds.



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## So what's the outlook for gold at the moment?

In Australian dollars, gold is running at about \$1600 an ounce and I'd expect it to push towards \$2000 over the next 12 months. I'd say to you gold is cheap relative to other assets. It's easy to trade and store, and it's the simplest way to protect wealth if the excesses in the financial markets unwind over the next few years.

You've also got to remember that cash in the bank is paying next to nothing in real terms. And secondly, gold and real assets in general have never been cheaper relative to financial assets going back more than 100 years.

If I want to buy global stocks, I've got to pay 30 times earnings. If I want to buy a basket of global bonds, I'm lucky to get a yield of 2 per cent.

Having said that, I have no doubt there'll be a time in the future where it'll make more sense to sell or divest gold and rotate those proceeds back into financial assets.

## You're not hoarding gold because of political instability?

It's certainly a factor that people think of defensive assets when they see something like Brexit or on the news that Donald Trump has become US President.

## Describe a typical gold investor.

Well, you have people with self-managed super funds and a lot of money tied up in the banks and they've got term deposits rolling over.

Also, the volatility of the sharemarket can shift self-funded retirees towards gold.

So, yes, some are hedging against geopolitical instability, but usually they're choosing gold due to market concerns.

It's also worth noting that north of 60 per cent of gold sales today are in the emerging markets. I don't think Chinese grandmothers are buying gold because they're worried what (US Fed chairwoman) Janet Yellen is going to say at her next press conference. That investor is doing it because she's becoming ever more wealthier.

## What does ABC Bullion actually do?

We are a precious metals broker, distributor and refiner.

These days an investor can buy gold in the traditional form of bars or coins ... or they can buy it on paper in the form of an exchange traded fund — which is better?

There are a number of advantages to buying real metals.

## I thought you might say that.

Well, yes, but think of it this way: there's more trade flexibility: you can log in to a bullion dealer's website and trade gold at 10 at night or whenever you want in the 24-hour gold market. But with an ETF, you can only trade when the ASX is open.

And I'd argue it's more secure. ETF owners are exposed far more to the price of gold as you don't actually own that gold, you just have a very small share in a gold bar in a London vault. If you buy the real thing, you own the physical bar, it's registered in your name, and it's stored in your vault ... It's your gold.

## What are the biggest mistakes you've seen with investors and gold?

I think the biggest mistake people make is they chase the market higher or they panic when the market has a correction.

And you do need to diversify. People also need to have balance in their portfolio. Some people invest in gold because they're so worried about the stockmarket, only to find themselves constantly worrying about every movement in the gold market.

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Do you think investors hold some misconceptions around gold?

One of my big interests is increasing gold ownership in Australia. We're the second-largest producer of gold in the world. We produced 300 tonnes last year worth \$15 billion. And unlike iron ore, we actually manufacture gold metals here.



But when you see the numbers for self-managed superannuation funds, gold investments are still less than 0.5 per cent of total assets.




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