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Mine to MARKET

Gold prices have had a solid start to 2016, with the price of the yellow metal pushing up toward USD \$1100oz. A fall in the Australian dollar, which is already trading below USD \$0.70, has seen the price of gold for local investors head back above AUD \$1550oz, a gain of 8.5% in just 2 weeks.

The strong return for gold has been the one bright spot in an otherwise terrible start to the year for investors the world over, with dramatic falls in the global equity markets leading to billions in 'wealth' that has been wiped out, on paper at least.

The damage isn't just affecting people overseas, with local investors, including Australian's with money inside traditional superannuation funds also suffering.

What has caused the sell off?

China- The Middle-East- North Korea – there has been no shortage of catalysts, with some market commentators expecting the falls to continue throughout the year.

We've seen Royal Bank of Scotland advise clients to "sell everything", while one analyst at Societe Generale said he thinks global equity markets will fall 75% from here, losses that should they eventuate would be worse than those investors had to deal with during the worst of the Global Financial Crisis.

Turning back to gold and it's safe to say that the kind of market volatility we've seen in the past two weeks is likely to lead to more demand for the precious metal. There are a number of reasons for this, including the fact that lower share prices and weaker economic growth are likely to delay the pace of interest rate hikes the market is currently expecting the Federal Reserve of the United States to implement.

This in turn could well see the US Dollar weaken, with gold being a likely beneficiary.

Gold will also likely do well as it is a trusted safe haven investment asset, one that

investors the world over feel comfortable turning too when other parts of their portfolio are struggling.

This is as true in Australia as it is in other parts of the world, with the price of gold the best performing liquid asset in periods where the stock market falls sharply, which is why many investors balance out their share market portfolio with gold investment.

Stocks down, gold up, money safe might sound too good to be true, but it's typically the simplest investment ideas that work best, and that strategy has proven itself across the past few decades.

There's no reason to think the rest of this year will be any different, and it's one of the reasons I feel comfortable having some of my superannuation money invested in gold and silver today.

