

21:50 04 Oct 2019

Gold back above US\$1,500, as markets and the dollar take fright

The markets took fright this week as a slew of negative PMI numbers for several of the world's most important economies were revealed.

The Dow Jones index has now lost around 800 points since the start of October and has given up all of its' gains of the last six months. The Nikkei is off 40 points over the past couple of days and the FTSE, to the extent that that's any guide given the machinations of Brexit and the collapse of sterling, is down just over 300 points.

Whether markets will really be able to crash this time round, given the new era of discounted currencies that we're now in, is open to question.

But what is beyond doubt now is that all the signs are pointed to an upcoming period of prolonged weakness.

What's really changed is that the US, which had seemed immune to the negative headwinds buffeting the rest of the global economy, is now starting to take the hit too.

The latest ISM manufacturing numbers indicate that growth is likely to slow significantly in the US in the coming months.

That's bad on its own terms, but it's worse in the context of the prevailing political dialogue in the US.

President Donald Trump has laid a huge amount of political capital on the line in his claims that he will be able to revitalise the American working class heartland and bring back the blue-collar jobs that have been exported overseas to the Far East and in particular China over the past two or three decades.

On some measures, he has been able to point to relative success in meeting his aspirations, as non-farm payroll numbers have generally been strong over the past year or so.

But whether broader communities are being revitalised as a result is more open to question. And if it turns out that a combination of cyclical factors exacerbated by Mr Trump's propensity towards tariffs leads to a major manufacturing slowdown in the US, then it's clear that his credibility will be on the line.

What's perhaps worse is that, as his established patterns of behaviour already show, he will seek to deflect blame by decrying the rate-setting policy of the US Federal Reserve.

Mr Trump's verbal and Twitter attacks on the Fed as an institution have been unprecedented in the modern era, but to date they've occurred against a backdrop of relatively positive economic news.

If the picture turns darker, it's likely the President's attacks on the Fed could get nastier, and this in turn will likely unsettle markets still further.

In the midst of all this, as impeachment proceedings were getting underway too, it was hardly surprising that gold pushed back up above the US\$1,500 mark.

Share Information

Code:

Listing:

Sector:

Website:

action@proactiveinvestors.com.au

Such bears on gold as were emerging from the woodwork during the temporary dip in price have now scurried back. With both the Dow and the dollar falling, and the VIX volatility index spiking, gold is currently one of the best places for those seeking a safe store of value to go.

There's property too, of course, and utilities, which always do comparatively better in a risk-on environment. But for liquidity and insurance, gold is hard to beat.

In the current global economic and political context it's hard to imagine anything other than more strength in the gold price in the months ahead.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.