

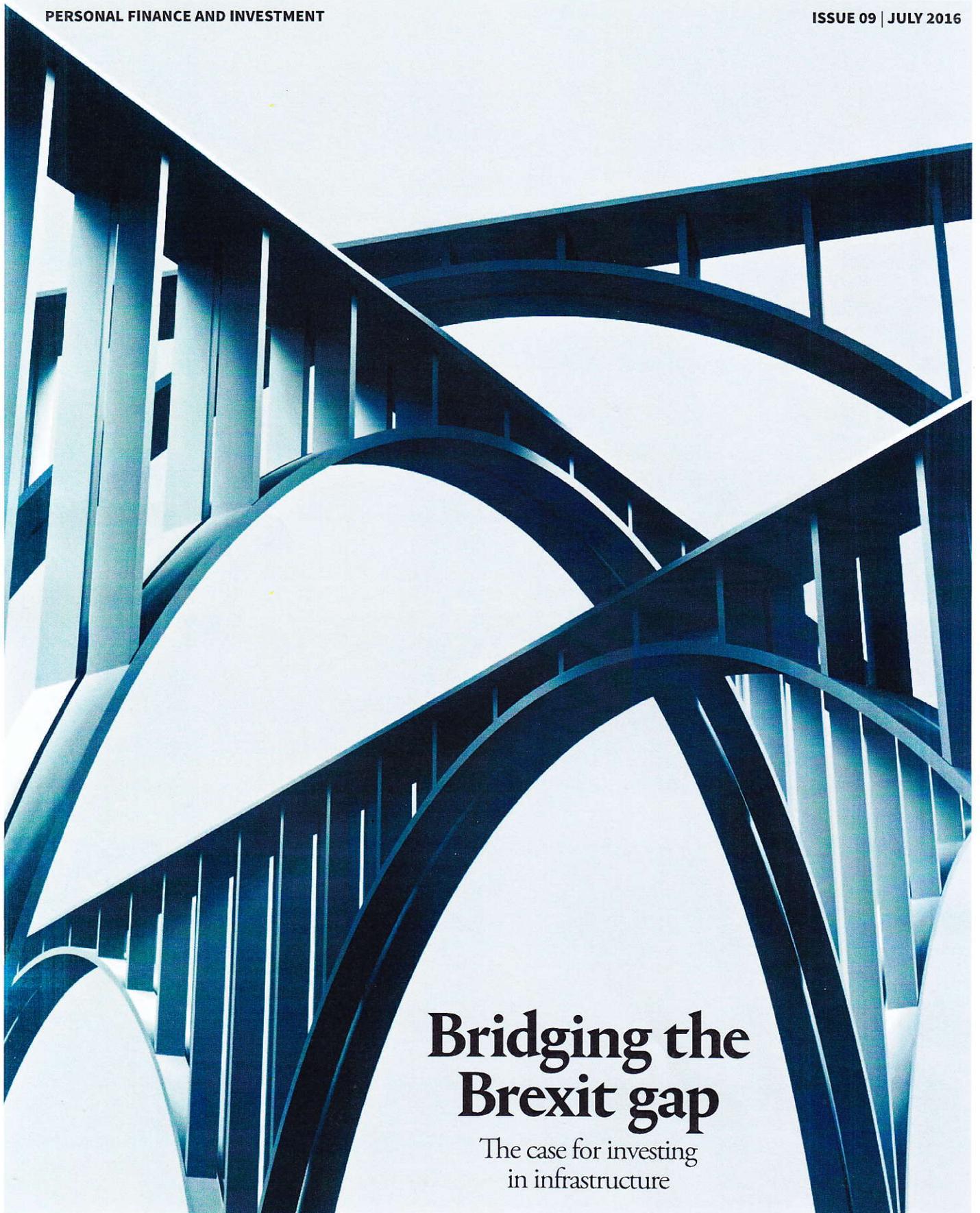
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POLITICAL CRISIS
HOW TO MAKE MONEY
FROM THE SHARING
ECONOMY
WHY GOLD HAS
FURTHER TO RISE

PERSONAL FINANCE AND INVESTMENT

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Bridging the Brexit gap

The case for investing
in infrastructure

GOLD BUGS EVERYWHERE

It's among the best-performing investments this year – so why are investors so bullish about gold? **Annabelle Williams**



Gold has been one of the best-performing assets this year, and the weeks since Brexit was announced have pushed the precious metal higher. Gold is now priced at \$1,373 an ounce, 22 per cent or \$312 higher than when 2016 began. Of all the investment funds out there, gold funds are the five best performers.

There's a number of reasons peculiar to the current environment which explain why – from the strength of the dollar to the unusual circumstances in the global economy. But some experts think gold is in for a period of more sustained price rises.

"Nearly everyone is bullish on gold," says Joni Teves from UBS.

"Gold's strength this year has been more due to the breadth and diversity of interest rather than individual investors putting on very large positions," she adds.

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These uncertain times are pushing investors towards gold. We don't yet know who will be governing the country from this autumn, never mind how trade negotiations with the EU will play out. There's the possibility public anger at the status quo will lead to populist politics, and with regards to our economy, there's scope for protectionist policies.

"Electorates in the developed world are increasingly voting against wage deflation, high unemployment, immigration and inequality," said Michael Hartnett of Bank of America Merrill Lynch in a note.

It's a "war on inequality" and is being

driven by disgruntled voters. The upcoming political regime will have to take a stand on this issue, or face the electorate's wrath.

This scenario, and trade protectionism, are bullish for the yellow stuff. "Investors should continue looking for opportunities to add to their positions in gold," Hartnett added.

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Given the potential recession facing the UK, the Bank of England has hinted it may have to stimulate the economy, possibly through cutting interest rates from their already-historic lows of 0.5 per cent. This too would be bullish for gold.

Over in the US, the Federal Reserve had been widely expected to make one, if not two, rate rises this year. But they've dragged their



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But it's not just the political climate that's uncertain. Other investments seem mispriced. Bonds, for example. There is now a staggering \$11.7 trillion of fixed income investments offering a negative yield – an absolutely shocking figure that has surged 12 per cent in the brief post-Brexit period, according to Fitch Ratings. It shows the scale of desperation among investors seeking safety.

In equities, the US market seems overpriced and possibly due for a correction, while shares in the UK are likely to be buffeted by political happenings for a long while to come.

Teves says there are several categories of investor which are yet to increase their investments in gold, including institutions in places such as China. As other investor groups catch onto the trend, its price will rise.

Outside of the UK, gold is far more popular as an investment, particularly among the very wealthy. "Ultra high net worth people across the world tend to believe they should have 5 per cent of their money in gold. They want to have a significant amount of their assets in gold," explains Markus Stadlmann of Lloyds Banking Group.



BEST FIVE FUNDS YEAR-TO-DATE

MFM JUNIOR GOLD
165.64%

CHARTERIS GOLD & PRECIOUS METALS
155.02%

INVESTEC GLOBAL GOLD
115.28%

**SMITH & WILLIAMSON GLOBAL GOLD
& RESOURCES**
110.02%

BLACKROCK GOLD & GENERAL
104.33%