



Monthly Newsletter – March 2024

Recently we have seen a rising gold price and as I write this newsletter gold is touching \$ 2,400 up 10% over the last month. It has been basing for some time, just below \$ 2,000 and now it has made a significant move higher. The question is why now and how high will it reach?



One of the reasons stated for a rising gold price is higher inflation and while over the long term, gold has been a good hedge against inflation, over shorter periods the link is weak. Furthermore inflation is now falling, after rising due to the lockdowns and cv19 policy responses. There are some who still see inflation as a problem and the latest US data was quoted at 3.5% annual inflation but it is lower on a recent monthly basis. The same is true in Europe.

Central bank buying is another quoted reason and they have certainly been big buyers of bullion. China in particular has been a buyer and the citizens themselves as they see the property market collapse and search for safer assets. Perhaps a simple reason is a greater allocation to safety by asset managers, as there are several geopolitical worries in the world at the moment. It is not however retail buying in the USA via ETFs, because they have been recent net sellers, as people have been switching from gold into the new Bitcoin ETFs. What this recent rise is probably caused by is a perception that central banks will have to cut interest rates this year, to avoid a global recession. When that starts (the Swiss have started) and by how much is the big question being discussed but the gold market, which thrives as rates fall, is anticipating this move now.

While the gold bullion price has moved higher, mining company shares have yet to see a significant move higher. Yes they are up about 25% since the end of February but were then at a very low price compared to the gold price. The miners have an inbuilt gearing to the bullion price and so they should be soaring. In 2020 when central bankers cut rates in response to cv19 our gold mining fund added 60%. With a rising gold price together with falling rates the potential is huge and exciting.

Best wishes

Tim

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