

# Equity Investment Advisers Gold Report



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## Countries Continue to Stockpile Gold

China has increased its gold reserves by buying an additional 16 tons of the metal in May. With a trade war between the U.S. and China a real possibility, China is divesting itself of the U.S. dollar in favor of physical gold. China has been buying gold since the beginning of the year. According to Helen Lau of Argonaut Securities (Asia) Ltd., China is expected to purchase a total of 150 tons of gold by year-end.

This may explain why the London Bullion Market Association will be holding its annual meeting in Shenzhen, China this year.

China is not the only country that has been buying up gold. Many other countries have decided to trust in gold, as well. The primary reason is that these countries are anticipating – or hoping for – the end of the U.S. dollar as the global reserve currency. During the first five months of 2019, global central banks have purchased an unprecedented 145.5 tons of gold, an increase of 68 percent over the previous year. This exceeds the amount of gold central banks have bought in the last six years.

In addition to China, Russia has also been on a gold-buying frenzy. Last year, the Russian Central Bank purchased 274.3 tons of the precious metal. Concurrently, it dumped almost 85 percent of its US treasury bonds.

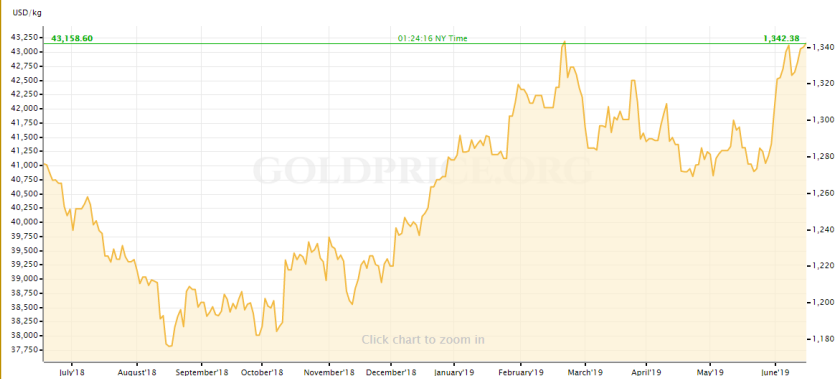
By accumulating gold, these countries are making it clear that they no longer trust the U.S. dollar as the world's reserve currency. They believe that the U.S. is using the dominance of the U.S. dollar to manipulate other economies. It is, therefore, in their interest to increase their gold holdings and devalue the U.S. dollar.

The bottom line is, gold will always represent a hedge against economic and political erosion. While throughout the twentieth century, global economies have been tied to the U.S. dollar, many countries are stepping away, and that makes gold exceedingly attractive. Being tied to the U.S. is no longer seen as advantageous by the global community.

The global tie to the U.S. dollar worked when said U.S. dollar was backed by gold and held real, intrinsic value. But the U.S. dollar hasn't been tied to gold since President Richard Nixon abolished the gold standard in 1971. Instead of a gold standard, Nixon made a deal with Saudi Arabia that excess profits from oil would need to be invested in the U.S. That meant that oil was being traded only in U.S. dollars. This increased the global need for U.S. dollars through massive manipulative tactics.

The U.S. dollar was once a force to be reckoned with. But will it be able to withstand the undisputed power of gold, which has survived and thrived for 5,000 years? And what will happen to the U.S. when the value of the dollar gradually erodes?

## Gold Price



## Silver Price



## Gold To Silver Price Ratio



## Billionaire Investor: "Gold Has Everything Going For It"

Last week was a strong one for gold, which managed to eke out its fourth straight week of positive gains. The price of the yellow metal broke above \$1,350 an ounce last Friday. Investors sought safe haven investments on a number of geopolitical risks, including protests in Hong Kong over the now-delayed extradition bill and an attack on two oil tankers near Iran and the Strait of Hormuz, the world's busiest sea lane through which a fifth of global oil consumption passes. After placing the blame on Tehran, President Donald Trump now faces a tough decision on how to respond, if at all.

Billionaire investor Paul Tudor Jones, founder of and hedge fund manager at Tudor Investment Corp., said in a Bloomberg interview last week that geopolitical disruptions have made gold his favourite trade in the next 12 to 24 months. The yellow metal "has everything going for it," he said, adding that if it can reach \$1,400 an ounce, it will push to \$1,700 "rather quickly."

The biggest catalyst for such a move, Jones believes, is the ongoing U.S.-China trade war and the broader implication of shrinking global trade. After 75 years of globalization and free trade, we're seeing a return to the use of tariffs and other protectionist policies. Meanwhile, Trump is threatening to impose tariffs on \$325 billion in imports from China, in addition to the approximately \$200 billion that are already being taxed. Trump and China's president Xi Jinping are expected to meet later this month at the G20 summit in Japan.

Says Jones, this reversal in globalization "would make one think that it's possible we go into a recession. It would make one think that rates in the United States go back down to the zero-bound level. Gold in that situation is going to scream. It will be the antidote for people with equity portfolios."

### The Quick Rundown: Gold Spikes on Tanker Troubles

- The gold price peaked at \$1357.32 per ounce on Friday, following an attack on oil tankers in the Strait of Hormuz, situated between Iran and the United Arab Emirates.
- The spike put gold at its highest US Dollar value since January 2018. In Pound Sterling the price reached £1072.40, the highest since November 2012.
- Investors have been unsettled for months due to the ongoing US/China trade war, but recent threats against Mexico, Germany, and France have worried many that America is willing to weaponise trade and use it to strongarm other countries, potentially damaging global trade deals and supply routes.
- Now, with the latest incident in the Gulf, many investors are focusing on risk aversion: how best protect their wealth while battling the trifecta of a slowing global economy, trade disputes, and geopolitical clashes.
- Tensions between Iran and the United States have steadily worsened since Trump's election in 2016.

You may also be interested in:

<https://www.moneymetals.com/news/2019/06/11/gold-price-forecast-2020-election-001791>

<https://www.kitco.com/news/2019-06-17/Brace-For-Global-Recession-By-2020-Nouriel-Roubini.html>

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## ETF – Betashares Gold

GAU.ASX from 18/06/2018 to 17/06/2019



## ETF – Physical Gold

GOLD.ASX from 18/06/2018 to 17/06/2019



## ETF – Physical Silver

ETPMAG.ASX from 18/06/2018 to 17/06/2019



Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.095	2.340%	\$4.155
Newcrest Mining	0.285	0.953%	\$30.205
Northern Star	0.150	1.423%	\$10.690
Rio Tinto	0.040	0.039%	\$103.820
South32	0.015	0.473%	\$3.185

As at 5:00 pm NZT, 18 June