Time again to seek safe haven in gold

By Emma Dai

With gauges for physical gold having rallied considerably so far this year, some experts believe the rebound in the precious metal's prices may signal a notable pick-up in market sentiment. (Asia news photo)

Despite further US rate hikes on the horizon, analysts still see gold prices rising, saying the "safe haven" metal will help weather upcoming uncertainties.

"Gold is bottoming out and we are transforming from a bear to a bull market. The major drivers so far this year are gold ETF (exchange-traded funds) demand and central banks, including Russia's and India's, whereas jewelry demand is still low," said Padraig Seif, chief executive officer of Finemetal Asia and an advisor to the Allocated Bullion Exchange.

"As gold ETFs are picking up, it's only a matter of time before private investors start buying (physical gold) again, which will drive spot prices up considerably," he said.

The London gold fixing price has surged almost 20 percent so far this year, or more than $206, to $1,267.27 per ounce on Monday. The precious metal's price hit a six-year low of $1,060 per ounce last December.

Market Vectors Gold Miners ETF — one of the most popular ETFs tracking major gold miners — gained 43.59 percent to $19.7 year-to-date. SPDR Gold Trust, a Hong Kong-listed ETF, soared over 18 percent during the same period to close at HK$940 apiece on Monday.

"Sentiment has obviously turned. People are not buying gold producers if they don't believe in the gold price. I won't be surprised if they start taking out some of the profits and reinvest in spot gold," said Seif, adding he is looking at $1,350 to $1,500 per ounce for physical gold this year.

Seif said 2016 will be a turbulent year as a whole lot of issues are coming up. "Europe hasn't sorted out its problems — not just refugees but also the bankrupted Greece. Not to mention Brexit (Britain departing from the European Union) — fueling doubts on whether the European Union will remain a union. And, the negative interest rate in the euro zone, Japan and Switzerland is a natural driver of gold."

However, Kevin Gardiner, global investment strategist at Rothschild Wealth Management, doesn't consider gold an ideal asset, saying the situation is not strong enough to drive global investors toward the traditional safe haven commodity.

"We are not facing another crisis just yet, or runaway inflation, or collapse in banks," said Gardiner. "Gold, for many people, is a panic button. But we don't worry that deeply ... We tend not to invest in gold."

He argued that fresh US interest-rate hikes, although not imminent, are to boost real interest rates and keep gold prices depressed.

Davis Hall, global head of foreign exchange and precious metals advisory at Indosuez Wealth Management, forecast that the US Federal Reserve will keep its rate-hike pace slow this year — first in June and in December again if necessary.

Meanwhile, other major central banks, apart from the People's Bank of China, are running out of conventional stimulus tools, he said. "You have negative interest rates, but still no growth, low inflation and more and more debts. It's kind of desperate. That's why gold has performed and it can be the surprise of the year."

Hall said gold, preferably physical, is a shock absorber for people who still believe in stocks. “You would have more courage to buy Asian equities at its weakness at the beginning this year if you have gold in your portfolio.

“I think gold will come down to $1,180 or 1,150 an ounce, but then we are going to test the $1,310 or even $1,400 level this year,” he added. “It’s good to buy below $1,200 and hold for the mid-to-long term.”

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