

# ETF SECURITIES



ETF Securities | The intelligent alternative | Feb 2018

## With volatility picking up, why don't you consider owning gold?

### Trade idea – ETFS Physical Gold (GOLD)/ ETFS Physical Singapore Gold ETF (ZGOL)/

- Volatility has returned to the markets
- Downside risks have increased dramatically
- Gold has been consistently one of the best portfolio hedges against geopolitical risk and inflation
- Below we take a further look at why you should be holding gold



There are three reasons why you should own gold.

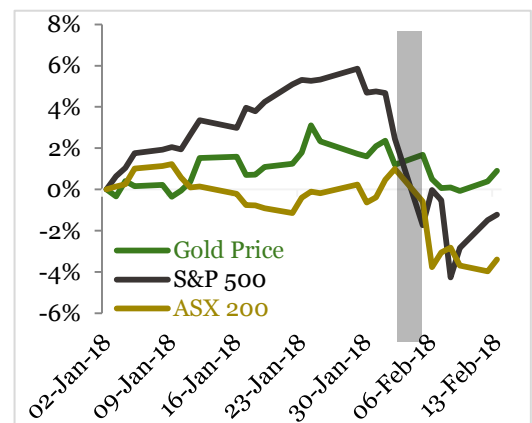
- 1) Portfolio protection against volatility
- 2) Inflation hedging
- 3) Event risk hedging

Points 1 and 2 have recently increased from “no concern” or “neutral” in investors’ minds to “serious concerns” so we believe that all advisers and planners should be considering including gold in their client portfolios, as it’s one of the most historically reliable hedges in such circumstances.

### Gold protects portfolios against negative equity volatility

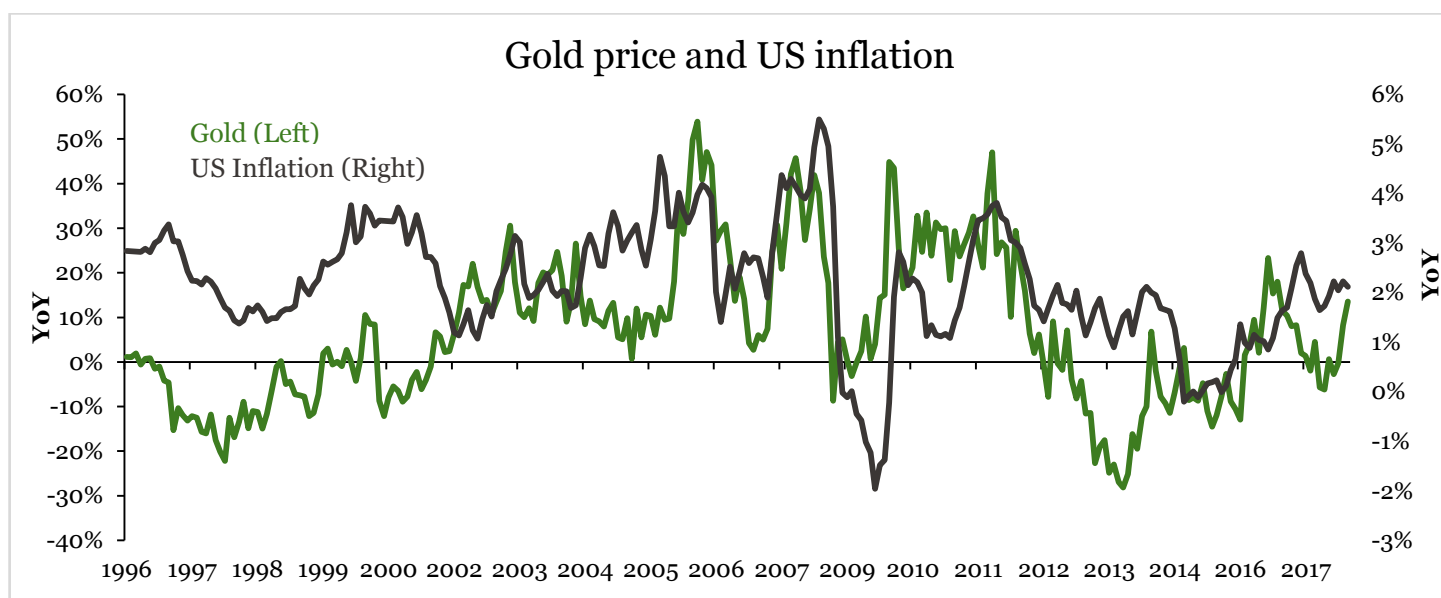
Just last week we had an example of gold performing as an event risk hedge when equity markets plummeted and the gold price surged upwards. On 5<sup>th</sup> February, we saw global equity markets fall with the S&P 500 down 4.1% and the ASX 200 down 1.6%, meanwhile the gold price was up 0.5% in USD terms as investors were turning risk averse. The year-to-date performance chart on the right highlights the price actions of the day. (Source: Bloomberg, data as of 13<sup>th</sup> February 2018)

*Historical performance is not an indication of future performance and any investments may go down in value.*



### Gold against inflation

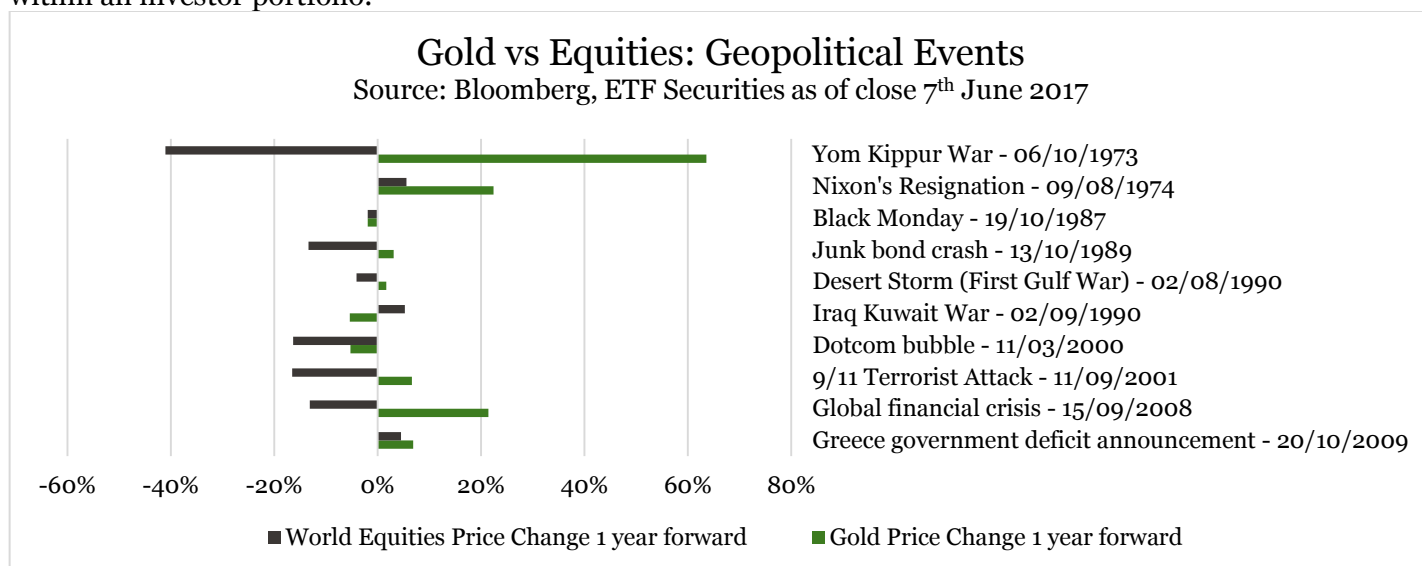
Gold is also widely viewed as a tool against inflation. Historically, the gold price tends to appreciate when inflation and interest rates are on the rise. The chart below shows how the gold price moves largely in-line with the inflation (CPI) of the United States.



Source: Bloomberg, ETF Securities as of close 31<sup>st</sup> December 2018

## Event Risk Hedge

Lastly, although there have been no significant geopolitical events this year so far, it only takes one to roil the markets. As the table below shows, being in gold in nine out of ten of the events below was a positive when held within an investor portfolio.



## Summary

There are three reasons why investors should own gold and two of them have dramatically spiked in terms of relevance. We believe all advisers should at least consider owning gold through this late economic cycle, where the probability of inflation and volatility is heightened.

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