Gold posted a positive performance of +17% YTD (as of end June) in 2020.

What's pushing gold prices higher:
- Nazing government to focus mainly on central-bank multiple bond purchase programs and (non-negative) low interest rates to combat the Covid-19 induced economic fallout.
- Weakening US currency due to an increase in Covid-19 cases alongside the delayed reopening of states and the uncertainty of timing of recovery as warned by Jerome Powell, US Fed Chairman.

The case of gold investment:
- Maintain OVERWEIGHT recommendation on gold for the next 3 to 12 months.
- Should the interest rate environment remain low (or negative), the opportunities of investors holding gold should also decrease.
- Global central banks increased their gold reserves to around public confidence and geopolitical developments.
- Hence, gold prices have trended higher since 2013 (as shown in the chart).

Key Risks for Gold:
- A surge in government bond yields.
- An increase in Covid-19 vaccine development could have countries reopen sooner resulting in faster than expected global growth recovery which could incur high interest rates.

Gold in your Investment Portfolio
If you don’t have gold in your portfolio, gold as an alternate asset would be good form of diversification due to its inverse relationship with risk on assets especially in trying times.

If you have gold in your portfolio, do keep the “buy low, sell high” strategy in mind. From a technical analysis perspective, should the relative strength index (RSI) move above 70 levels, it would indicate that gold is in an “overbought” position and could retract in the short term.

Therefore, investors with high exposure in gold and with their expected returns achieved, it's not a bad idea to take some profit, lower your overall exposure while rebalancing your investment portfolio.

Refer to our 3Q2020 Macro Outlook and Advisory Notes to learn more about alternative investments such as gold and other asset classes.

Click here to learn more.

Source:

Terms and Conditions apply.

Selected: The CIMB Gold-Investment Account is not a PRINCIPAL PROTECTED PRODUCT FROM AN INTREST by the Singapore Financial Services Authority. This account is not a regulated investment. THE RETURNS ON YOUR INVESTMENT ARE NOT GUARANTEED AND YOU RISK LOSING MORE THAN THE PRINCIPAL YOU INVEST. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE. WHEN MAKING INVESTMENT DECISIONS YOU SHOULD CONSIDER YOUR OWN INVESTMENT GOALS, INVESTMENT TIME FRAME AND UNDERSTAND THE CONSEQUENCES OF THE CIMB BANK GOLD-INVESTMENT ACCOUNT AGREEMENT AND ORDER THE GAS (BASED ON YOUR OWN INVESTMENT ADVICE) REGARDING THE PRINCIPAL PROTECTED HEALTHCARE PRODUCT (THE PRODUCT) PROVIDED BY PRUDENTIAL INTERNATIONAL. Any material is for general information only and may not be suitable for all investors.