

BIZ INSIGHT

Continued market volatility makes gold look more attractive

SPECIAL TO THE NATION

AFTER the US Federal Reserve's interest-rate increase in December, analysts said investing in gold might be less attractive amid the strengthening US dollar and rising interest rates.

However, at the beginning of this month, gold had its best week, hitting US\$1,211 an ounce, the highest level since February 2015. There are more positive views towards gold as investors are increasing their positions in the SPDR Gold

Trust Exchange Traded Fund, the world's biggest gold trust.

Hedge-fund and money managers have increased their bullish view on gold, deciding that investors now have a net long position for the first time since last November.

The recent market turmoil caused by concern over the global economic slowdown is the main reason for the short-term rebound in the gold price. This rebound is triggered by the steep depreciation of the Chinese yuan against the US dollar and the sharp sell-offs in the Chinese equity market in the first week of January. Then there was the recent concern over the path of rising US interest rate, resulting in gold being regarded as an attractive hedging investment to counteract the volatility in the market.

More important, at its meeting last month, the US Federal Open Market Committee kept the interest rate at 0.25-0.50 per cent, while its statement concerning the global economies led analysts to believe that there might not even be a

rate increase at the March meeting.

Given these macro risks, the central banks are turning more aggressive on their monetary-easing policy. The European Central Bank is signalling a further stimulus in March and the Bank of Japan recently introduced the first negative policy interest rate. That is why gold has been viewed as an attractive investment in the current market situation with deteriorating economic data.

There is also rising concern over deflation in the United States given the falling

commodities prices, and whether the Fed could actually raise its rate three or four times this year, which again helps support gold investment.

Asset Plus Fund Management has a strong conviction over gold as a hedging tool during this recent market turmoil especially for investors who closely monitor the market situation and aim to exploit the profitability in the short-term rebound of gold.

For investors who want to generate return over the market, timing and strategies are the most important factors, and for others who have enough time to monitor market conditions, it is recommended that they take the initiative of seeking a professionally managed gold mutual fund.

Investment contains risk. Investors should thoroughly study prospectuses, product features, return conditions and risk before investing.

Contributed by Asset Plus Fund management