

(Still) Crazy in love... with gold

"THE gold bug ain't dead", says TD Securities and most pundits appear to agree.

While some shine has lately come off the yellow metal's September's highs of over US\$1,550 per ounce as a few worst-case scenarios ranging from the US-China standoff to Brexit come undone, they are not enough for the bulls to ditch the bullion.

The 20-month-long US-China rift turned less aggressive after both giant economies worked out a phase one deal this month but it could well flare up again in 2020. Needless to say, a more meaningful truce would take longer to pull off and more dovish central banks, chiefly the US Federal Reserve, could spur investors to park their wealth in gold.

On the other hand, if macro data turns rosier or global trade sees a rebound – from 1.1 per cent growth in 2019 to more than IMF's (International Monetary Fund) forecast of 3.2 per cent in 2020 – it could significantly dent the appeal of the safe-haven asset. **BY ANITA GABRIEL**

Second-half shine



Reasons to fall in love with gold

- US-China trade feud turns from cordial to ugly
- If the US Fed, which paused rate cuts this month, turns more dovish amid slowing global growth (TD expects two more rate cuts in 2020)
- Brexit jitters persist: while UK Premier Boris Johnson has clinched a solid victory to push through the Brexit roadmap, the actual impact of leaving the EU is not clear
- Robust buying of gold by central banks in 2019 – deemed highest in some 50 years – continues to gather pace
- The US presidential election, amid growing populism fueled by inequality, could present additional uncertainty for US equities
- Uncertainty over China's rising debt mounts
- Waning global economic data as global growth slips and heightens fears of recession
- A broader downside risk in the US dollar will represent a modest tailwind for gold
- Improved purchases from China and India, the world's largest consumers of gold

Bullish gold market regimes (post-Bretton Woods era)

	GOLD PRICES	FED POLICY	US 10s (10-year treasury)	US\$	US EQUITY	GLOBAL EQUITIES
1973-1980	221%	Hikes/cuts/hikes	6.38%	-19%	12%	16%
2000-2007	104%	Cuts/hikes	-2.56%	-28%	4%	15%
2009-2012	67%	Cuts	0.75%	-5%	50%	41%

Source: Citi Research

What some say

"Bullish on gold in the medium-term and expect prices to average on the higher end of a US\$1,425-1,675/oz range over the next 12-18 months and hit fresh nominal highs of around US\$2,000/oz in 2021 or 2022." – **Citi Research**

"In the absence of any further deterioration in US-China trade relations, we see little reason for gold prices to return above \$1,500/oz. 2020 forecasts - US\$1,400/oz" – **OCBC**

"US\$1,650/oz gold next year (2020) is in the cards amid continued easy money policy from virtually all central banks which is generating low to negative real yields, while record central bank purchases and higher volatility should see gold rally" – **TD Securities**

Record central bank gold buys

