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## **Gold: Too Late to Jump In?**

### **Analysts debate the merits of investing in the metal in light of its recent ascent**

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Gold futures improved Thursday over global economic concerns, moving up about 1.7% to \$1,232 an ounce. It is up about 20% so far this year.

Last week, the precious metal hit a 52-week high of \$1,260 per ounce. And DoubleLine Capital CEO Jeffrey Gundlach continues to predict that it may hit \$1,400.

While some market players are asking if the precious metal's price has peaked, many analysts say investors should expect further price movement as the metal most likely goes higher.

Investors have been flocking to gold as a safe haven from unsettled markets, but as we have seen in recent days, gold can carry some volatility of its own, said Dan Denbow, a senior portfolio manager of equity investments for USAA Asset Management, in a report issued Wednesday.

Furthermore, analysts stress that the metal has value beyond its pricetag.

David Mazza, the head of research for SPDR ETFs and SSGA Funds, says that so far this year, concerns over the state of the global economy and corporate profits have prompted investors to turn to gold for both portfolio diversification and risk mitigation.

Turbulent and choppy markets, such as the ones we are witnessing today, present investors with an opportunity to reevaluate the strategic role gold may play in a portfolio, Mazza explained in a report on Tuesday. While it may be used tactically during times of elevated inflation or persistent dollar weakness, as we saw after the Federal Reserve's first quantitative easing program, the role of paramount importance for gold is as a strategic diversifier within portfolios.

## **Metal Movement**

The metal dipped under \$1,200 on Wednesday morning, marking a 5% drop over the prior few days, Denbow adds. Still, he argues, with market uncertainty still running high it's too early to say that gold's time has come and gone.

On Thursday, the SPDR Gold ETF (GLD), for instance, was up 1.5% to \$17; it is up about 15.5% year to date. Meanwhile, the Market Vectors Gold Miners ETF (GDX) improved 5% to \$18.7 on Thursday and has jumped 35% so far in 2016. As for mutual funds, the Fidelity Select Gold Portfolio (FGDAX) is up 25% in 2016, while the US Global Gold & Precious Metals Fund (USERX) has risen 26%.

## **Right Stuff**

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Like other professional money managers, the USAA portfolio manager suggests investors use gold as a diversifier, since it has a low correlation to other asset classes. Thus, it may offer some protection when other areas of the market are falling in value, Denbow explains.

Our position is that an investor's allocation be no more than mid-single digits of the overall portfolio because of the risk posed by gold's price swings, he said.

Gold equities, which invest in mining companies, have left bullion in the dust, he points out, rocketing up close to 50% in a three-week period starting in mid-January.

This outperformance is expected when the gold price is rising, Denbow said. Since their peak last week, the miners and royalty companies have given back some of their gains, but year to date they are still up close to 30%.

For SPDR's Mazza, it's important to recall how gold performs during tumultuous times, including the Gulf War, the Great Recession and similar periods.

In five out of seven of the events gold ranked as either the best performing or second-best performing asset class. By delivering competitive returns during a number of historically challenging times in the market, gold has provided investors with a source of wealth preservation and a means of moderating the market's volatility, he explained.

Over the long run, holding 2% to 10% of an investor's portfolio in gold can improve portfolio performance, according to research cited by the World Gold Council, Mazza stated. At State Street Global Advisors, we agree that investors should consider a long-term strategic allocation in this range.

### **Future Shock?**

Gold prices, the USAA portfolio manager says, are heavily influenced by the world's major central banks.

The Fed wants to raise short-term interest rates, which would likely be a headwind for gold, but it's not clear that the state of the U.S. economy will allow it to do so, explained Denbow. The central banks of Europe, China and Japan all have loose monetary policies in place, which tend to be supportive of gold as a store of value.

As for the impact of rising gold prices on the miners, the danger is that miners could backslide into their lazy, bloated ways, he said. The austerity imposed by a more challenging gold price environment has been good for these companies for the long term by forcing them to rethink their businesses.

SPDR® GOLD TRUST has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the Trust and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the Trust or any Authorized Participant will arrange to send you the prospectus if you request it by calling toll free at 1-866-320-4053 or contacting State Street Global Markets, LLC, One Lincoln Street, Attn: SPDR® Gold Shares, 30th Floor, Boston, MA 02111.