Gold Is Surging. How to Play It With ETFs

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Gold Is Surging. How to Play It With ETFs
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While gold doesn’t offer yield like bonds do, this matters less in a world where rates on many fixed-income assets are at historic lows. Investors also expect the Federal Reserve to cut its target rate later this year, which could cause the U.S. dollar to fall. A cheaper greenback could help gold gain even more traction because gold prices tend to move in the opposite direction of the dollar.

Gold could also benefit as countries diversify their reserves away from dollar-denominated assets, says David Kotok of Cumberland Advisors. Global central banks have been accumulating gold over the past decade, with China tripling its gold reserves since 2009 and Russia increasing its by four times, according to World Gold Council data. “What they’re doing is to substitute gold in an increasing amount for U.S. Treasury holdings,” explains Kotok, “If China broadens its *gold holdings further to match other countries, such an appetite will cause an upward movement in the gold price."*

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