Dillon Gage Explains Coronavirus Impacts on Gold

Gold expert explains why gold performs well in times of uncertainty

ADDISON, Texas (Feb. 21, 2020) Dillon Gage, the world leader in physical precious metals, explains why the coronavirus epidemic ravaging China may send gold futures prices to 7-year record highs above $1,700 an ounce and up.

Gold is considered a safe-haven asset, attracting investors around the world in times of economic or geopolitical uncertainty. But it's also a commodity that has physical form, and China is the world's fastest-growing market for physical gold.

This duality has created a tug-of-war in the gold market since the start of the year, with bulls putting money into gold as a safety net, while many of the usual physical buyers in China dwindle because of disease-imposed restrictions on travel, work and movement.

7-year record highs

The most active gold futures contract on Comex – the leading benchmark for the yellow metal – touched a 7-year record of $1647.49 yesterday. Prior to this recent activity, gold prices have stayed within a tight range in the $1,550s to $1,580s ever since. But that's poised to change.

"This time last year, gold was selling for $1,336.73. It's been seven years since we've seen gold's value increase like it has the first few weeks of 2020," said Dillon Gage President Terry Hanlon. "However, a major difference then and now is the strength of the U.S. dollar. Typically, gold doesn't perform this well when the U.S. dollar is strong. However, a potential widespread viral outbreak of the coronavirus has created a global fear. The economic implications could be devastating."

What is contributing to gold's recent rally?

Uncertainty almost always finds buyers flocking to gold as a safe haven.

Investopedia defines a safe haven as, "An investment that is expected to retain or increase in value during times of market turbulence. Safe havens are sought by investors to limit their exposure to losses in the event of market downturns."

Most recently, gold is likely to hit a series of new records because of a few worrisome factors:

- The casualty rate from the coronavirus is climbing, and the disease doesn't appear to be going away anytime soon
- People like the chairman of the Federal Reserve and the head of the International Monetary Fund have started issuing warnings about the virus's impact on economic growth
- Disruptions caused by the disease are starting to affect manufacturing
- There is fear of inflation

Hanlon explains, "Whenever a world crisis hits, investors get fearful of a potential slump in the financial markets. Typically, during these times, gold has a good run as a safe-haven investment because gold has historically held its value. That's exactly what we are seeing now; investors buying gold as a hedge. Just look how gold performed during the last recession between 2007 and 2009. Overall, gold held its value while stocks fell significantly."

Another example was the trade war between the U.S. and China and monetary-policy easing by the Federal Reserve and other banks triggered a huge run-up in precious metals prices in 2019.

“While there is a rush on physical gold, right now, the ill-informed investor may think of the yellow metal as a short-term play. In reality, precious metals are a crucial part of an overall balanced portfolio and should be present in good times and bad. Because of gold’s store of value, many astute investors liken physical metals to an insurance policy for your investments,” said Hanlon.

Dillon Gage is the world leader in physical precious metals trading and technology serving dealers, financial institutions, banks and brokerage houses around the globe. For more information on Dillon Gage Metals, please visit www.dillongage.com or call 800-375-4653. For a weekly update on precious metals, follow Dillon Gage’s blog at www.DillonGage.com/blog.

About Dillon Gage Metals

Dillon Gage is the world leader in physical precious metals trading and technology serving dealers, financial institutions, banks and brokerage houses around the globe. Since 1976, Dillon Gage has led the way in innovation, advanced trading tools, technology and intellect. The firm is one of a handful who are authorized purchasers of bullion (including coins, rounds and bars) for all major world mints and maintains inventory in over 20 countries. Dillon Gage’s integrated products and services include numismatics, bullion and electronic trading of precious metals and fulfillment, API integration, physical gold tracked by blockchain technology, refining and storage. The firm operates: FizTrade Online Trading, IRAConnect, Dillon Gage Refining and International Depository Services Group, a privately-owned subsidiary of Dillon Gage Metals, with locations in Delaware, Texas and Ontario. Dillon Gage’s philanthropic arm, HELPS International, provides relief, development and educational opportunities to Guatemala. Learn more about Dillon Gage at www.dillongage.com.

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