Inflation is down, but gold is record-breaking. Here’s what drives the bullion and how it can get into the savers’ portfolio.

The yellow coin has spiked repeatedly. The drop in rates is friendly to the precious asset, which offers no interest. Investment prospects and strategies.

The original article in Italian withe the view of Maurizio Novelli published by “La Repubblica” can be found at this link: https://urly.it/3-ptb

“When inflation accelerates, investors take refuge in gold, and vice versa”. One of the most widespread beliefs on the financial markets is disproved by what is happening in recent days, with the yellow gold that has repeatedly retouched the historical record despite a slowdown in the price of life. We try to understand the reasons for this and what adjustments to make to your portfolio.

What are the reasons for the rally?

The gold rush started at the end of 2022 and the trend has been read by analysts as a defensive positioning in the face of risks related to geopolitical tensions and hyperinflation, which has pushed many investors to take refuge in real assets. However, there was no turnaround when inflation slowed down and the race resumed in the perspective of a cut in policy rates, which reduces financing costs. This perspective is considered positive for the yellow currency as, unlike bonds, it does not offer any interest rate. So, in a scenario of declining returns, gold increases its attractiveness as an

investment.

Is it a trend that’s going to last?

Making forecasts in the financial field is always bold, but there are many analysts who see prospects for further revaluation. “The collapse of the US economy, the latent risks of financial crisis and attempts to counter these scenarios with reflazionistic policies (that is, they aim to stimulate the economy, increasing the money supply, ed) are all positive factors for gold, where we currently have a long position that we will tend to strengthen in the phases of weakness”, emphasizes Maurizio Novelli, manager of the fund Lemanik Global Strategy.

Is that a record?

On the other hand, current levels of gold (above $2,100 per ounce) do not set the absolute record for inflation. “During the sovereign debt crisis of 2011/2012, the prices were at levels that correspond to the current 2,500 dollars”, notes Diego Franzin, head of portfolio strategies of Plenisfer Sgr. For the expert, the reasons behind the recent rally remain valid, especially because the central banks of emerging countries are engaged in a process of de-dollarization (reduction of the reserves of the green currency) that takes place through the purchase of the yellow currency. While geopolitical tensions continue to grow.

How to invest in yellow currency?

For small savers, the investment in gold can be realized through the purchase of shares in the mining sector or specialized funds in the sector. The second option offers a greater diversification, with the additional alternative between active and passive funds, the former significantly more expensive than the latter because they entrust portfolio management to professionals, while the latter merely replicate sector indices.

Among financial clones there is a further difference to be made, between Etc and ETFs, with the former investing directly on the prices of the raw material, while the latter replicate the trend of the largest listed companies in the sector.

Beyond the economic climate, placing a share of raw materials in the portfolio can be a stabilising factor in returns over the medium to long term, recalling that past performance is by no means an indicator of what will happen in the future.



Maurizio Novelli

With more than 35 years of experience in portfolio management and proprietary trading, Maurizio Novelli trained at the International Financial Program at Princeton, with an MBA in International Finance and a Master in Economics at Bocconi University. In 2007 he launched one of the first Luxembourg UCITS funds with a Global Macro strategy, of which he is currently the Senior Portfolio Manager, boasting one of the longest track records in the asset class.
In-depth knowledge of global macroeconomics and international monetary economics are the cornerstones of his portfolio management.

Maurizio is Vice Chairman of Lemanik Invest SA and has been a member of the ASG (Swiss Association of Asset Managers).

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