

Why Should You Consider Investing In Gold?

Saul Rosen August 24, 2017



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([Newswire.net](#) -- August 24, 2017) -- Gold instantly stands out as a unique asset as it offers a high liquidity but it is scarce. We look at it as being a luxury good and an investment. There absolutely zero counterparty risk as the precious metal is nobody's liability. You can thus easily add it to a diversified investment portfolio. We can say that gold will act as diversifier and can mitigate long term losses potential when markets are falling. It is also a good hedge against currency risks and inflation.

Facts Of Interest For Investors

If you are interested in [investing in gold](#), you need to be aware of some important things:

- Gold is not driven just by investment demand, being a highly diverse mainstream asset influenced by numerous factors.
- Downside protection is offered and performance is positive.
- Gold stands out as the most effective of all diversifiers.
- Highly competitive returns are reality when compared with different major financial assets.
- Flat currencies tend to eventually lose value in favor of gold.

Basically, all this means you enhance your risk adjusted returns when you invest in gold. The problem is normally determining how much should be invested. Most beginners just think about [value of gold](#) while that is definitely just a part of the equation. Generally speaking, professionals recommend that around 2 to 10 percent of the investment portfolio should be kept in gold in order to drastically improve long term performance.

Mainstream Acceptance

Gold is much more mainstream now than it used to be. The current investors are ranging from huge wealth funds to people on pension, individuals being located in the emerging markets and in the highly developed areas. The global demand for gold investments grew around 18% every single year for a long time now. The central banks also started to expand gold use as a foreign reserve. Emerging market central banks practically tripled gold holdings in the past 10 years. Investor appetite was increased due to various reasons, including:

- The expanding Asia middle class increased region purchase power.
- Effective risk management focus increased after the major financial crisis of 2008.
- New portfolio sources are re-evaluated because of a long low interest rate period.

Gold is highly accessible and liquid. It is now traded every single day at over \$200 billion values through over-the-counter markets. Accessing the market is also a lot easier than ever as there are different alternative ways in which this can be done.

Return Source

Investors often see gold as investment asset that is to be held in the event risks are high and to be sold when economy is booming. However, economic growth did have a really good effect on the consumer demand of gold. Investors are now relying on gold in the event there is a market uncertainty period and push up the demand if inflation spikes or stock markets are tumbling. Such actions will influence gold price on the medium and short terms but on the long term there is clear positive income growth that is noticed.

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