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Will gold prices rise during November?



Dubai - The safe haven asset is likely to remain bullish till the US Federal Reserve meet on Nov 2-3.

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A weaker dollar helped gold, a safe haven asset, to gain Dh1 per gram in Dubai on Monday. The precious yellow metal traded at \$1,809.66 (Dh6,646.75), only about \$4 (Dh14.69) shy of an over one-month peak scaled last week. Will the dollar downturn cause gold prices to go even higher next month? Read on.

What's the current gold rate?

Gold prices fell on Tuesday morning weighed down by an uptick in the dollar but it was still trading above the \$1,800 (Dh6,611.27) per ounce level.

What drives the price of gold?

Like most commodities, gold prices are heavily influenced by supply and demand. Investment demand, especially from large exchange traded funds (ETFs), is a key factor underlying the price of the metal. Gold often moves opposite to the US dollar because it is dollar-denominated and is a hedge against inflation. However, in the long run its trajectory hinged on how aggressive central banks act to contain inflation.

What's the reason behind the recent rise in the gold price?

Gold prices have increased following US Federal Reserve chairman Jerome Powell's comment on October 22 confirming the central bank's plans to start tapering its monthly stimulus of \$120 (Dh440.75) billion between November and December.

The comments offset concerns that rising inflation in the aftermath of Covid-19 pandemic may erode purchasing power.

Is gold a good investment option?

Yes, gold has vastly outperformed paper assets during major financial crises in history. Take the Covid-19 pandemic for instance. As major stock market indexes were selling off, gold, touted as a safe-haven asset, rose almost 70 per cent. “Gold should be a part of your portfolio, but not a dominant part,” said Dubai-based Devina Mehra, chairperson and manager director, First Global, a global quant asset manager. “It [gold] can go through long periods of non-performance. For example, the prices of the early 1980s were not crossed till 2003. The current move appears to be borne out of inflation fears but is still within normal range. Not too much should be read into it,” she added.

How should a consumer buy physical gold?

Gold bars — also known as bullion — are a popular choice for investors looking to buy gold. Typically, bullion, is sold by gram or ounce, and the purity, manufacturer and weight should be stamped on the face of the bar.

Purity is critical when buying gold: Investment-quality gold bars must be at least 99.5 per cent pure gold.

Will gold prices continue to rise?

Gold is likely to remain bullish until November 2-3 – that’s when the US Federal Reserve will meet to announce the tapering of its asset purchases.