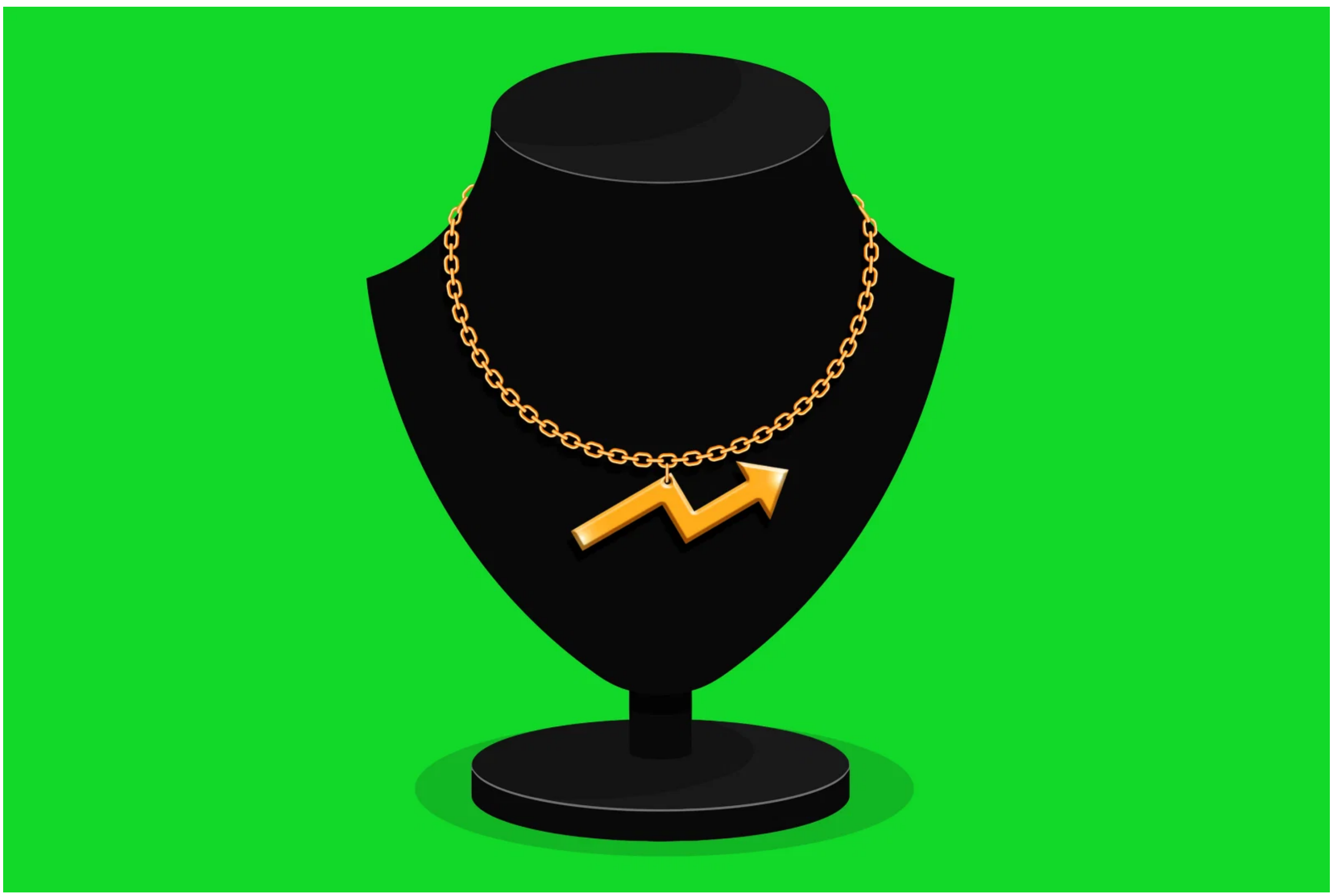
Coronavirus and Your Money: **Special Coverage**

People Are Rushing to Buy Gold. Here's What to Know Before You Invest

BY **CHRIS TAYLOR** MAY 26, 2020



Kiersten Essenpreis for Money

In times of crisis, gold can seem like a great investment, rising as stocks fall. Expert say it can be a smart way to round out your investments – as long as it remains a small part of your overall portfolio.

From the beginning of April through May 20, investors poured almost $8 billion into SPDR Gold Trust, the most popular gold exchange-traded fund – more than $2 billion more than the next ETF of any kind.

It’s basically a virus-related twist on a very old investing story. After all, gold has been seen as a reliable storehouse of value for thousands of years: When everything else is falling apart – economies are tanking, or paper currencies are under pressure – precious metals are a cozy place to seek safe haven.

"The Fed is creating enormous amounts of cash right now, which is distorting the value of money," says Francisco Blanch, head of commodities and derivatives research for Bank of America Merrill Lynch. "That is why gold should be up over time. Investors will have less and less confidence in the value of paper currency – and there are not many places for them to go."

In fact, in a recent research note called "The Fed Can't Print Gold," Blanch and his colleagues called for a $3,000 per-ounce target over the next 18 months, a number that would clobber previous records.

Before you start prying out your old fillings, though, keep a few caveats in mind. Product demand is anemic right now, since much of the world – including key markets like China and India — are cooped up, feeling the financial pinch, and not in the mood to buy a lot of jewelry.

The price is already up almost 15% for the year, as of May 21, which means that new investors have already missed a decent run-up. And if things should return to relative normalcy – say a vaccine is developed and rolled out, the economy revs back up, and volatility drops – gold's appeal will dim, and money will cycle back out of the sector.

How to buy gold

That being said, gold looks like the most popular kid in school at the moment. Part of the appeal for retail investors and asset allocators is that it is much easier to buy these days, compared to decades past. SPDR Gold Trust is the most popular ETF, backed with physical gold and currently holding over $62.5 billion in assets.

Other funds to consider, that hold a basket of different producers: Van Eck International Investors Gold Fund, EuroPac Gold Fund, and First Eagle Gold Fund, which were the Lipper Awards' most-honored gold funds over the last five years.

Indeed, while just owning the asset is a very speculative play, buying stock in producers that generate earnings and dividends might make more sense for most investors. For them, the economics right now are lining up nicely.

"With falling costs and rising prices, this is a very attractive environment for them," says Colin Hamilton, managing director of commodities research for BMO Capital Markets. "Profitability in the industry will be good, and in a time when a lot of companies are cutting dividends, some gold producers are actually raising them."

To wit, BMO Capital Markets has an "Outperform" rating on Barrick Gold, while Bank of America's top picks include Wheaton Precious Metals and Newmont.

Metals in moderation

For retail investors, it's important not to think of gold as a basic portfolio building block, but something which would fit into your speculative box – say, no more than 5% of your portfolio.

Remember that while gold is associated with safety, it can be wildly cyclical, and may give you more ulcers than the asset classes you are trying to escape. It also generates extreme opinions – from the "gold bugs" who swear by it, to financial planners like Kashif Ahmed of Bedford, Mass., who calls it a "fool's errand, based on nothing but how scared someone has made you."

But if all the Fed's money-printing makes you nervous, and you're looking for an inflation hedge and non-correlated asset to help you sleep at night, you could do worse than to have a sprinkling of gold or gold stocks in your portfolio.

"The world's central banks have been forced into debasing their currencies because of the coronavirus crisis," says George Gagliardi, a financial planner in Lexington, Mass. "The only winner in all this is precious metals."

More from MONEY:

Where Home Prices Are Heading in the Age of Coronavirus

Annuities Offer Retirees Peace of Mind in Choppy Markets. But They Come at a Cost

The CARES Act Makes It Easier To Withdraw from Your 401(k). Here's What to Know Before You Do