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## Gold consolidates above US\$1,300, and could go higher

The price of gold is now consolidating above the US\$1,300 mark, following Friday's upward move.

Plenty of analysts and industry watchers expect it to stay at current levels or even push higher, as the global appetite for risk wanes and investors move once again into safe-haven assets.

The underlying causes for this move aren't too hard to find: The broad context is the ongoing uncertainty about the global economy, particularly in regard to the swings in sentiment around US-China trade talks.

Then there's the new cautious note being sounded by the Federal Reserve. According to the consensus view in the market, and contrary to its former position, the Fed will probably not raise rates at all this year. Not everyone agrees with that prognosis, though. ING put out a dissenting view arguing that there will likely be two rate rises, in spite of the new prevailing caution.

### Fed's balance sheet

But there is an additional factor regarding the Fed, which the market is beginning to take account of. Not only is the Fed looking to raise rates where it can, but it's also looking to pare back its balance sheet significantly.

The Fed's balance sheet ballooned from the high hundreds of billions of dollars to more than US\$4tn after the global financial crisis, but in recent months, under the stewardship of Jerome Powell, this is being pared back somewhat.

Not everyone likes that policy, including the man who appointed Mr Powell, Donald Trump, and it has been blamed for stoking market volatility. When Mr Powell said the programme of asset sales remained on "automatic pilot" last year, the S&P dropped heavily. And in turn, when later he said that it was actually "flexible", the S&P delivered its best gains over an hourly period in 12 months.

At issue is a scarcity of reserves in the Fed itself, as banks withdraw assets in response to the Fed's own paring. And that's making markets jittery. Some argue that the Fed will have to slow down, and it may be that some such announcement is forthcoming in the policy statement due on Wednesday.

But either way, the uncertainty makes for a more attractive environment for gold.

### Global woes

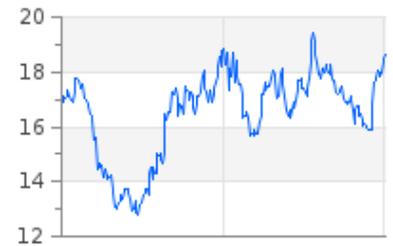
Add in secondary factors like the Brexit crisis in the UK, a general slowing of the European economy, most notably in Germany, and the weakening of the dollar after the shutdown of the US government appeared to end in defeat for Donald Trump, and the immediate outlook is certainly favourable.

An escalation of the developing crisis in Venezuela could be another flashpoint.

**Price:** C\$18.66

**Market Cap:** C\$32691.98M

### 1 Year Share Price Graph



June 2018 December 2018 June 2019

### Share Information

**Code:** ABX

**Listing:** TSX

**52 week** **High** **Low**  
C\$19.49 C\$12.54

**Sector:** General Mining - Gold

**Website:** www.barrick.com

### Company Synopsis:

On 1 January 2019 a new Barrick was born out of the merger between Barrick Gold Corporation and Randgold Resources. Shares in the new company trade on the NYSE (GOLD) and the TSX (ABX).

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Over the last week shares in Barrick Gold Corporation (NYSE:GOLD) have moved up by more than a dollar to US\$12.34. That move followed a period of short-term weakness following the completion of the combination with Randgold Resources. But there are plenty of Barrick bulls to be found out there now that gold is back above US\$1,300 for the first time since the early part of last year.

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