

23 February 2019

Gold Fever

The North American stock market has done extremely well for many years. There are increasing claims that we are on the cusp of a severe run-up in precious metals, which have lagged in recent years.

This is not an unreasonable theory, but history has shown that it is not the whole story. Gold, Silver and Diamonds have traditionally been considered the assets of last resort, when economies are undependable.

The simple facts are that despite the great downturns of 2008 and 1929, economies around the World are overall fairly stable, hence a lack of interest in crisis assets.

The table, on the next page, of leading American stock market securities for the last 14 years could be instructive in understanding that Gold and other precious metals are little more than another asset class in stable time periods. The graph includes the great downturn of 2008, and still no long-term breakout for Gold.

Here is a short explanation of each item on the graph.

GLD is the ETF that follows the price of Gold. It did exceedingly well in the first half of the period, but over the last 8 years has not rewarded investors.

SPG is the Simon Property Group, the largest Real Estate operator offering shares to the public. Its share price has been much less volatile, plus it provides significant Dividends from rents collected. Currently Simon's Dividend yield is 4.4%, making its total return much more than the 225% on the graph.

XOM is Exxon Mobil, the largest publicly traded energy company. It also provides a regular dividend, currently 4.1%. It has been a dependable if somewhat stodgy investment and is a core item in many pension funds.

RYU is one of several ETFs that mirrors an index of American Utility companies. Again, a decent dividend producer, currently at 2.8%.

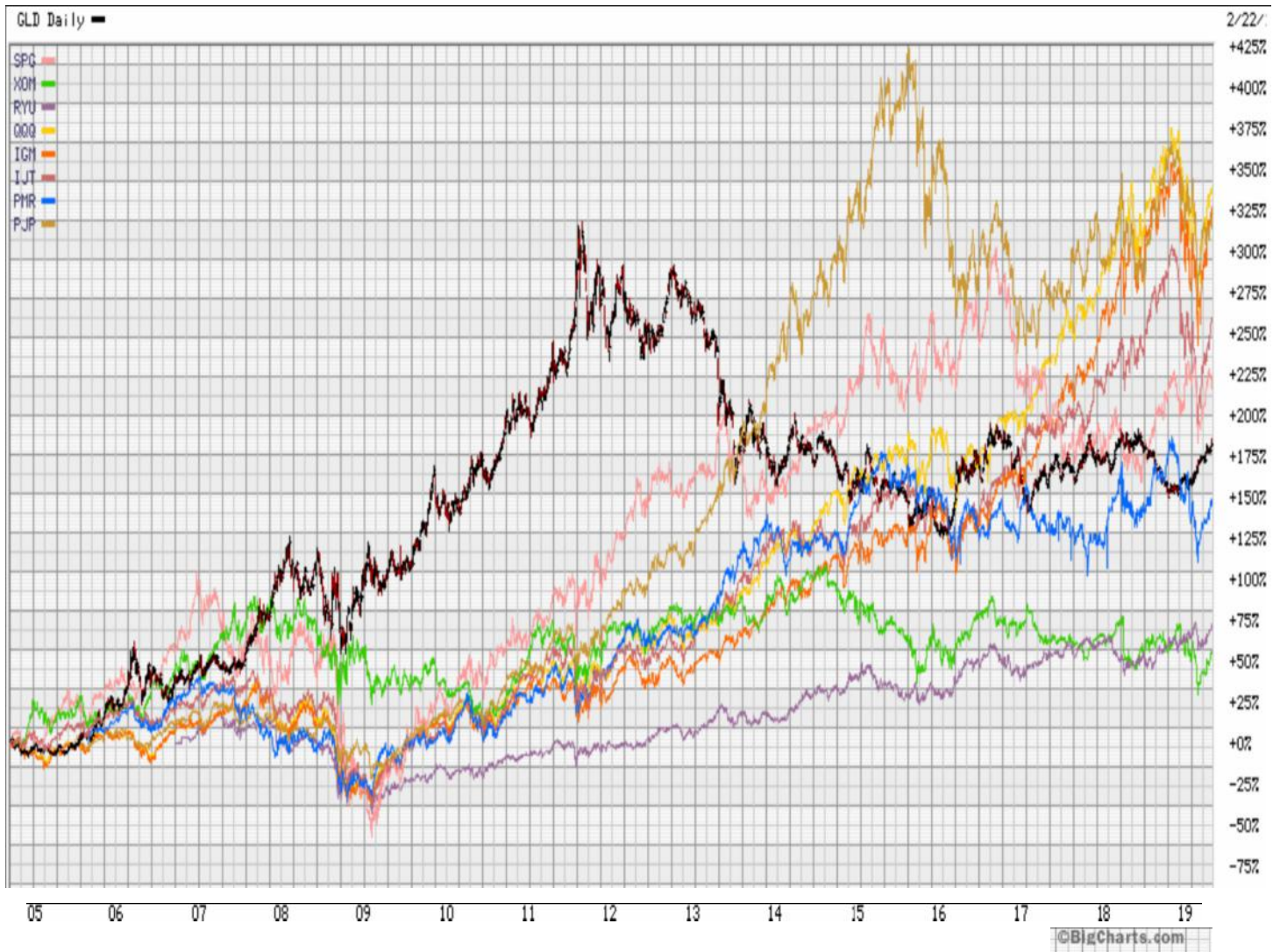
QQQ is the symbol for the American, NASDAQ, Over the Counter Index. It have been a steady and outstanding representative of the dynamism of the US market, despite losing over 50% of its value temporarily in 2008-9.

IGM is an American Technology sector ETF.

IJT is the trading symbol for an ETF following American Small cap growth companies.

PMR is an ETF using an index composed of America's main retailers.

PJP is an ETF that follows an index of the pharmaceuticals industry.



Of the above, which might be considered the most reliable investment? Perhaps RYU, having averaged a total return of 7.7% per year since inception in 2006, with few serious reversals along the way, or Simon Properties.

To have a point of comparison, here are the average annual returns for these securities since their inception, so it includes the bad years with the good.

GLD	Gold	7.34%	inception date: 11/18/2004
SPG	Simon Properites	about 7.9%	according to The Street website.
XOM	Exxon Mobil	about 6.6%	according to Morningstar. 4 of the last 5 years have shown overall losses.
RYU	Utilities	7.72%	inception date: 11/07/2006
QQQ	NASDAQ index	6.40%	inception date: 03/10/1999
IGM	Technology	7.08%	inception date: 03/13/2001
IJT	Smaller growth companies	8.40%	inception date: 07/24/2000
PMR	Retail	7.28%	inception date: 10/26/2005
PJP	Big Pharma	12.6%	inception date: 06/23/2005

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