

Should you invest in gold and safe havens in a global crisis?

By [Hamish Mcrae](#) Updated: 11:38, 21 April 2024

Where are the safe havens? That is the question troubling investors in these difficult times. The conflict in the Middle East has led to a surge in the gold price in recent weeks, for the metal has long been the classic place to put savings at a moment like this. Overnight on Thursday it pushed through \$2,400 an ounce, before falling back a bit. In the middle of February it was trading below \$2,000.

But gold is an unsatisfactory investment. It produces no yield. While on a very long view it gives some protection against inflation, over shorter periods it doesn't. The price shot up from \$1,275 an ounce in April 2019 to over \$2,000 by the summer of 2020. But then it was flat for nearly four years before its recent surge. So while gold is the preferred asset for the world's central banks, with the Chinese particularly solid buyers this year, it is not really a significant investment for most people.

Commodities? Yes, but which ones? The most important commodity of all, oil, jumped this past week for obvious reasons. But the price of crude at about \$90 a barrel on the Brent yardstick is lower now than it was just before the attack from Gaza on Israel on October 7 last year. Besides, how does an ordinary investor make an investment in oil, other than buying the shares of the major producers?

Much the same objection applies to other commodities. Yes, providing the world economy continues to grow, there will be demand for these, but other than buying the shares of the big miners (which have mostly been broadly flat over the past year) there is no easy way of investing.

For anyone in the UK, one form of safety is owning a home, and the lesson of the past two or three years is that the housing market is pretty resilient. While prices can go soft for a while, there is enough underlying demand even in tough times to stop a serious crash. But property has its drawbacks, is illiquid, and is not a straightforward investment for spare cash.

Perhaps the safest investment of all is the US government, or rather the securities it issues. The dollar has remained strong, three-month Treasury bills are yielding 5.4 per cent, and five-year and ten-year notes are currently on 4.6 per cent.

The message last week from Jerome Powell, chair of the Federal Reserve Board, that the markets should not expect an early cut in interest rates, beefed up the dollar a bit more. But there are dangers even there. Anyone who bought longdated US bonds three years ago is likely to be sitting on losses, in both cash and real terms, for prices move in inverse relationship to yields.

So higher interest rates are great for new buyers, but cut the value of existing holdings. In any case, on a long view equities have consistently delivered better returns than bonds. So while US Treasuries may appear safer, what matters for most savers is the likely return over many years.

That brings us back to the case for investing not in the US government, but rather in the businesses that drive the American economy. It may not be the best time to put money into the companies in the S&P 500, but the fact remains that despite a poor week for the market and all this worrying news, that index is up more than 5 per cent on the year so far. And it is up 20 per cent on where it was 12 months ago.

Take this argument one stage further. It is understandable that people should want security for their savings. But it is wrong to pile money into what seems to be a safe haven whenever there is an international crisis, however worrying that might be.

Instead, investors should try to build portfolios that will be robust in the face of unexpected bad news of any sort. That means spreading risk, looking for fundamental value (as readers will know, I think UK shares are seriously underpriced), and accepting that we are human beings and we will sometimes get things wrong.