Gold Prepares for Next Bull Cycle

Stockholm (HedgeNordic) – After returning 23.6 percent in 2019, precious metals-focused hedge fund **Pacific Precious** gained an additional 5.5 percent year-to-date through February 19. The fund's B share class is up 6.1 percent year-to-date. The fund has benefitted from its exposure to gold and other precious metals, which are reaching higher price levels as investors chase safe-haven investments because of the spread of the coronavirus.

"Subdued growth, falling interest rates and increased central bank stimulus form a good breeding ground for rising gold prices," explains **Mattias Gromark** *(pictured)*, who is responsible for managing Pacific Precious. The spread of the coronavirus has lowered investors' growth expectations for the global economy, as the outbreak affects supply chains, Chinese demand and worldwide tourism. According to Gromark, investor demand for gold increases during turbulent times as "central banks and investors want a secure asset without counterparty risk to diversify away from zero-yielding government bonds and currencies expected to fall in value due to more central bank stimulus pumped into an already heavily-indebted system."

As Gromark explains in a recent article, "gold tends to move in long cycles that coincide with central bank cycles and the state of the global economy." After the burst of the IT bubble at the beginning of the century, the price of gold increased sharply over the next decade before bottoming out at about $1,050 during the period of 2015 and 2016. "We are now probably at the beginning of the next upturn cycle, which is driven by new stimulus and ever-increasing indebtedness," reckons Gromark. The best way to capitalize on a potential upturn cycle is to get physical exposure to the raw material and exposure to precious metals mining companies.

"It is not only the strong demand that drives the prices of precious metals," argues Gromark, who adds that the supply of gold appears to be declining as well. Pacific Precious is a multi-strategy hedge fund that invests directly in precious metals and high-quality companies operating in the sector. The fund managed by Gromark was among the 15 best-performing hedge funds in the Nordics last year. The fund is currently exposed to gold, silver, platinum and palladium.