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Trade Risks Not Enough to Sustain Gold Rally, Money Manager Says

By Susanne Barton
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(Bloomberg) -- While U.S.-China trade tensions have boosted gold prices, one portfolio manager is doubtful the rally will last.

Tim Atwill, head of investment strategy at Parametric Portfolio Associates, which manages over $230 billion in assets, says the connection between risk-off periods and gold rallies is not as tight as one would imagine. “If trade frictions boil over, gold will benefit, but the magnitude of this benefit will be muted,” he said in an email last week.

The metal was on a wild ride last week, alternately rising and falling and ending up 0.7 percent at $1,336.10 an ounce. Gold had a late-week surge when U.S. President Donald Trump asked for possible tariffs on an additional $100 billion of Chinese imports, and the Asian nation responded it would “retaliate immediately, intensively, without any hesitation” if they were implemented.

Atwill says gold’s performance as a haven asset should be compared with its moves during the 2008 financial crisis. During that time it was just “another liquid asset that could be readily sold by investors,” he said.

Others are more convinced gold will rise. Rick Rule, who heads Sprott U.S. Holdings, said last week that bullion could top $1,400 an ounce in 2018 amid the escalating trade tensions. And Goldman Sachs Group Inc. last month turned bullish on the metal for the first time in five years.

Atwill still thinks gold is a good strategic diversifier in a portfolio. “It’s an even better time to move into a diversified holding of commodities as growth is expected to strengthen and inflationary pressures look to be increasing globally,” he said.