BLOG POST
Has Gold Lost its Luster?
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Gold and inflation tend to go hand-in-hand. Conventional wisdom holds that when inflation expectations rise, so does the price of gold. With its limited supply, gold can be a store of value when prices for goods and services rise. Historically, when indexes like the CPI edge higher, investors will allocate to gold to offset the loss of purchasing power. So far this year, we've seen headline inflation creep higher, but surprisingly, the price of gold has not followed suit. Based on the chart to the left, which measured the price of the SPDR Gold Trust ETF, gold is lower by roughly -6% year-to-date.

- Part of the reason gold is trading lower could be due to the opportunity costs of holding gold versus equities. Despite the increased inflation concerns, equities continue to hit new highs and earnings have been strong. Likewise, institutional investors might be of the mindset that inflation concerns are more transitory.

- Investors can also hedge inflation in other ways. Bitcoin, with its limited supply, could compete with gold. Likewise, companies that consistently increase their dividends can provide rising income over time to combat inflation. Gold might ultimately trend higher, but for now, investors are allocating assets elsewhere.