

Why You Should Still Invest in Gold Post-Trump Presidency



Credit: <http://abcnews.go.com/Politics/obama-trump-meet-white-house/story?id=43428402>

Well, it's official: Donald Trump is the new American President, much to the surprise of some Americans across the nation. While many people are grumbling, the results have proven a majority support Trump. His presidency is bound to bring a lot of changes, and there's good news to be had—particularly if you're planning to take advantage of how the tide could be changing economically in the opinion of some, —by investing in gold.

Market performance recorded after Trump's win indicates investors are looking forward to a general economic reflation; the president has, after all, vowed to introduce tax cuts for the super-rich as well as corporations, while promising increased defense and infrastructure spending.

No one knows if the reflation will work, but one thing is clear: it's unlikely to be business as usual. Gold is a perfect stabilizing force in such a tumultuous economic environment. In addition, as a leading analyst at Goldman Sachs claims, Trump's policies will most likely push investors into becoming the president's "fellow gold bugs," as he shows signs of loving all things gold.

Gold is responding to the commotion of the election in a predictable way, rising and falling in response to the mood of the markets. Shortly after the first week of November 2016, prices soared to \$1,300 per ounce—a record high in recent times. A reversal soon followed. Just three days later, gold was down by 2.4% to \$1,235.

Now is a good time for those looking to guard against future inflation to heed the fact that Trump’s presidency will be volatile and look to a “safe haven asset” such as physical gold.

What Trump’s Propositions Mean for Gold Investment

We believe the new president’s policies will prove to be a good thing for gold investments for several reasons. Let’s examine them one-by-one:

Infrastructure Spending



Credit: <http://www.nbcnews.com/politics/2016-election/fact-checking-trump-s-speech-n597051>

In his very first presidential address, Trump said: “We are going to fix our inner cities and rebuild our highways, bridges, tunnels, airports, schools, hospitals. We're going to rebuild our infrastructure, which will become, by the way, second to none. And we will put millions of our people to work as we rebuild it.”

He said he plans to put aside more than \$500 billion for infrastructure development and extend as much as \$137 billion in the form of tax credits to private companies spending money on all such projects. This can lead to a GDP boost and may even help create about 200,000 jobs in the first few years.

However, infrastructure spending can lead to substantial deficits, meaning the federal government will have to borrow more, not at all helping to reduce the huge \$20 trillion debt. There's likely to be a lot of money printing, as well as spending, thus, leading to higher inflation. Under such conditions, gold prices typically thrive.

“Big Government” Conservatism

Trump's policies avidly fall in line with strong Republican party views which go in favor of big government conservatism.

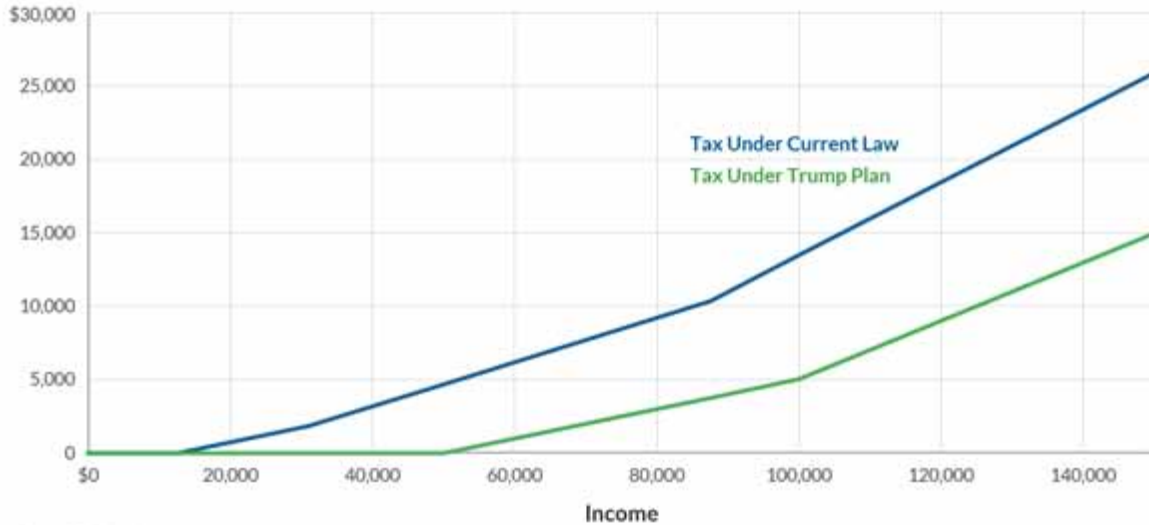
Pretty much along the lines of actions taken by former President George W. Bush, Trump is all gung-ho for increasing spending in several sectors, including not just defense and infrastructure but also social security and veterans' affairs. The first two categories happen to be among two of the U.S. government's largest budget envelopes.

Increased spending means the government will yet again have to borrow large amounts, creating more debt, with a good chance of driving gold prices up.

Tax Cuts

The Trump Plan Is A Large Tax Cut For The Middle Class

Taxes for a Married Couple Under the Trump Plan and Current Law



Source: IRS, donald@trump.com

Note: This comparison includes only the brackets and the standard deduction. All income assumed to be wage income.

TAX FOUNDATION

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Credit: <http://taxfoundation.org/blog/donald-trump-s-tax-plan-large-tax-cut-middle-class>

Trump is willing to do away with the current seven-bracket tax policy and condense it to only three, and is also proposing a no income-tax policy for low-income households. He plans to lower business taxes from 35% to 15%. Furthermore, the president says multinational companies with overseas profits will be allowed to repatriate cash at a flat 10% tax rate.

Under Trump's tax reforms, everyone should get a cut—the top 0.1 percent, though, will get more tax relief than the bottom 60% of taxpayers combined.

So, in a nutshell, you're looking at a tax cut package that will reduce income taxes for "really rich individuals" and will include corporate tax rate cuts at a significant level. These unfunded tax cuts could increase the deficit, thus strengthening gold.

Impact on the U.S. Dollar

Some analysts believe the new president's policies will more than likely impact the U.S. dollar negatively, which actually trades inversely when we talk gold; if the dollar goes down, gold has a tendency to rise. Trump's comments on renegotiating U.S. foreign debt exactly is not likely to coax foreign investors to invest in bonds, and their lack of participation could devalue the dollar further. This probably will lead to more investors rushing to get gold as a stabilizing factor in their investments.

Aggressive Fiscal Policy

An aggressive fiscal policy means increasing domestic demand, and it also means inflation. Some investors argue that gold does not act as a good inflation hedge, even though its performance, keeping inflation-adjustment in mind, says otherwise. Regardless, there could be a very high demand for gold in the coming months and years. The Federal Reserve may hike interest rates to deal with higher inflation and keep actual inflation rates low, which will support gold since gold bears no interest.

Trade Policies

Trump has gone on record stating he will renegotiate U.S. involvement in NAFTA and a number of other trade alliances and deals, or consider pulling out. He also says China will be declared a "currency manipulator". His so-called protectionist threats to impose tariffs on Chinese and Mexican goods will almost certainly increase prices Americans pay to buy those products.

Tariffs could lead to retaliatory action on the part of countries affected by them. In fact, similar policies dating back to the 1930s ([Smoot-Hawley tariffs](#)), are believed to have seriously exacerbated already volatile economic relationships with some countries.

In any case, the new president's protectionism policies can have a very negative impact on economic growth and prove factious for the international economy. What would follow is likely slower economic progress and heightened global tensions, which would inevitably support gold as a stabilizing factor.

Geopolitical Policies

We could go on and on about how Trump's geopolitical policies could lead to mass uncertainty but one thing's for sure in our opinion: his policies will push more investors to go for gold as a safe haven. Georgette Boele, a precious-metal analyst at ABN Amro says that Trump's pledge to tear up trade agreements will result in rise in demand for gold, resulting in more investment in gold as well.

Money Printing to "Keep it All Going"

Trump [once famously said](#) that the US never has to default on debt because of its ability to 'print the money'. Many experts believe that he will continue on the same path and print more notes, even though he is yet to publicly release any monetary policy proposal. Printing more notes will result in inflation, which directly [impacts gold prices](#). Since currency loses its value when more money is printed, investors generally turn to gold due to its safe nature.

Unchanged Stance on War



Credit: magseriesusa.net

For the last few decades, American policies have consistently led to more U.S. soldiers in foreign countries, and more military strikes and other “acts of war..” On an average, one or two countries are adversely affected each year as a result of our hawkish decisions. The Obama administration has waged wars in Pakistan, Somalia, Syria, Iraq, Libya and YemenYemen, just to name a few. There’s little indication Trump’s policies are going to be much different.

U.S. politicians profit when we are involved in war, because it detracts public attention from everyday issues without putting the country at too big a risk. However, war generally means gold prices go up. During times of conflict, government spending and borrowing can go out of control, and money is sometimes recklessly printed —all of this canese increase the relative value of hard assets, particularly gold.

Trump Must Get Along with a Democratic Congress



Credit: <http://www.voanews.com/a/us-sureveys-clinton-regains-edge-ove-trump-after-democratic-convention/3443965.html>

Trump had said during the presidential race that he might come to a compromise in order to make deals. This suggests that if he is indeed serious about tax cuts and increased defense spending, he'll need to get his proposals approved through Congress. In fact, his very first book, "The Art of the Deal", should provide him with the basic groundwork to tackle the gridlocked Congress, something he will eventually have to deal with.

Trump recently announced his decision to distance from his business to avoid conflict of interest. Many experts believe this is to avoid issues with Congress, since he is now expected to work hand-in-hand. His stance on FED is also expected to change considering he had earlier asked for the organization to be audited. FED officials warned Trump to come up with a tight fiscal policy, adding that there is uncertainty under Trump administration and the Republican Congress. And as mentioned earlier, this uncertainty is good for gold prices as such conditions result in a gold price hike.

OPEC Helps Gold Prices

The OPEC deal will bring good news for gold prices. Crude oil prices have raised by 14% since the OPEC's agreement, and another raise is expected next year. This raise in prices will result in higher inflation, increasing gold prices. In addition to this, higher oil prices can affect economic growth, making gold a more viable investment option.

Trump has always been vocal against OPEC, insisting that the US does not need OPEC. He plans on drilling oil in the country, and may control oil imports resulting in a shortage of oil. If Trump goes ahead and limits imports, it will further boost oil prices, keeping in mind that finding new oil reserves may take years.

Final Thoughts

There are a number of forces at play here, and many scenarios might unfold in the immediate future. However, market volatility is likely to increase with uncertainty in the air. The stock market continues to be vulnerable on the down side.

The nation eagerly prepares itself for Trump's January State of the Union address. What some considered a rather surprising election outcome brought with it the potential for major changes, as well as high economic uncertainty. It is likely gold will continue to thrive in an environment like this, because it offers a safe haven and stabilizing factor in investment portfolios. Historically speaking, gold is a quality-driven liquid investment which has proved to be a wealth boosting tool throughout the years and decades.

To conclude, any positive impact of “gold under Trump” relies on certain expectations —that his policies would keep everybody guessing and on edge, which isn’t difficult to imagine. In our opinion, his fiscal spending proposals are bound to accelerate inflation. Therefore, the time to go for a gold investment or two is right now. Investment now could yield favorable returns. In fact, towards the end of 2017, don’t be surprised if gold is valued at \$1,450 per ounce.