

outlook-stokes-safe-haven-demand-idINKBN22W0EO?rpc=401&), citing fears of a prolonged economic slowdown and doubts that a coronavirus vaccine would be found. (/services/search) (/)

Gold has played a key role in investor portfolios so far this year, particularly as equities have suffered major losses resulting from the Covid-19 pandemic. Additionally, gold tends to benefit from economic stimulus as it is widely viewed as a hedge against inflation and currency debasement.

Investment Demand

«The structural impact of massive liquidity injections by central banks and renewed tensions between U.S. and China since the start of May seem reasons enough for now to keep investment demand rising,» **Luc Luyet**, currencies strategist at Pictet Wealth Management, said in a research note on Wednesday.

Despite stable U.S. real rates and a strong U.S. dollar, which are not seen as being particularly supportive in the next few months, the flood of liquidity into the financial system and an increase in global debt, coupled with elevated geopolitical uncertainties, may further increase safe-haven demand for gold, Luyet said.

The past quarter has also seen a **seven-fold year-on-year increase in gold-backed ETF holdings** (/real-assets/31654-gold-etf-holdings-surge-amid-save-haven-investment-demand-world-gold-council-andrew-naylor), which reached a record 3,185 tons, according to the World Gold Council's «Gold Demand Trends Q1 2020» report published in April.

Physical Premium

While there has been a sharp decline in retail demand for gold, increased demand for physical product for investment purposes, combined with supply shortage has resulted in a «dramatic increase» in the premiums for physical bullion, **Joshua Rotbart**, managing partner J. Rotbart & Co. told *finews.asia*.

The precious metals dealer cited «major disruptions in the bullion supply chain» due to the Covid-19 pandemic, which include mines that are not able to ship their gold out, to refiners that had to shut down due to lockdowns, and dealers that had to relocate their offices.

Rotbart said he expects the premium on physical products to settle at slightly higher than pre-Covid 19 time, and said the long-term outlook for gold remains positive as governments' debt problems become unsustainable.

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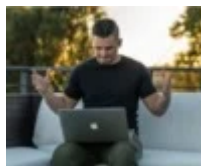
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