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Gold option provides a sound investment

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IT is the kind of investment that might not be too attractive to some people but to those who feel that they want to play safe, investing in gold would sound simply golden.

"It may not be fashionable to some people but it is safe and reliable, compared to investing in shares," said World Gold Council international director retail investment Albert Cheng.

According to him, gold will always remain a safe and secure "financial asset of last resort" where one can depend on it for a rainy day.

Cheng, who is based in Singapore, was Bank Negara's special consultant on the Kijang Emas Bullion Coin project, recently launched by Prime Minister Datuk Seri Dr Mahathir Mohamad.

In an interview, Cheng said gold investment was meant for those who opt to be more conservative in their financial investments. For those who are in a rush for a quick buck, this may not be the right investment path.

The advantages of investing in gold is that it has no boundaries.

"It is like an international currency and can be traded anywhere in the world where gold is accepted," he said.

The price of gold, he added, is set internationally, thereby eliminating regional or local influences which is not the case with other investment options.

According to Cheng, gold has zero counter party risk, a factor that is very important in times of crisis.

"Gold is nobody's liability. You are not depending on some institution or government for your money back when you want it," he said.

He conceded that in this age where investments come in different forms and have become more diverse than before, investing in gold alone may not be wise.

"True, for the sake of investment do not put all your money in gold. Gold investment is supposed to be a stabiliser in one's portfolio."

Cheng noted that even during the regional financial crisis in 1997/98, gold performed its most crucial role as an asset of last resort.

As economies crumbled and currencies were battered, hard-pressed Asians sold their gold jewellery and gold coins or wafers to see them through the difficult times, he said.

And it was also during the crisis, many Asian countries including Malaysia saw the collapse of stock markets and a rise in local gold prices.

As gold is priced in US dollars, its holders have been protected from the savage depreciation of most Asian currencies.

"Many took advantage of this and sold their holdings for cash returns.

"Many more bought gold in large quantities as a hedge against the fragility of the equities market."

The scale of losing all your money in gold is also very limited.

In an extreme case scenario, gold cannot be burned, said Cheng, adding that you can lose all your money in a fire but never your gold.

"And another way to look at it is that gold is an undervalued currency.

"Which do you prefer to invest in? Something that is undervalued or overvalued?" he said.

What is then the disadvantage of gold?

"It pays no interest. It is not fashionable as unit trust and stock schemes due to their higher yield. But one has to remember, the higher the

risk, the higher the returns," said Cheng as he reiterated that gold is not for an aggressive investor.

Malaysia's Kijang Emas is available in ounce, 1/2 ounce and 1 ounce denominations. Minted by the Royal Mint of Malaysia, the 99.9 pure gold is issued by Bank Negara Malaysia and marketed by Maybank Bhd and Bumiputra Commerce Bank.

The average value of gold in the last 10 years is US\$400 (RM1,520) per ounce. Today, it is priced at US\$267-270 per ounce, making it less attractive to some.

Will the price ever go up?

Cheng explained at current prices, some gold mining companies found no incentives to produce more gold.

"With the supply down, the demand would put upward pressure on the price of gold. Moreover, in the long run, the supply of gold like most natural resources is exhaustible. Gold will be rare and will be more valuable," he said.