



## Precious Metals and Commodities

### Investing in gold

Gold has always been used as a means of payment throughout the ages. And today, anxious investors always prefer this precious metal, especially when they expect economic turbulence or significant devaluation of their currency.

Gold is not profitable in principle, at least by way of accruing interest. It is generally regarded as a way of protecting against inflation or when other types of investments risk making a loss. Indeed, in the past it often happened that the price of gold increased at the same time as the cost of living. But this protection is only a reality, however, over the long term. In the short term, the value of gold can fluctuate considerably.

There are **four ways of investing in gold**, depending on different investor profiles:

- **Bullion and gold coins:** you can purchase gold physically through your bank or via a specialised institution and keep it securely in a safe-deposit box. A warning about collector coins: you will usually pay more for them than their value in gold.
- **Trackers on gold:** these are investment funds whose price corresponds to the price of gold. They purchase gold when new money is invested in the fund. So you invest in gold indirectly, without having to look after it yourself.
- **Gold mines:** you can purchase shares in a gold mine. When the price of gold rises, the price of your share has a good chance of doing the same. But like any company, a mine can go through hard times or even go bankrupt.
- **Derivatives:** derivative financial products speculating on the price of gold are meant for experienced investors who are not afraid of taking risks. These products can bring big returns, but you can also lose your entire starting deposit, indeed even more. Be careful!

### Investing in other commodities?

In principle, you can also invest in other commodities, such as oil, metals and agricultural products. But the risks are very large: commodity prices can change very quickly because of speculation. Investing in commodities requires a lot of follow-up and extremely good knowledge of financial markets.

## Test your knowledge of commodities and metals

### Did you know...?

- ❖ There are a number of ways to invest in precious metals: straightforward purchase of bullion/gold coins, indirect purchase by acquiring shares in gold mines or derivative products.
- ❖ The price of gold often follows a different path to the price of other assets.
- ❖ Holding gold does not generate any income.
- ❖ Investing in commodities can help you to protect yourself against a rise in inflation.
- ❖ Commodity price changes are very volatile and vary enormously from one commodity to another. Causes: volatile prices, foreign exchange risk, impact of interest rate changes, etc.

### Like to know more about commodities and precious metals?

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