

Gold outperformed cash ISAs, property and shares over last 10 years

By [Deborah Hyde](#) | 00:01:00 | 06 April 2009

Gold has outperformed cash ISAs, property and the FTSE since 1999 when hit a low just above \$250.

Gold has averaged an annual gain of 15% since the start of 2000 but has accelerated since the collapse of Northern Rock, jumping by 81% amid increasing investor nervousness.



This compares with an annual average gain of 9.1% for Property, 4.75% for Cash ISAs and a 3.09% fall on the FTSE 100 over the same period, said BullionVault, which provides an online service for gold bullion investment and ownership.

'We live in a time where almost every asset class is under assault and confidence in the financial markets around the world has suffered. It is certainly not surprising that gold is again front of mind for private investors,' said Adrian Ash, head of research at BullionVault.

Investors have sought a store of value as the combination of increased money supply and the implications of governmental fiscal stimulus packages resurrect the spectre of inflation around the world. There is now widespread fear regarding the debasement of currencies beyond the US dollar weakness, and gold has a long and proven history as an efficient currency hedge, Ash added.

Meanwhile, Tom Elliott, global strategist at JP Morgan Asset Management points out the nominal price of gold fell to a low of \$252 in 1999 from \$850 in 1980.

And while it is well known that gold is attractive at times of inflation, Elliott said gold can provide a good hedge against deflation.

'In a deflationary environment, goods and services become cheaper in local currency terms. Therefore, rather than investing money in assets that are falling in value, in deflationary circumstances gold is often used as a safe haven and store of wealth,' he said.

Credit Suisse strategist Andrew Garthwaite agrees gold can be a good two way bet for investors.

He has been overweight gold for two years and believes it will benefit whichever one of his three scenarios for outcomes of the crisis materialises.

If governments take over private sector liabilities and default, he believes it would be bullish for gold as both central banks and investors would then diversify away from government bonds.

He said if governments fail to do enough and deep deflation is the result it could be bad for gold. However, he points out gold rose almost 70% in nominal terms during the acute deflation of the early 1930s.