7 Ways to Profit from the Rise (or Fall) of Gold

Introduction

It's not just the paranoia of Fed-bashing, "hard money" zealots: Global turmoil really does make gold a smart investment now.

As the price of gold soars this year amid growing investor fears, the "gold bugs" are starting to feel vindicated. Conventional wisdom dictates that portfolios should contain at least 5% to 10% of gold as protection against any downturns and fluctuations.

As this aging and volatile bull market enjoys its seventh year, we expect at least moderate corrections in the global equity markets in the coming months. The market crash in June in the wake of Britain's vote to leave the European Union is the most salient example of the dangers lurking for investors.

Indeed, investor anxieties are high these days in the market. And whenever emotions run hot in global markets, investors turn to gold as a way to profit.

Gold is typically considered a safe haven from market ups and downs, but in reality, gold can be just as volatile as any other commodity, or even stock.

With gold prices just as uncertain as anything else, the metal is far from being a true safe haven. Instead, profits can be made by skillfully playing both the ups and the downs in gold's price.

Here are seven top ways to profit from gold's wild mood swings. You don't even need to own bars or bullion... all seven ways trade on the U.S. stock exchanges.

Profits When Gold Goes Up...

When gold prices are on the way up, the biggest profits come from plays that tag along for the ride. Gold exchange-traded funds (ETFs) hold bullion as their only asset but trade just like regular stocks. They move directly in tandem with gold prices. There are two available for trading in the United States: the **SPDR Gold Trust** (NYSE: GLD) and the **iShares Comex Gold Trust** (NYSE: IAU).

GLD is the most popular bullion ETF, as well as the most liquid physically-backed gold offering available. Launched in 2004, GLD was the first gold ETF available in the U.S. GLD seeks to replicate the performance, net of expenses, of the price of gold bullion.

Gold mining stocks follow the price of gold somewhat, but there is more risk since these companies also need to contend with the trials and tribulations of running mining and production operations. However, when there are profits, they tend to be very big.

Consider one of the world's fastest-growing gold miners, **Goldcorp** (NYSE: GG). Headquartered in Vancouver, British Columbia, Canada, this senior gold miner boasts operations and development projects throughout the Americas.

During past inflationary environments, gold mining shares rose faster than the inflation rate.

With a market cap of $15.1 billion, Goldcorp enjoys many advantages over its more volatile rivals, including production growth combined with low cash costs, a strong balance sheet, and operating jurisdictions that are politically safe.

Goldcorp's operations include five mines in Canada and the U.S., three mines in Mexico, and two in Central and South America.

Goldcorp has launched several new, cost-efficient projects, including Cerro Negro in Argentina; Éléonore in Quebec, Canada; Cochenour in Ontario, Canada; El Morro in Chile; and Pueblo Viejo in the Dominican Republic.

The company's existing assets, combined with several expansion projects in the pipeline, lay the groundwork for substantial production growth for the rest of the decade.

Those with a higher tolerance for risk are reaping some tremendous profits from junior gold miners. These small mining companies not only make prime takeover targets, but as a whole have been the strongest performing asset class year to date.

Oban Mining (OTC: OBNNF) is an exciting junior mining company with three prospect-filled properties in Canada. Oban is primed to become a takeover target by a major gold miner.

You can mitigate some of the risk of individual junior mining stocks with a play on the **VanEck Vectors Junior Gold Miners ETF** (NYSE: GDXJ). This ETF has seen gains of nearly 130% within the last six months.

... And Profits When Gold Goes Down

On the flip side, when gold prices tank, there are still ways to score major profits. Gold prices can be shorted with gold price inverse ETFs such as the **ProShares Ultra Short Gold ETF** (NYSE: GLL). When gold slumps, GLL investors haul in the profits. With gold hitting near short-term highs on Brexit fears, this could be a great time to grab GLL at a discount and wait for the roller-coaster ride back up.

For those investors not averse to options, puts on gold can offer stellar returns when the price for the commodity falters. Put options give investors the right, but not the obligation, to sell gold at a specific strike price for a specified amount of time. When gold per ounce falls below the selected strike price, investors collect the difference between the strike and the current price per ounce. The best bet here is with a **put option** on the **SPDR Gold Trust**.

As you can see, there are plenty of ways to profit when gold prices go up or down. Don't be tricked into thinking of gold as just a safe haven... it's a risk-filled investment just like the world's most volatile stocks. And just as with those stocks, the profit potential can be huge. You just need to make the right play.

To quickly learn how to log onto the Personal Finance website – where you'll find buy and sell alerts, the portfolio tables, current and past issues, and more – please review your Member Guide.

IMPORTANT NOTES: Guidance concerning the stocks highlighted in this report is believed to be accurate and represent our best advice at the time of writing. However, market conditions change constantly and guidance at the time of this writing may not reflect our latest advice. For our current take on any stock in this report, it is vitally important that you check the Portfolio tables on the website and confirm that the stock still earns a buy rating. Furthermore, confirm that the stock trades below our current buy limit. Do not buy any stocks above our recommended buy limits. If a stock's price exceeds our buy limit, wait for a pullback or invest in another Portfolio holding that trades below our buy limit. Any advice in the Portfolio tables, a recent issue of the publication, or our email alerts always trumps older advice in this special report. We reserve the right to substitute special reports as market trends dictate.

Published by Investing Daily, a division of Capitol Information Group, Inc., 7600A Leesburg Pike, West Bldg., Suite 300, Falls Church, VA 22043. Customer Service: 800-832-2330.

July 2016