

The geopolitical tension between Ukraine and Russia, the anticipation of the Federal Rate hikes and the global recession fears have created uncertainties, resulting in a market sell down globally, so as FBM KLCI Index, as investors turned risk averse.

Historically, gold is considered a safe haven asset during times of economic and geopolitical uncertainties such as war. The escalating tension between Ukraine and Russia have helped push gold price to a multi-month high. The gold spot price hit a high of USD 1,974 per ounce (oz), just slightly below its all-time high of USD 2,604 per oz in 2020.

One may argue that this could be a one-off event. Nonetheless, if one takes a longer-term view, the gold price recorded a compound annual growth rate (CAGR) of 9.7% per annum over 20 years.

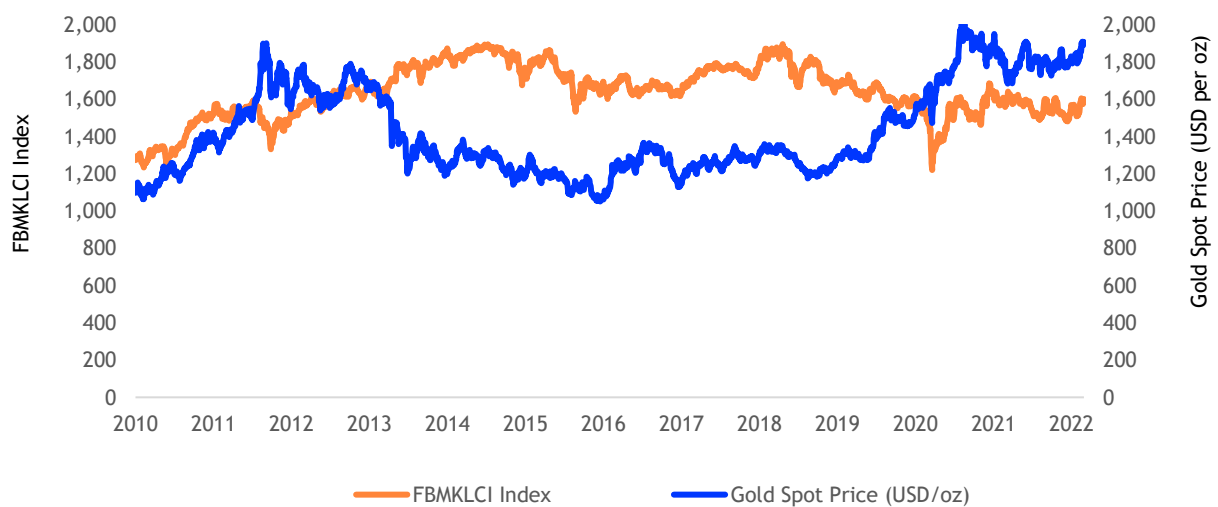
**Figure 1: Gold Spot Price (USD per oz)**



Source: Bloomberg

From the chart below, there is an inverse relationship between gold spot price and the FBM KLCI Index.

**Figure 2: FBM KLCI Index vs Gold Spot Price (USD per oz)**

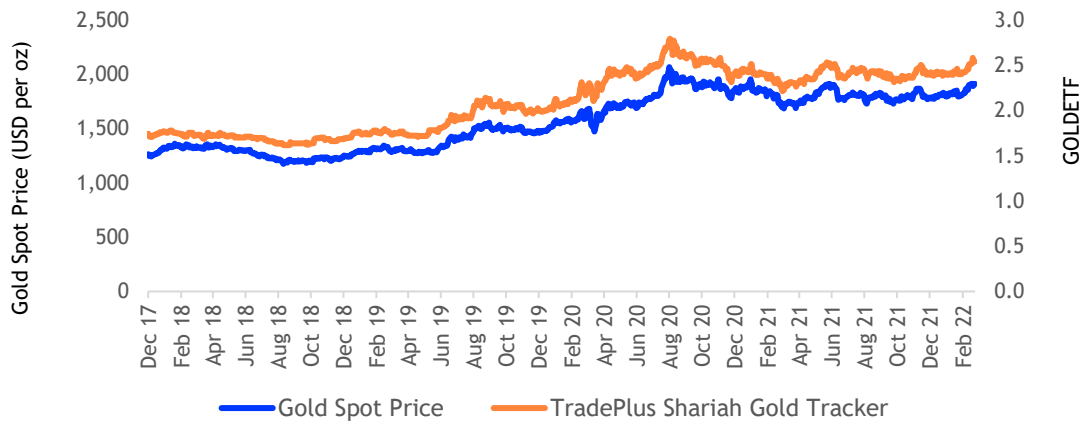


Source: Bloomberg

*Investing in a gold-backed ETF is akin to investing physical gold*

While it may be risky to store physical gold, there are other options in Bursa Malaysia to gain exposure to the movement in gold price. TradePlus Shariah Gold Tracker (GOLDETF) was listed on 6 December 2017. It is the only gold-backed ETF traded on Bursa Malaysia. The ETF also tracks the gold price with a 99% correlation to the gold price.

**Figure 3: TradePlus Shariah Gold Tracker (GOLDETF) vs Gold Spot Price**



Source: Bloomberg

GOLDETF’s total return was notably high in during the outbreak of COVID in early 2020 amid rising gold prices in the time of uncertainties. Its return peaked during mid of 2020 before moderated and stabilised subsequently (Figure 4). On monthly basis, GOLDETF generally recorded negative return in September but rebounded in October. December was typically a positive return month (Figure 5).

**Figure 4: Total Return of GOLDETF (%)**



Source: Bloomberg

**Figure 5: Seasonality of GOLDETF’s Return (%)**



Source: Bloomberg

GOLDETF delivers attractive return of 43.5% for three years, with a 1.2% of one-year tracking error as illustrated in Figure 6. On a more recent development, its net asset value rose by 6.5% month-on-month in February 2022, coincided with the onset of geopolitical tension between Russia and Ukraine (Figure 7).

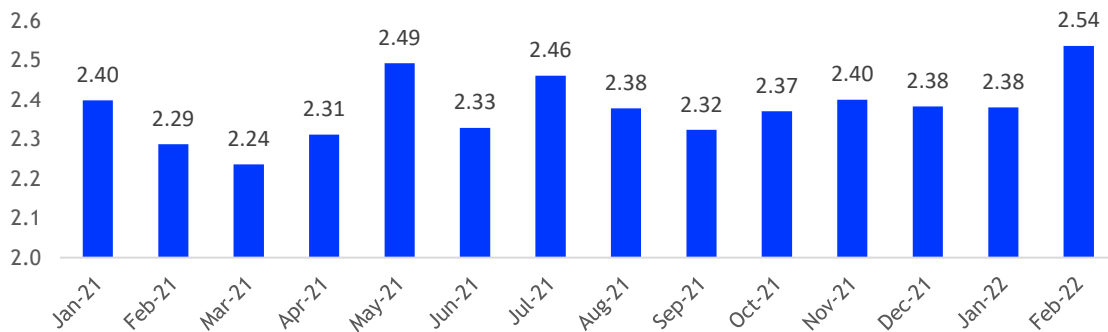
**Figure 6: Return and Risk Analysis of GOLDETF**

Short term return			Long term return		1-year tracking error (%)
1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	
5.83	6.28	4.53	10.92	43.50	1.2

Note: Data as at 3 March 2022

Source: Bursa Marketplace

**Figure 7: GOLDETF's Net Asset Value (RM), January 2021 - February 2022**



Source: Bursa Digital Research

GOLDETF invests a minimum of 95% of its assets in physical gold bar which are held in a secured vault in Singapore. More information on GOLDETF at <https://tradeplus.com.my/gold-tracker>.

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