

# MONEY

THE AVERAGE COST OF MOTOR INSURANCE PREMIUMS IN 2024

€623  
UP 9%, BELOW 2017 PEAK OF €738

FALL IN AVERAGE COMPENSATION COST FOR INJURY CLAIMS (2020-24)

23%  
OFFSET BY 22% HIKE IN LEGAL FEES

SOURCE: CENTRAL BANK OF IRELAND

**W**hen it comes to finance and investments, all anyone seems to be talking about these days is gold. Has it reached a peak? Will it go higher? Is now a good time to buy or sell, and what does it all mean for the global economy? It's not a new conversation. After all, the human fascination with gold goes back thousands of years and is unlikely to end any time soon.

Gold, for so long perceived as a safe haven in an economic storm, has certainly had an interesting time of late. After steadily gaining ground over the past nine years in what has become known as the third great gold bull market, it reached its highest valuation yet last month after crashing through the \$4,000 ceiling to peak at \$4,398. Amid reports of people queuing outside retailers in Japan and Australia to buy gold coins and bars, that marked an increase of about 57 per cent for the calendar year and 25 per cent in just two months.

The growth can be attributed to a number of factors. First and foremost, central banks around the world have been steadily increasing their stocks in order to reduce their exposure to the dollar and, in cases such as China, India, Russia and Venezuela, to mitigate the impact of potential sanctions.

The Central Bank of Ireland has been among those to invest, doubling its stock to 12 tonnes between 2024 and earlier this year. Some industry experts estimate central banks own roughly a quarter of global gold reserves.

The jewellery sector remains the largest market for gold worldwide, using nearly half of all stock. However, higher prices have somewhat hurt demand, which has led manufacturers to begin looking to alternative materials such as platinum and silver. How this will affect values in the long term remains to be seen.

While jewellery manufacturers may balk at price rises, not so the investment sector, where there has been a flurry of gold-related activity over the past year or so. Now accounting for about a fifth of the total market, a record \$26 billion per month was traded in the third quarter alone, with gold exchange traded funds reportedly doing brisk business. The remaining stock, about 6 per cent, is used for industrial applications.

## PRICE DROP

After a stellar first three quarters to 2025, however, there was a blip on October 21 as gold fell 6 per cent in just 24 hours, the largest single-day drop in over 12 years. It fell further the following day. It has since recovered some of that ground, but where it goes from here is difficult to predict. Is it a natural correction or the end of the safe haven narrative?

"Gold has had a very good run but I think it's quite normal to see a slight drop from time to time, so we can't be too surprised by what has happened," Rory Gillen, founder of GillenMarkets, says.

"Gold is very hard to value, so it's difficult to say if it has reached its peak just yet. For valuation purposes, we use the average US house price index as they are both dollar-related and offer no compounding value which, based on historical highs, would suggest that there is still further to go. It depends on whether you view history as an accurate guide or not."

"Despite its reputation, gold can be a very volatile asset," Dara O'Brien, head of brokerage relations at Irish Life Investment Managers, says.

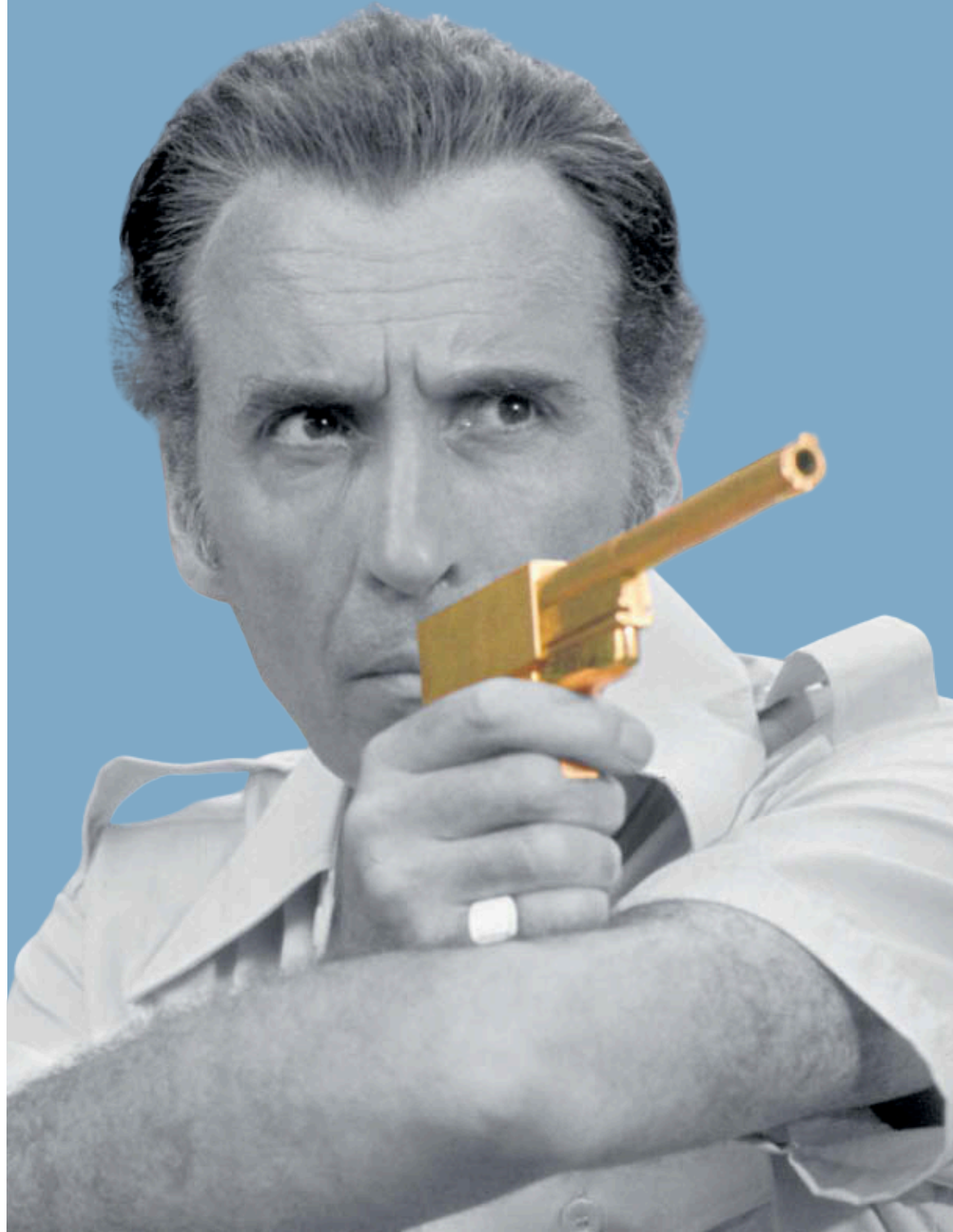
"It's great if the demand is there but, if not, it's illiquid and can be difficult to off-load depending on what form your investment is in. It's what has been termed a faith asset – its value depends entirely upon what we believe others believe about it."

Some commentators have compared it to cryptocurrency in that regard, but Ralph Benson, head of financial advice at Moneycube, is not so sure.

"As an investment class, gold has a 6,000-year head start on bitcoin, which gives it a certain credibility as a long-term asset," he says. "Gold is a commodity and well understood as something of value in nearly all human cultures. It's true that

# Gold is always worth a shot in times of uncertainty

While prices have soared and dipped, the precious metal has proven itself to investors and central banks as a hedge, writes *Kieran O'Daly*



ALAMY

cryptocurrencies and gold share some characteristics in terms of being independent of fiat currencies, but it would be a grave mistake to think that crypto can play the same role as gold in your investment portfolio."

## WHERE TO NOW?

In these uncertain times, as we hear murmurings of a potential bubble in artificial intelligence, the war in Ukraine continues and investors move away from a

weakening dollar amid the ongoing threat of tariffs, has gold lost some of its lustre? Where should investors be looking to guarantee solid returns?

There is no clear answer here. Gold will always be popular, regardless of price. Indeed, in some cases, higher prices can actually fuel demand.

Warren Buffett, the billionaire investor, noted in his 2011 letter to shareholders that "the rising price of gold itself generates additional buying enthusiasm, attracting purchasers who

**Like canny investors, Francisco Scaramanga (Christopher Lee) turns to precious metals in a crisis in *The Man with the Golden Gun***

see the rise as validating an investment thesis", which could partly explain the present wave of excitement over the precious metal.

However, fears of overexposure is another issue affecting the price, with both central banks and investors generally putting a ceiling of 5 to 10 per cent of their total assets on gold ownership.

"Many investors have increased their exposure to gold as the price has increased, which may not be a good thing," Benson says.

"It's important to remember that, unlike other assets, gold doesn't grow or pay dividends. It's there as a hedge against other assets, not as an investment in itself. So rather than trying to time the sale, look at your overall exposure to gold as a proportion of your portfolio. If it has become dominant, now could be time to take your profit."

O'Brien agrees. "Academic research examining portfolio construction reveals that adding a 5 to 10 per cent allocation to gold can help slightly reduce downside volatility, but it also comes with the risk of slightly reduced returns," he says. "Allocations above 10 per cent make portfolios less efficient."

In the midst of all this, anecdotal evidence suggests Irish investors are turning to other commodities such as silver, platinum, copper and oil, which have all performed well in recent times, while other traditionally popular options such as

**“It's important to remember that, unlike other assets, gold doesn't grow or pay dividends. It's there as a hedge**

coffee and cocoa have suffered because of severe weather events.

"The key now is diversity," O'Brien says. "Investors want to wait out this period of volatility. They don't want to move out and miss the recovery when it happens."

"Many are looking at more defensive and blue-chip categories such as bonds, government-backed infrastructure, pharma and established big brands to mitigate market uncertainty."

## OTHER ALTERNATIVES

Investor activity has even extended beyond traditional categories into art, antiques, vintage cars, timepieces and even furniture, with mid-20th century designer items commanding a premium thanks to a spike in demand for bespoke or limited-edition pieces.

Patrick Keane, a director at Keanes Jewellers, has noted the rising interest in high-end watches, and the business has just added a large dedicated pre-used Rolex section to its Limerick store to meet this demand.

"The investment dimension has become a major factor in this market," he says. "While clients have always appreciated Rolex watches for their craftsmanship and heritage, we are now seeing a much more informed buyer who understands that certain models represent genuine investment opportunities."

"Sports models, in particular, have seen remarkable appreciation. The Rolex Daytona, especially vintage references like the Paul Newman Daytona, have achieved extraordinary prices at auction."

"Models that were selling for tens of thousands a decade ago now regularly fetch hundreds of thousands, with some exceptional examples reaching into the millions."

"We are also seeing strong growth in the contemporary pre-owned market, with certain current production models, particularly those with waiting lists at authorised dealers, trading at premiums on the secondary market."



**I'm in my early thirties and moving abroad for work and will be living in multiple countries, EU and non-EU, over the next year. I have travel and private health insurance and also applied for my European Health Insurance Card. Will these cover me for any medical or health treatment I need overseas? If not, how can I ensure health cover? Do I need a local policy for each country or can I rely on an international health plan? If so, are there restrictions to consider or countries where it is impossible to get cover?**

Anon

This is a common question for people travelling abroad for six months or more, whether for work, study or leisure. Most health insurance policies give cover up to €100,000 for emergency medical treatment while abroad but the trip duration cannot exceed 180 days. With some providers, the trip duration is capped at 31 days. Such cover is unlikely to be sufficient in this case.

Most off-the-shelf travel insurance policies will also be inadequate as the maximum duration for any one trip usually varies from 45 to 60 days. In some cases, it's possible to extend the policy for an additional premium, but this is usually capped at 180 days.

In your case, it is worth looking at international health insurance, which is designed for extended trips abroad over 180 days. VHI International is very competitive in this area, and will helpfully let you transfer seamlessly from a domestic policy to its international plan with no break in cover. VHI International also allows members to transfer from all health insurers in Ireland, including rivals. When travellers return to Ireland, they can switch back to a domestic scheme again with no break in cover.

Be aware that these international policies are risk-rated, so higher rates may apply depending on which countries you visit and your age. There are also upgrade options for those who require enhanced cover.

While these plans provide very comprehensive cover, the devil is always in the detail and we advise you to engage with your insurer by phone so you fully understand exactly what's covered and any waiting periods or restrictions. With many international policies, medical treatment must be pre-authorised, meaning you must contact the insurer in advance to confirm your exact coverage. It's also important to explain your travel itinerary to ensure that the coverage is adequate.

An up-to-date European Health Insurance Card is recommended for any Irish citizen travelling in the EU, Iceland, Liechtenstein, Norway or Switzerland, entitling them to free public hospital treatment.

*Dermot Goode is a health insurance expert at Health Insurance Ireland*

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## Gary Connolly

There's a whiff of dotcom era about AI, but you can't just sit it out



**F**inancial journalism gravitates disproportionately toward the negative events. This makes sense. Our brains respond more intensely to threats and negative stimuli, so negative commentary is more "newsworthy".

Robert Armstrong, a Financial Times commentator, admitted as much in a recent column. "A financial pundit who predicts that a systemic crisis is not imminent is a special sort of masochist. If you get it wrong, it's the kind of mistake people remember, whereas dire prognostications are forgotten the instant they are falsified."

If we don't hold bearish market Cassandras to account, yet never forget their more blasé counterparts, is it any wonder the financial world seems stuck at Defcon 1? The reason I'm writing about this – and not for the first time this year – is that warnings of a bubble seem to be coming from all sides. I think it's time to take stock and see if there's more signal than noise.

One article I recently read recounted Warren Buffett's famous, and prescient, warning in his 2000 shareholder letter.

"Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behaviour akin to that of Cinderella at the ball," he said. "They know that overstaying the festivities – that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future – will eventually bring on pumpkins and mice. "But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just seconds before midnight. There's a problem, though: they are dancing in a room in which the clocks have no hands."

According to the Financial Times, US venture capitalists have so far this year plumped \$161 billion on artificial intelligence with precious little to show in terms of return. And the web of

circular deals between AI model makers, cloud service providers and chipmakers has a definite whiff of the dotcom era.

Nvidia recently agreed to invest as much as \$100 billion in OpenAI to help fund a data centre buildout, which OpenAI in turn committed to filling with millions of Nvidia chips. OpenAI has also signed a partnership with Nvidia rival Advanced Micro Devices, and is poised to become one of AMD's largest shareholders. OpenAI has struck a separate \$300 billion deal with Oracle to build out data centres in the US. Oracle, in turn, is spending billions on Nvidia chips for those facilities. And so on.

Valuations are beyond frothy. Ten loss-making AI start-ups have gained close to \$1 trillion in valuation over the past 12 months, according to the Financial Times. On the public markets Palantir Technologies is trading on a forward price to earnings (PE) ratio of over 200 times. PE maybe too blunt a metric to use in assessing a company such as Palantir, yet none of the other

metrics for the stock I have seen provide comfort. Aggregate market valuations are pretty stretched, but nowhere near the nosebleed territory of Palantir.

At a more macro level concerns are aplenty: tariff wars, slowing economies, massive deficits and sovereign debt, sticky and rising inflation, ongoing conflict and geopolitical risks.

Unlike the dotcom era, the vast majority of investments being made by the hyperscalers are not debt-funded. Whatever about governments, household and corporate balance sheets are in good shape. Interest rates look set to fall. The deregulatory bias of the US government is growth positive. Earnings growth has been strong, and the expectations for 2026-27 are bullish.

If I were to give a scorecard for all this, I would have to say the minus column is in the ascendancy.

Yet if your bias is bearish, then consider this. A short position in cash is a low-odds bet: markets go up over time and much more frequently than they

decline. Market sell-offs, even the intense ones associated with bear markets, have always proved temporary. To be a bear waiting for a better entry point exposes you to a much bigger risk than transitory loss: missing out entirely.

You may avoid a decline, but expose yourself to the much more pernicious risk of inflation. Prioritising volatility over inflation is like the tailgating driver that prioritises time over safety – the occasional tragedy is never worth the minutes saved.

No matter what your reading source, it's hard to be cheerful about financial markets right now. Yet it was mostly ever this. This is not an argument to keep on dancing blithely until the music stops. Fortune has favoured the cheerful over the past 15 years or so, despite many occasions when the power went out. There's a lesson in that.

*Gary Connolly is investment director at Davy; @gconnol1, gary.connolly@davy.ie*