

DRDGOLD Limited

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Can junior miners spin gold out of geopolitical risk?

Gold passed the US\$1,350 mark in early Friday trading, continuing a steady run that saw the yellow metal price rising over 6% since the beginning of May.

Long seen as a safe haven investment against a weak economy or political tensions, gold's run shouldn't come as a surprise given recent geopolitical events.

Proactive writer Alastair Ford outlined two main factors that have strengthened gold in recent weeks. The first is the US Federal Reserve's likelihood of upping interest rates over the coming months, a move Ford describes as a "full-on U-turn."

READ: Gold pushes past US\$1,350 as Fed doves combine with Iran hawks to bring in the buyers

As Ford writes: "Cheap money is good for business, and so the equity markets like it. And it's good for assets priced in dollars too, like commodities, since you get more dollars for your product.

"As long as the dollar remains the world's reserve currency, the relative fluctuations a weaker dollar is always going to be good for those holding or mining gold."

The second factor is decidedly more worrying, however, and that's geopolitical risk. US President Donald Trump has been hardening his trade rhetoric with China over the past few months, likely giving gold a stronger platform, but this week's jump in gold prices may have more to do with the surprise attack on Japanese oil tankers that took place this week.

The US has pointed a finger at Iran, placing early blame on its Middle Eastern foe. It's not outside the realm of possibility that the Persian nation is behind the attacks, but it has denied responsibility.

Ford writes, "Whatever the truth of the matter, buyers are likely to come into gold as a result. ... It's a delicate balance that could easily be upset. Doves would argue that President Trump upset it when he withdrew from the nuclear deal after he came into office. But markets can't trade past events."

Gold miners rise

What is interesting for the gold bug is, against this backdrop, shares of gold companies and gold-backed ETFs are on the rise.

Major gold miner Kinross Gold Corporation (NYSE:KGC) (TSE:K) is trading nearly 3% higher in both New York and Toronto. The same goes for global miner AngloGold Ashanti Limited (NYSE:AU), up 2.8%.

Although Barrick Gold Corporation (NYSE:GOLD) (TSE:ABX) is a marginal 1% higher on Friday, its share price has steadily increased over the past month.

Price: 4.71

Market Cap: \$323.56 m

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: DRD

Listing: NYSE

52 week	High	Low
	5.2	1.64

Sector: Gold & silver

Website: www.drdgold.com

Company Synopsis:

DRDGOLD is a South African gold producer and a world leader in the recovery of gold from the retreatment of surface tailings. Our network of assets is unrivalled in South Africa and, with our consolidated businesses operating as a single entity, is focused on optimising these assets in order to increase gold production.

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It's not just the majors who are getting a boost.

South African-focused junior DRDGOLD Limited (NYSE:DRD) has seen its shares increase 49% since the beginning of June on no new news, to sit at US\$2.54 on Friday.

READ: Gold Resource Corp shares rise as Roth initiates coverage with a Buy rating
Another junior gaining ground is Gold Resource Corporation (NYSEAMERICAN:GORO), up 3.8% on Friday at US\$3.25.

And Canadian junior Pure Gold Mining Inc (CVE:PGM) jumped 5.6% higher on Friday trading in Toronto at C\$0.57.

Right now, investors are laser-focused on geopolitical events.

"For the time being the hawks are in the ascendant in the US and in Iran," wrote Ford. "And every time there's a flashpoint, expect a nifty little spike in gold."

--Updates share price--

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