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Barrick

12:26 08 Aug 2019

Gold hovering around US$1,500 mark as currency wars crank up a gear and market bets on further rate cuts

Where next for gold?

After a strong run, gold pulled back slightly on Thursday and was changing hands in mid-morning trade at around US$1,496.

That modest correction from the US$1,508 high reached on 7th August came as equity markets rallied after bouts of heavy selling, and bond markets too recovered a modicum of poise.

Even so, gold bulls remained in the ascendant, with some commentators arguing for a push towards US$1,525 in short order.

And indeed, the case for gold has become increasingly apparent in recent days. Markets are not buying the Fed's protestations that last week's rate cut represents merely a "mid-cycle" corrective measure. Sovereign bond markets have now fully priced in a further cut in September, and while a second cut may just about be justified under the Fed's hawkish narrative, the wider context suggests otherwise.

For one thing, the Fed is under attack from the President of America, who isn't shy of firing off disparaging remarks on Twitter that set the blame for slowing US growth on the Fed's apparent mismanagement of interest rates.

The Fed's own polite analysis would not, of course, concur. Rather, the Fed, and many economists outside of the Washington bubble would argue that any slowdown in US growth is far more attributable to rapidly disintegrating global trading conditions brought about by Mr Trump's tariff war.

But as far as gold is concerned, and indeed conditions in the wider market too, the whys and wherefores are by the by.

Price: C$24.49

Market Cap: C$42730100000M

1 Year Share Price Graph

Share Information

Code:		ABX
Listing:		TSX
52 week	**High**	**Low**
	C$24.67	**C$12.54**
Sector:		**General Mining - Gold [T3]**
Website:		**www.barrick.com**

Company Synopsis:
On 1 January 2019 a new Barrick was born out of the merger between Barrick Gold Corporation and Randgold Resources.   Shares in the new company trade on the NYSE (GOLD) and the TSX (ABX).

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The fact is that Treasury yields hit multi year lows earlier in the week, German bond yields are well into negative territory. In that environment, gold can't fail to be attractive. One commentator estimated that around US$15 trillion worth of debt is currently trading at negative yields.

Of course, a standard criticism of gold as an investment asset is that it doesn't have a yield. But when yields on other assets are negative, all of a sudden a zero yield seems attractive.

What's more, the currencies in which gold is priced are themselves weakening by the day. The dollar is key, of course, but the dollar, as Mr Trump is constantly reminding the Federal Reserve, is in competition with other currencies too, not least the Remnimbi.

And with the reference rate for the Remnimbi now been set at less than seven to the dollar, cries of currency manipulation are now rising from President Trump and others on the US side. The selling pressure on the yuan did ease after good export numbers from China underlined the continued strength of its trade surplus with the US and others, but the trend for currency devaluation has now been set.

In the past couple of days we've seen rate cuts from India, Thailand, Philippines and New Zealand. No doubt there will be more to come in the autumn, especially if the Fed bows to the pincer movement of market pressure and political pressure and does cut rates again. The European Central Bank, for example, is expected to cut by 10 basis points although some pundits are now plumping for a 20 point cut.

Meanwhile, volatility has increased markedly, as shown by the VIX Volatility Index, which rose earlier in the week to its highest level since January. Markets hate uncertainty most of all, and with President Trump's unexpected new tariffs on Chinese good taking everyone by surprise there's a general feeling of unease now pervading markets.

Those who live by the aphorism "sell in May and go away" must be thanking their lucky stars.

There are one or two winners around though.

Those with gold itself are sitting on double digit percentage gains over the past month, and those with gold equities have done handsomely too. African Barrick (NYSE:ABX), one of the world's leading gold miners has risen by around 14% over the past month. AngloGold Ashanti (JSE:ANG) is up by more than 20%. Australian champion Newcrest (ASX:NCM) is up by a similar amount.

The enlarged Newmont Goldcorp Corp (TSE:NGP) appears to be suffering a certain amount of indigestion though as it merges its operations, and is up by a much more modest 4% over the same period.

Lower down the scale, juniors and mid-tier companies are benefitting too.

Resolute Mining (LON:RSG)(ASX:RSG) has locked in forward sales in a hedge priced at an average of US$1,519 an ounce.

Producers with exploration upside are also doing well. Anglo Asian Mining PLC (LON:AAZ), which has just released new exploration results from areas around its producing Armenian operations, has enjoyed a 15% boost to its shares over the past month.

And, shares in Perseus Mining (ASX:PRU), which has producing operations in Africa, and ongoing exploration in joint venture with Manas Resources (ASX:MSR) have risen by almost a third in the past month, up from A$0.61 to A$0.89.

Even Goldplat plc (LON:GDP), which has at times struggled to break even at its gold recycling projects in Southern and West Africa, has been on the receiving end of buying. Its shares are up by nearly 20% over the past month, to 3.37p.

Perhaps understandably, pureplay explorers like Greatland Gold and ECR have seen less of the benefit.

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