

# Equity Investment Advisers Gold Report



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[www.equity.co.nz](http://www.equity.co.nz) E-mail: [Info@equity.co.nz](mailto:Info@equity.co.nz) Tel: +64 (9)304 0145

## International Demand Bullish for Gold

The market has not been especially good to gold (GLD) so far this year, with the price of the yellow metal being down slightly year-to-date and exhibiting strong volatility around the \$1,300/oz. level. This is likely a factor of the strength that the U.S. dollar has been exhibiting as the two assets typically move inversely of one another.

However, we have seen several items over the past few weeks that could prove highly bullish for the metal going forward and as such a smart investor may want to keep at least some portion of their portfolio exposed to the metal in order to capitalize on these trends.

While the stock market as a whole has been benefiting from strong economic performance and the impact of the Republican tax cuts, gold has suffered due at least partly to the strong dollar. It is not exactly a secret that the Federal Reserve is pursuing a rising interest rate policy.

As a general rule, a nation's currency strengthens when the interest rates in that nation rise due to the increased demand for that currency internationally (and domestically since holding cash suddenly begins to look more appealing). In addition, the Federal Reserve has been selling U.S.

Treasuries that it purchased during the successive rounds of quantitative easing, which also increases the demand for U.S. dollars and thus raises the price. These factors have overall applied downward pressure on gold, which is widely considered to be a hedge against a weakening dollar.

## Gold Dips on Stronger Bond Yields

Gold prices remained lower on Friday, held back by rising Treasury yields and a stronger dollar.

The price of bullion was driven lower by the rise in the greenback and increase in bond yields.

The U.S. dollar index, which measures the greenback's strength against a basket of six major currencies, inched down 0.02% to 93.37, but still remained near a five-month high.

Gold is denominated in the U.S. currency and is sensitive to moves in the dollar. Bullion becomes more expensive for holders of other currencies when the dollar rises.

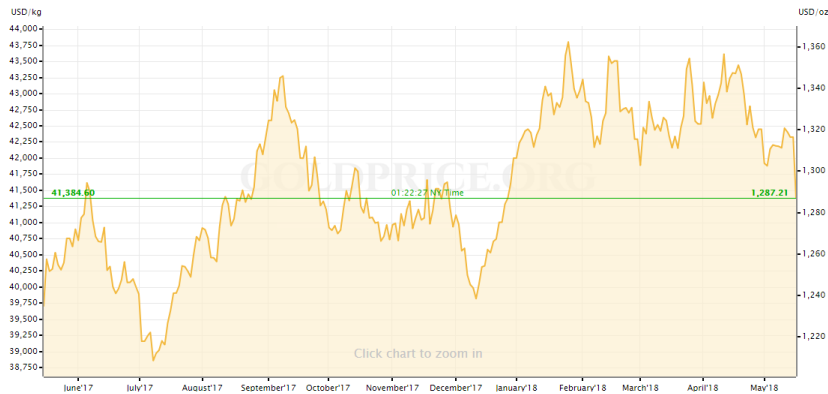
Meanwhile the precious metal was held back by rising bond yields. The yield on the benchmark United States 10-Year Treasury note was at 3.100 after reaching a seven-year high of 3.126 on Thursday.

The rise in bond yields, along with positive economic data and rising inflation, has boosted expectations that the Federal Reserve will increase interest rates and tighten monetary policy.

The Fed raised rates in March and is expected to raise rates twice more, with some investors expecting a third hike.

Higher rates are a negative for gold as the precious metal, which does not pay interest, struggles to compete with yield-bearing assets when rates rise.

## Gold Price



## Silver Price



## Gold To Silver Price Ratio

1 Year Gold/Silver



## Vancouver miner to become one of Nova Scotia's largest single mineral claim holders

Coronet Metals (TSXV: CRF) announced this week that it has entered into an agreement to gain 100% interest in 3,888 mineral claims totalling over 62,000 hectares in the Meguma Gold Belt located in Nova Scotia, eastern Canada.

In a press release, the company explained that the claims are adjacent and along trend from Atlantic Gold's Touquoy disseminated open-pit gold deposit. On its website, Atlantic Gold states that, in this area, it has outlined a measured plus indicated resource of 10.1 million tonnes grading 1.5 gram per tonne for a total of 480,000 ounces of gold, plus an inferred resource of 1.6 million tonnes and 77,000 ounces of gold.

According to Coronet, its new claims were staked along the under-explored trends of known gold producing anticlinal structures. The company estimates that it will control approximately 242 kilometres of gold-prospective anticlines.

To better define the anticlinal trends and focus a Phase-1 exploration program, the Vancouver-based miner initiated a 12,342-kilometre aeromagnetic and radiometric survey along with a 1,110 square kilometres of LiDAR survey.

In the view of Coronet's President, Theo van der Linde, the awakening of Nova Scotia's gold fields is due to a recognition that an economic disseminated gold exploration and production model exists in the Meguma Gold Belt.

## The Quick Rundown: Turkish Gold & reviving 'Otto'

- Turkish gold imports have surged due to a sharp increase in investment demand along with renewed Central bank purchases.
- In the last seven months of 2017 alone, Turkey added 86 metric tonnes to its official holdings, with the figure only rising since then.
- Turkish holdings are now said to have reached a record high of 565 metric tonnes.
- This comes as the Turkish Government seeks to replace a large amount of its US Dollar holdings with physical gold.
- Turkey has been liquidating US Dollar holdings by \$16 billion since October 2017.
- Turkey's government wishes to be less reliant on the 'monolithic' power of the US Dollar and aims to restore Turkey to the lofty heights of its Ottoman Empire Era.
- This comes at a time when China and Russia have been noted for their own sizeable increases in gold holdings.

You may also be interested in:

<https://www.moneymetals.com/news/2018/05/18/gold-king-monetary-asset-001479>

<http://markets.businessinsider.com/commodities/news/gold-price-rout-may-be-over-3-reasons-2018-5-1024876676>

## ETF – Singapore Gold

ZGOL.ASX from 18/05/2017 to 18/05/2018



## ETF – Betashares Gold

QAU.ASX from 18/05/2017 to 18/05/2018



## ETF – Physical Gold

GOLD.ASX from 18/05/2017 to 18/05/2018



| Listing (ASX)    | Points | Percent. | Price AU |
|------------------|--------|----------|----------|
| Evolution Mining | 0.020  | 0.643%   | \$3.130  |
| Newcrest Mining  | 0.390  | 1.882%   | \$21.110 |
| Northern Star    | 0.015  | 0.232%   | \$6.475  |
| Rio Tinto        | 0.940  | 1.095%   | \$84.870 |
| South32          | 0.100  | 2.494%   | \$3.910  |

As at 5:00 pm NZT, 21 May

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**Interested in adding Precious Metals to your portfolio? Contact Equity Investment Advisors today.**

**E-mail: [Info@equity.co.nz](mailto:Info@equity.co.nz) Tel: +64 (9)304 0145 / NZ: 0800 474 669**

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