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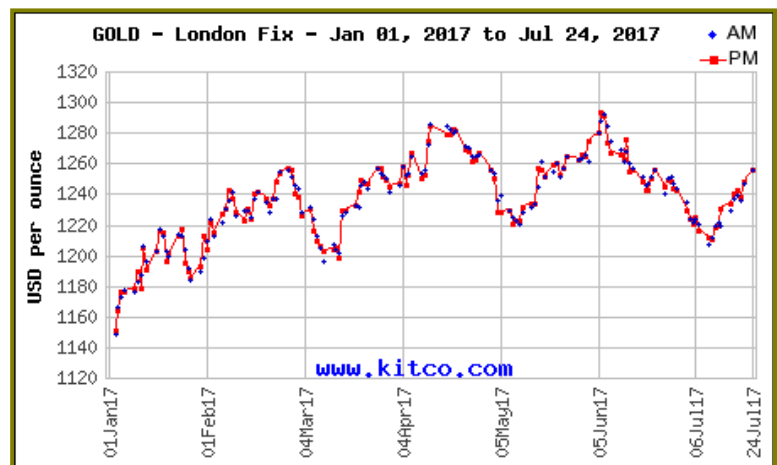
Gold Market Outlook

Marino G. Pieterse, publisher and editor

► Global geopolitical tensions determine the course of gold price

In my [March 2017 Gold Market Outlook](#) I said that the gold price was well on its way to increase its resistance level to \$ 1,300 before the end of June, after having already recovered from a low of \$ 1,125.70 in December 2016.

This prediction was based on growing uncertainties over president Trump's "America first" policy and UK prime minister May's plans on a clean and hard exit for the [EU](#). These geopolitical uncertainties fed a recovery of the gold price to an interim high of \$ 1,293.50 on 6 June, just below my price target of \$ 1,300.



Since then, the gold price showed a correction to a 2017 low of \$ 1,211.05 on 11 July. This was the result of a positive outcome of elections in [France](#) and [Italy](#) which showed reverse signs of populism in these countries and as such to stop further fading of the European Union after Brexit, and [Germany](#) and [France](#) in a position to create a new axis to safeguard the existence of the EU.

However, considering the growing political instability in most European countries, driven by conflicting right and left policies, this makes the respective countries ungovernable, including Italy, the Netherlands and Hungary, while in France national political tensions are still an issue of concern.

Besides the political turmoil in the [EU](#), enhanced by basis differences in cultural roots, political tensions are intensifying on a global basis, as demonstrated by trade wars with all four major political and economic power blocks being involved, i.e the US, EU, Russia and China and resulting in mutual sanctions with threatening dramatic consequences for the world economy.

In addition, EU member [Poland](#) faces constitutional feud as a result of a legislated proposal to give its government sweeping powers to reshape the country's judiciary, which would be in conflict with EU jurisdiction. Also democracy in [Turkey](#), once a serious candidate to become a member of the EU, is at stake as a result of the autocratic powerplay of its president Erdogan.

In addition to the geopolitical turmoil all over Europe, it is hardly recognized that the later-stage memberships of Central- and East-European countries above all contribute to secure Europe's strong international geopolitical position against China and Russia as political and economic contenders, which threaten the balance in the world order.

From this perspective, the EU should not jeopardize its long-lasting alliance with the US by way of an anti-Trump sentiment due to his “America first” policy, thereby referring to the existence of comparable national priorities in EU countries which prevent to make rules for a federal Europe.

In the April 2017 Gold Market Outlook, I paid specific attention to the myth about gold to benefit from inflation, with low US real yields tending to be positive for gold and as such negative for the US\$. With real yields having fluctuated in a very small range of around 0.5% for 10-year bonds so far this year, this questions the existence of a tandem between gold and the US\$.

► Weakness of US\$ compared to Euro overstated

Having depreciated against the Euro since the end of 2016 from a 10-year low of \$ 1.58 in March 2008 to an 8-year high of \$ 1.04 in December 2016, the recent weakness of the dollar is overstated significantly at today's dollar/euro ratio of \$ 1.17.

Even if Trump's “America first” policy promising an economic growth of 4% cannot be fully accomplished, a more realistic growth target of around 2.5% for both 2017 and 2018, this indicates at least a 0.5% higher growth than is forecasted for the Euro Zone will be at least a higher economic growth than in the Euro Zone. Also considering that the Fed funds rate of 1.00 – 1.25% compared with an almost zero ECB rate of 0.05%, I consider a further weakening of the dollar is not justified.

Gold market not a consistent hedge against the dollar						
Year-to-year	London Trading	Change	Period of	dollar/Euro	Change	
2008 - 2017	in US\$	in %	change	ratio	in %	
2008	865	3		1.40	-11	
2009	1,104	28		1.43	5	
2010	1,410	28		1.33	7	
2011	1,571	11		1.29	3	
2012	1,664	6		1.32	-2	
2013	1,202	-28		1.38	-5	
2014	1,199	0		1.21	2	
2015	1,062	-11		1.09	10	
2016	1,159	9		1.05	4	
June 6, 2017	1,293	12	5 months	1.13	8	
June 30, 2017	1,242	-4	3 weeks	1.14	1	
July 11, 2017	1,211	-2.5	11 days	1.14	0	
July 26, 2017	1,248	3	2 weeks	1.16	2	

GOLD from a fundamental perspective

(in tonnes)	2016	2015	Change 2016/2015	2014	2013	2012
Primary supply	3,335	3,253	82	4,289	4,345	4,551
<i>of which:</i>						
<i>Mine production</i>	3,255	3,220	35	3,131	3,042	2,850
<i>Recycling</i>	1,296	1,120	176	1,158	1,303	1,701
<i>Net hedging supply</i>	33	13	20	-104	-30	-40
Total supply	4,584	4,353	231	4,185	4,315	4,511
Physical demand	3,722	4,404	-682	4,094	5,087	4,361
<i>of which:</i>						
<i>Jewellery fabrication</i>	1,989	2,448	-459	2,242	2,470	2,036
<i>Industrial</i>	323	332	-9	285	296	303
<i>Physical investment (Bar hoarding, coins, medals)</i>	1,033	1,048	-15	1,101	1,790	1,356
<i>Net central bank buying</i>	377	576	-199	466	409	544
Market balance	862	-51	913	-156	-978	269
<i>of which:</i>						
<i>ETFs</i>	532	-128	660	-157	-880	279
<i>Net market balance</i>	330	77	253	1	-98	-10
Total demand	4,584	4,353	231	3,938	4,109	4,630
LBMA average gold price (\$/oz)	1,251	1,160	91	1,266	1,411	1,669
<i>source: Thomson Reuters/GFMS</i>						

The statistics show the strong impact of **ETF's** as a volatile speculative element in gold demand rather than physical demand, which declined from 5,087 tonnes in 2013 to 3,722 tonnes in 2016, including a record sale of 880 tonnes in 2013

As a result, the annual average gold price fell from \$ 1,669 in 2012 to \$ 1,160 in 2015.

Overview gold prices versus HUI-Index

		Gold price	Change in %	HUI-Index	Change in %
2017					
July 26	2017	1,248	0	195.91	5
June 30	2017	1,242	-2	185.71	-4
May 31	2017	1,266	0	192.51	0
April 28	2017	1,266	2	191.93	-3
March 31	2017	1,245	-1	197.23	1
February 28	2017	1,256	4	196.09	-5
January 31	2017	1,213	5	207.45	14
2016					
December 31	2016	1,159	0	182.31	2
December 13	2016	1,157	-2	178.46	0
November 30	2016	1,178	-7	178.08	-16
October 31	2016	1,272	1	212.28	7
October 7	2016	1,259	-5	199.26	-14
September 30	2016	1,323	1	231.14	4
August 31	2016	1,309	-2	221.68	-19
July 29	2016	1,342	-2	274.32	1
July 6 (high)	2016	1,370	4	271.75	10
June 30	2016	1,321	9	246.60	22
May 31	2016	1,212	-6	201.32	-14
April 28	2016	1,286	4	233.46	31
March 31	2016	1,237	0	178.24	6
February 29	2016	1,235	11	167.49	39
January 31	2016	1,113	5	120.80	9
Year-end	2016	1,159	9	182.31	64
	2015	1,062	-11	111.18	-32
	2014	1,199	0	164.03	-17
	2013	1,202	-28	197.70	-55
	2012	1,664	6	444.20	-11
	2011	1,572	11	498.73	-13
	2010	1,410	28	573.32	33
	2009	1,104	28	429.91	42
	2008	865		302.41	

Comments:

In agreement with the small trading range since February of this year, also the leverage related to the HUI-Index of major global gold producers remained limited at level just below 200.

My 2017 Shortlist of gold investment recommendations, mainly focused on tier-1 producers shows a market performance of 2.9% as at June 30, 2017.

In the second half of the year, I am looking for a number of prospective exploration/development companies offering an above average leverage potential.

2017 SHORTLIST OF GOLD INVESTMENT RECOMMENDATIONS - as at 30 June 2017

Company	Trading symbol		Share price		Change in %		Market capitalization		Change MC in %
			30 June 2017	Year-end 2016	local	US\$	30/6/2017	31/12/2016	2017/2016
			Cdn\$	Cdn\$			US\$ bln.	US\$ bln.	
Canada (3)									
Barrick Gold	ABX	TSX	20.63	21.49	-4.0	-3.8	18.4	18.5	-1
Agnico Eagle Mines	AEM	TSX	58.48	56.45	3.6	3.5	10.4	9.4	11
Osisko Gold Royalties	OR	TSX	15.85	14.40	* 10.1	9.7	1.0	1.5	-33
U.S. (1)									
Newmont Mining	NEM	NYSE	31.59	34.07	-7.3	-7.3	16.8	18.1	-7
Australia (3)									
Newcrest Mining	NCM	ASX	20.16	20.25	-0.4	-0.4	11.8	11.2	5
Northern Star Resources	NST	ASX	4.75	3.62	31.2	29.3	2.2	1.6	38
Alacer Gold (also Turkey)	AQG	ASX	2.14	2.29	-6.6	-6.2	0.5	0.5	0
China (1)									
Zijin Mining	2899/601899		2.58	2.50	3.2	3.2	7.1	6.9	3
Burkina Faso (1)									
Roxgold	ROXG	TSX.V	1.12	1.21	-7.4	-7.1	0.3	0.4	-25
* Osisko Gold Royalties included as at 1 May 2017									
Removed as at:					Change in %	Change in % MC 2016/17			
March 6, 2017:			6/3	31/12					
Nord Gold *	NORD	LSE	3.45	3.20	8		8		
* delisted at 16 March 2017; tendered at US\$ 3.45 for a gain of 7.6% since year-end 2016									
Market performance 2017 (in US\$) as at 30 June 2017:				2.9%					
Market performance 2016 (in US\$):				88.7%					
Market capitalization 2017 (in US\$) as at 30 June 2017:				-0.1%					
Market capitalization 2016 (in US\$):				99.5%					
	30/6/2017	31/12/2016	Change						
Gold price	1,242	1,159	7						
HUI-Index	185.71	182.31	2						