

# Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

November 2016



## Gold Market Outlook

### ► Unpredicted Trump victory confuses gold market

Having stabilized after an interim low of \$ 1,254.50 in the first week of October, in anticipation of a the long awaited first increase of the US fed funds interest rate early December, the gold price ended the month slightly higher at \$ 1,272.

Since then trading became under the grip of the American president elections on November 8, resulting in an unexpected victory of Donald Trump.

As soon as it became clear that Donald Trump unexpectedly would be the winner Wall Street came under strong pressure, with the Dow Jones dropping 700 points, and on the other hand the gold price booming to an interim high of \$ 1,336.



### Overview gold prices versus HUI-Index

|               |      | Gold price | Change<br>in % | HUI-Index | Change<br>in % |
|---------------|------|------------|----------------|-----------|----------------|
| 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      | 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    |                |

Then, from the next day it was striking to see that Wall Street did not only fully recover, but the Dow Jones index reached a new high thanks to the announced stimulating economic policy. With the dollar further strengthening in the light of the interest rate increase, the gold price fell back to a new low of \$ 1,211 on 18 November.

The significant correction of the gold price was fully accounted for by ETF speculation, fed by high trading volumes. ETF speculation is known to disturb the course of the gold market regularly, this time driven by the Fed interest rate policy and geopolitical uncertainty.

With the US economy in good shape expecting a growth of the gross national product of around 3% this year, the question is whether this growth pace can be maintained in 2017 under the Trump administration. At the same time, it should be considered that net growth will be affected by an expected growing inflation.

Considering the US dollar having reached a 14-year low against the Euro and a one-for-one parity in

sight, another question mark is to what extent the US export will be affected by the strength of the dollar towards the currencies of America's major trading partners.

Meanwhile, the widespread international anti-globalization sentiment keeps growing, with Brexit and Trump's "America first" policy feeding nationalization in Europe. Upcoming elections in Italy, France, Germany and the Netherlands are creating intense political uncertainty, which affects international economic partnerships and China and Russia to acquire growing international geopolitical influence.

In conclusion, with market sentiments usually exaggerating, I expect the gold price to return in a short period of time to my earlier forecasted and achieved strategic resistance level of \$ 1,300, with the odds in favor of significantly higher prices in the course of 2017 dictated by growing global geopolitical disorder.

| <b>Gold market not always a safe haven and hedge against dollar</b> |                       |               |                  |                    |               |
|---|-----------------------|---------------|------------------|--------------------|---------------|
| <b>Financial crisis</b>   | <b>London Trading</b> | <b>Change</b> | <b>Period of</b> | <b>dollar/Euro</b> | <b>Change</b> |
| <b>2008 - 2009</b>  | <b>in US\$</b>        | <b>in %</b>   | <b>change</b>    | <b>ratio</b>       | <b>in %</b>   |
| <b>Year-end 2007</b>  | 836.50                | 17            | 3 ½ months       | 1.47               | -6            |
| <b>March 17, 2008 (High)</b>  | 1,030.80              | 24            | 2 ½ months       | 1.58               | -7            |
| May 1, 2008   | 853.00                | -16           | 1 ½ months       | 1.55               | 2             |
| July 16, 2008   | 977.50                | 15            | 2 ½ months       | 1.58               | -2            |
| September 11, 2008  | 740.75                | -24           | 2 months         | 1.43               | 10            |
| October 10, 2008  | 918.00                | 24            | 1 month          | 1.37               | 4             |
| <b>October 24, 2008 (Low)</b>                                       | 692.50                | -25           | 1 week           | 1.26               | 8             |
| <b>Year-end 2008</b>  | 865.00                | 25            | 2 months         | 1.40               | -11           |
| February 20, 2009   | 989.00                | 14            | 2 months         | 1.26               | 10            |
| April 20, 2009  | 870.00                | -12           | 2 months         | 1.30               | -3            |
| <b>December 3, 2009 (High)</b>                                      | 1,226.10              | 41            | 7 months         | 1.51               | -16           |
| <b>Year-end 2009</b>  | 1,104.00              | -10           | 1 month          | 1.43               | -5            |
|   |                       |               |                  |                    |               |
|   |                       |               |                  |                    |               |
| <b>Period of</b>  | <b>London Trading</b> | <b>Change</b> | <b>Period of</b> | <b>dollar/Euro</b> | <b>Change</b> |
| <b>2010 - 2016</b>  | <b>in US\$</b>        | <b>in %</b>   | <b>change</b>    | <b>ratio</b>       | <b>in %</b>   |
| <b>Year-end 2010</b>  | 1,410                 | 28            | 1 year           | 1.33               | 7             |
| <b>Year-end 2011</b>  | 1,571                 | 11            | 1 year           | 1.29               | 3             |
| <b>Year-end 2012</b>  | 1,664                 | 6             | 1 year           | 1.32               | -2            |
| <b>Year-end 2013</b>  | 1,202                 | -28           | 1 year           | 1.38               | -5            |
| <b>Year-end 2014</b>  | 1,199                 | -1            | 1 year           | 1.21               | 2             |
| <b>Year-end 2015</b>  | 1,062                 | -11           | 1 year           | 1.09               | 10            |
| <b>November 18, 2016</b>  | 1,211                 | 14            | 10½ months       | 1.05               | 4             |

**2016 SHORTLIST OF GOLD INVESTMENT RECOMMENDATIONS - as at 31 October 2016**

| Company   | Trading symbol |       | Share price  |                    | Change in % |      | Market capitalization |               | Market capitalization  | Change MC in % 2016/2015 |
|---|----------------|-------|--------------|--------------------|-------------|------|-----------------------|---------------|------------------------|--------------------------|
|   |                |       | 31 Oct. 2016 | Year-end 2015      | local       | US\$ | 31 October 2016       | year-end 2015 |                        |                          |
|   |                |       | Cdn\$        | Cdn\$              |             |      | Cdn\$ bln.            | US\$ bln.     | US\$ bln.              |                          |
| <b>Canada (2)</b>   |                |       |              |                    |             |      |                       |               |                        |                          |
| Barrick Gold  | ABX            | TSX   | 23.60        | 10.24              | 130         | 138  | 27.5                  | 20.6          | 8.6                    | 140                      |
| Agnico Eagle Mines  | AEM            | TSX   | 68.12        | 36.37              | 87          | 93   | 15.3                  | 11.5          | 5.7                    | 102                      |
| <b>U.S. (1)</b>   |                |       |              |                    |             |      |                       |               |                        |                          |
| Newmont Mining  | NEM            | NYSE  | 37.04        | 17.99              | 106         | 106  | 19.7                  | 19.7          | 9.5                    | 107                      |
| <b>Australia (3)</b>  |                |       |              |                    |             |      |                       |               |                        |                          |
| Newcrest Mining   | NCM            | ASX   | 22.56        | 12.97              | 74          | 78   | 17.3                  | 13.1          | 7.3                    | 79                       |
| Northern Star Resources   | NST            | ASX   | 4.16         | 2.78               | 50          | 53   | 2.5                   | 1.9           | 1.2                    | 58                       |
| Alacer Gold (also Turkey)   | AQG            | ASX   | 2.70         | 2.46               | 10          | 10   | 0.8                   | 0.6           | 0.5                    | 20                       |
| <b>Russia (1)</b>   |                |       |              |                    |             |      |                       |               |                        |                          |
| Nord Gold   | NORD           | LSE   | 3.60         | 2.70               | 33          | 33   | 1.3                   | 1.3           | 1.0                    | 30                       |
| <b>China (1)</b>  |                |       |              |                    |             |      |                       |               |                        |                          |
| Zijin Mining  | 2899/601899    |       | 2.44         | 2.03               | 20          | 20   | 52.6                  | 6.8           | 5.6                    | 21                       |
| <b>Burkina Faso (1)</b>   |                |       |              |                    |             |      |                       |               |                        |                          |
| Roxgold   | ROG            | TSXV  | 1.50         | 1.28 <sup>1)</sup> | 17          | 17   | 0.6                   | 0.5           | 0.4                    | 25                       |
| <i>1) included as at June 1, 2016</i>                                       |                |       |              |                    |             |      |                       |               |                        |                          |
| <b>Removed as at</b>  |                |       |              |                    |             |      |                       |               |                        |                          |
|   |                |       |              |                    | Change in % |      |                       |               | Change in % MC 2015/16 |                          |
| <b>August 1, 2016:</b>  |                |       |              |                    |             |      |                       |               |                        |                          |
| Sibanye Gold  | SBLG           | NYSE  | 18.65        | 6.09               | 206         |      |                       |               |                        | 207                      |
| Yamana Gold   | YRI            | TSX   | 7.47         | 2.57               | 191         |      |                       |               |                        | 200                      |
| Alamos Gold   | AGI            | TSX   | 12.19        | 4.55               | 168         |      |                       |               |                        | 178                      |
| Acacia Mining   | ACA            | LSE   | 5.60         | 1.80               | 211         |      |                       |               |                        | 279                      |
| <b>June 1, 2016:</b>  |                |       |              |                    |             |      |                       |               |                        |                          |
| AngloGold Ashanti   | ANG            | JSE   | 21.01        | 10.63              | 98          |      |                       |               |                        | 108                      |
| Polyus Gold International   | OPYGY          | OTCUS | 35.45        | 20.53              | 73          |      |                       |               |                        | 121                      |
| Market performance 2016 (in U \$) as at 31 October 2016: 99.7%              |                |       |              |                    |             |      |                       |               |                        |                          |
| Market capitalization increase 2016 (in U \$) as at 31 October 2016: 150.5% |                |       |              |                    |             |      |                       |               |                        |                          |

# CALENDAR OF MINING EVENTS9

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|          |         |  |
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| November | 28 – 29 | <b>3<sup>rd</sup> Central &amp; Eastern Europe Nuclear Power Congress – Warsaw, Poland</b> |
| December | 7 - 8   | <b>Invest Mongolia – Tokyo</b>   |

## 2017

|          |         |   |
|----------|---------|---|
| February | 6 - 8   | <b>Investing in African Mining Indaba – Cape Town, South Africa</b> |
| March    | 5 - 8   | <b>PDAC Convention – Toronto, Canada</b>                            |
| March    | 1 – 3   | <b>Mining Investment Europe – Frankfurt</b>                         |
| March    | 28 – 31 | <b>Mining Investment Asia – Singapore</b>                           |
| May      | 3 – 5   | <b>Mining Investment Africa – Abuja, Nigeria</b>                    |





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