

Gold: Staging a comeback and set to shine in 2023?

DIGITAL ENGAGEMENT TEAM

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TRADING MATTERS SERIES: NEWS FOCUS

*The summary and impact of
a major news event*

The dismal performance of 2022

At the beginning of 2022, gold was doing well. Spot gold hit the 2022 intra-high mark of US\$2,070 in early Mar 2022. However, it then dropped to US \$1,616 in mid-Jul 2022 and continued to have a middling performance. As the Russia-Ukraine conflict escalated, inflation pressures increased, and the US Federal Reserve introduced a rate hike of 425 basis points to combat inflation, therefore the US dollar rose along with it. A stronger USD tends to drive gold prices lower. Many investors gravitated towards dollar assets because they offer a higher return. Gold prices move in the opposite direction of the US dollar, thus gold's plummet at year-end. Last year, it closed -0.23% year-to-year.



Source: Bloomberg, extracted 26 Apr 2023

Is gold staging a comeback in 2023?

Potential FED Pivoting

The markets are expecting a rate cut in the second half of 2023. Referencing the US Fed Fund Futures reading, there is a 25.7% probability that a rate cut will happen by the Federal Open Market Committee meeting on 26 Jul 2023. If interest rates were to come off, this will translate to a weakened US dollar and Reuters observes that this could trigger a gold rally.

Threat of BRICs

Another issue also poses a threat to the US dollar—a Brazil, Russia, India, China and South Africa (BRICS) reserve currency. BRICS nations announced plans to embark on the project last year. It will be based on a basket of currencies that include the Renminbi, Ruble, Rupee, Rand and Real. Note that BRICS countries now account for 40% of the global population and one-third of the world economy in purchasing power parity terms. The emergence of a BRICS reserve currency could potentially weaken the US dollar.

US Debt Ceiling

The US government has hit its US\$31.4 trillion borrowing limit. If no action is taken, this may lead to a debt default—a situation that could shake up the stock market. The track record of note is this: When both parties could not reach an agreement back in 2011, it sent the S&P 500 tumbling by a heart-shattering 17.2%.

Geo-political risks

The Russia-Ukraine war rages on with no sign of abating. Then there is the issue of mounting US-China tensions. China's increase in its defence spending to 1.56 trillion yuan was the fastest pace of increase in four years and has stoked fears of the US and China falling into a Thucydides Trap.

It is in such times of uncertainty that gold shines brightest.

Below are the **gold related instruments** based on their **market cap**



United States

Here are the **gold mining stocks** listed in the United States based on largest market cap

Ticker	Name	Market Cap [USD]	Price [USD]	Trailing 12M Earnings per Share	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
NEM US	NEWMONT CORP	37.46B	47.15	1.84	57.62	+22.20%
RGLD US	ROYAL GOLD INC	8.73B	132.97	3.35	147.62	+11.01%
CDE US	COEUR MINING INC	1.16B	3.60	-0.27	4.80	+33.33%
MUX US	MCEWEN MINING INC	0.40B	8.34	-1.75	10.56	+26.65%
GROY US	GOLD ROYALTY CORP	0.31B	2.17	N/A	5.40	+148.85%



Hong Kong

Here are the **gold mining stocks** listed in the Hong Kong based on largest market cap

Ticker	Name	Market Cap [HKD]	Price [HKD]	Trailing 12M Earnings per Share	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
2899 HK	ZIJIN MINING GROUP CO LTD	367.70B	12.98	0.76	15.99	+23.19%
1818 HK	ZHAOJIN MINING INDUSTRY	40.23B	12.30	0.13	12.44	+1.14%
2099 HK	CHINA GOLD INTERNATIONAL RES	15.32B	38.65	0.56	34.74	-10.12%
3330 HK	LINGBAO GOLD GROUP CO LTD	1.42B	1.64	0.28	N/A	N/A
340 HK	TONGGUAN GOLD GROUP LTD	1.24B	0.37	0.01	N/A	N/A



Australia

Here are the **gold mining stocks** listed in the Australia based on largest market cap

Ticker	Name	Market Cap [AUD]	Price [AUD]	Trailing 12M Earnings per Share	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
NCM AU	NEWCREST MINING LTD	25.80B	28.88	0.99	29.62	+2.55%
NST AU	NORTHERN STAR RESOURCES LTD	15.56B	13.52	0.19	13.69	+1.25%
EVN AU	EVOLUTION MINING LTD	6.51B	3.54	0.18	3.17	-10.34%
PRU AU	PERSEUS MINING LTD	3.11B	2.27	0.23	2.62	+15.50%
DEG AU	DE GREY MINING LTD	2.54B	1.62	-0.01	1.97	+21.91%



Exchange Traded Funds

Here are the **gold related Exchange Traded Funds** based on largest market cap

Ticker	Name	Fund Total Assets [USD]	Price [USD]	Change Year-to-Date
GLD US	SPDR GOLD SHARES	59.88B	184.74	+8.90%
IAU US	ISHARES GOLD TRUST	29.18B	37.68	+8.93%
SLV US	ISHARES SILVER TRUST	11.66B	22.83	+3.68%
GLDM US	SPDR GOLD MINISHARES TRUST	6.33B	39.46	+9.04%
PDBC US	INVESCO OPTIMUM YIELD DIVERS	5.20B	13.97	-5.48%

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