Investor.Coffee (04.02.2024): Economic Optimism is Rebounding Among Canadian Firms, Gold Prices Hit Another Milestone

written by InvestorNews | April 2, 2024

In today's "Morning Investor.Coffee," we start with some good news as it appears that the Canadian manufacturing sector is on the brink of reversing its prolonged downturn. March witnessed a positive change, with employment increasing and a reduction in the rate of decline in new orders, signaling potential sectoral revival. A pivotal move in the technology and financial sector is the acquisition of Nuvei Corporation (Nasdaq: NVEI | TSX: NVEI) by Advent International in a deal valued at $6.3 billion, spotlighting the company's significant value and the attractiveness of Canada's fintech landscape.

Economic optimism is rebounding among Canadian firms, a sentiment echoed by the Bank of Canada after almost two years of economic challenges. This shift has led traders to scale back their expectations of a rate cut in June. Moreover, Canada's First Nations are poised to significantly invest in energy projects, contingent on the federal government's promise to streamline the financing process for such ventures.

Market dynamics in the pre-opening phase are mixed. North American futures are on a downward trajectory, influenced by a decline in U.S. health insurers' shares. Conversely, European stocks are on the rise, with investors keenly awaiting German inflation data. In Asia, the landscape is varied; the Nikkei closed higher, while Chinese stocks remained relatively flat amid balancing acts between improved manufacturing data and anticipated stimulus measures. Notably, oil prices are experiencing an uptick, with Brent crude advancing past $88 a barrel for the first time since October, largely due to increased tensions in the Middle East and threats to oil supply.

Gold prices have reached a new milestone, climbing to a record high of $2,254.89, driven by momentum from investment funds. This surge reflects investors' growing appetite for safe-haven assets amidst a volatile market environment.

In the U.S., market sentiment is cautious as investors process the latest inflation data, with the Dow Jones Industrial Average dropping by 0.6% at the start of the quarter. The S&P 500 saw a slight decline of 0.2%, whereas the Nasdaq Composite edged up by 0.11%. The core PCE inflation data revealed a 2.8% increase on a 12-month basis in February, adding to the cautious outlook.

Significant corporate moves include BlackRock, State Street, and General Electric navigating through strategic shifts and regulatory scrutiny. General Electric's (NYSE: GE) completion of its breakup into three entities marks a historic reorganization aimed at revitalizing the company.

Globally, geopolitical tensions and strategic corporate actions continue to shape the economic landscape. Developments such as the Israeli airstrikes in Syria and Japan's stance on currency volatility highlight the ongoing complexities in international relations and financial markets. Today's edition provides a factual and data-driven overview of the current economic climate, reflecting on the resilience and strategic adaptations of businesses and markets worldwide.

Investor.Coffee (03.27.2024): Your Morning Brew of Financial News

written by InvestorNews | April 2, 2024

Good morning and welcome back to **Investor.Coffee**, where we bring you a freshly brewed perspective on today's global and North American financial markets, ensuring you're well-prepared for the trading day ahead.

A Glance Before the Bell

In Canada, we're seeing a positive nudge with futures pointing upwards, a ripple effect of the gold price increase to $2,176.61, despite a minor slip of 0.09%. Investors are on the lookout for the domestic GDP data expected to drop later in the week, hoping it will provide further clarity on the economic outlook.

Stateside, Wall Street futures are ticking upwards, with the S&P 500 Index Mini Futures rising by 0.33% to 5,282.50 and DJIA Mini Futures climbing 0.35% to 39,819.00. The anticipation is high for Federal Reserve officials' commentary this week, especially with a pivotal U.S. inflation report on the horizon.

In Europe, the markets are showing signs of hesitation with Euro STOXX 50 futures slightly down by 2 points at 5,028. Contrastingly, in Asia, Japan's Nikkei soared by 1.36% to 40,949.22, outshining the Shanghai Composite, which fell below the 3,000-point mark amid a sell-off by foreign investors.

Currency and commodity markets are showing a diverse picture: the U.S. dollar holds steady, while the Japanese yen weakens to a 34-year low against it. Meanwhile, oil prices are under pressure, with U.S. Crude and Brent Crude falling by 0.87% and 0.93% to $80.91 and $85.45, respectively, on the back of surging U.S. stockpiles and static output policies from OPEC+.

U.S. Market Snapshot

Yesterday's session saw a mild retreat from recent highs. The S&P 500 dropped by 0.28%, the Nasdaq Composite by 0.42%, and the Dow Jones Industrial Average by a slight 0.08%. Despite these pullbacks, the indexes are eyeing a fifth consecutive month of gains, with March's performances showing increases across the board: the S&P 500 up about 2%, the Nasdaq by 1.4%, and the Dow by 0.7%.

Corporate Watchlist

- Amazon.com, Inc. (NASDAQ: AMZN) faces a $7.8 million penalty in Poland over consumer complaints, highlighting the challenges even retail giants face in maintaining consumer trust.
- Blackstone Inc. (NYSE: BX) and Moderna, Inc. (NASDAQ: MRNA) embark on a $750 million collaboration to push forward the development of mRNA flu vaccines, a significant step for Moderna as it diversifies beyond its COVID-19 vaccine, Spikevax.
- Several regional U.S. banks, including First Commonwealth Financial Corp and M&T Bank Corp, have been downgraded by S&P Global, citing concerns over their commercial real estate exposures.
- Li-Cycle Holdings Corp. (NYSE: LICY) announces a strategic

reduction of 17% of its workforce, underscoring the harsh realities of scaling back global ambitions for more focused growth.

- Nio Inc. revises its first-quarter delivery forecast downward to around 30,000 vehicles, signaling demand and competition challenges in the EV sector.
- Robinhood Markets Inc. (NASDAQ: HOOD) unveils a new credit card, aiming to deepen its engagement with personal finance consumers by offering up to 5% cash back on certain purchases.
- Stronghold Digital Mining, Inc. (NASDAQ: SDIG) faces a lawsuit over environmental concerns, a reminder of the environmental scrutiny facing the crypto mining industry.

Global Insights

- China's industrial firms report an uptick in profits, offering a beacon of hope for the country's economic recovery amidst ongoing property sector challenges.
- HSBC announces a $1 billion ASEAN Growth Fund to support digital expansion in Southeast Asia, a significant commitment to the region's growing digital economy.
- Stellantis negotiates voluntary job cuts in Italy as the auto industry shifts gears towards clean energy, a move echoed by **Monte dei Paschi di Siena** with its own workforce adjustments.

Currency and Commodity Corners

The currency market sees the EUR/USD and GBP/USD experiencing minor declines, while the USD/JPY climbs, reflecting a dynamic interplay of global economic signals. Meanwhile, gold's slight decrease and the dip in oil prices remind investors of the commodity market's sensitivity to geopolitical and economic news.

Thank you for making *Investor.Coffee* part of your morning routine. Here's to watching the markets, researching, and making informed decisions in navigating the markets.

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Investor.Coffee (01.05.24): Strong U.S. Dollar Impact on Metal Prices, while Japanese Stocks Rise

written by InvestorNews | April 2, 2024

Canadian stock index futures fell as a strong U.S. dollar impacted metal prices and investors anticipated the country's employment report. Wall Street futures also declined slightly ahead of the U.S. non-farm payrolls report, affecting expectations for the Federal Reserve's monetary policy. European stocks saw a decline, potentially marking their first weekly loss in eight weeks, while Chinese stocks dropped due to economic and deflationary concerns. In contrast, Japanese stocks rose, helped by a weaker yen.

Investor.Coffee (11.07.2023): Tumultuous Markets, Drink your Coffee Black.

written by Tracy Weslosky | April 2, 2024

In Canada, the markets are embodying an aura of watchful waiting, disturbed by declining oil and gold prices. Investors are on high alert, eager for the release of domestic trade balance figures that will provide a pulse check on the national economy. This anticipation is heightened by the shaky performance of U.S. stock index futures and the slip in European shares, notably in the energy sector. Over in Japan, the Nikkei index succumbed to these global market vibrations, ending the day in the red.

Investor.Coffee (11.03.2023): Cardiol Marks Milestone, Canadians Await Job Data and

MP Materials Reports Q2 Results Outpace Rare Earth Prices

written by Tracy Weslosky | April 2, 2024

Canadian Futures

Canada's financial landscape holds its breath in anticipation of the upcoming job data release. In comparison, global indicators from the Nasdaq and the S&P 500 futures point to a decline, influenced heavily by Apple's less than stellar holiday-quarter predictions. As the U.S. gears up for the unveiling of its non-farm payrolls report, early indications hint at a potential slowdown in job growth for the previous month. Over in Europe, a surge in auto stocks leads the way, backed by signals suggesting that central banks might go easy on monetary policy tightening. The Asian markets are flourishing, with Hong Kong stocks experiencing their highest single-day performance in a quarter. Furthermore, a recent survey has pushed Chinese equities upward, revealing a boost in the country's services activity in October. Amid these shifts, oil prices are stable, gold edges higher, and the U.S. dollar wanes slightly against other leading currencies.

Cardiol Therapeutics: Strides Forward

Cardiol Therapeutics Inc. (NASDAQ: CRDL | TSX: CRDL) has marked a significant milestone by enrolling over half of its targeted patients for the MAvERIC-Pilot Phase II study. This research aims to evaluate the safety, effectiveness, and tolerance of CardiolRx™ for individuals battling recurrent pericarditis. The company's President and CEO, David Elsley, expressed deep appreciation for the unwavering commitment shown by both participants and clinical associates.

Royal Bank of Canada: Navigating Turbulence

The Royal Bank of Canada has reached a $6 million settlement with the U.S. Securities and Exchange Commission over charges concerning a lack of accuracy in records and oversight of internal accounting control provisions, specifically surrounding its software project costs. This lapse extended from 2008 to 2020, according to the SEC.

Global Market Overview

As of 0530 GMT, European futures, including the Euro STOXX 50, FTSE, and German DAX, have posted gains. Stocks are on track for their most substantial yearly rise. Challenges beset the U.S. dollar, bonds are gaining traction, and a pause in U.S. interest rate hikes is cause for investor celebration. Conversely, the oil market remains uncertain, with prices edging up but facing the potential of consecutive weekly losses due to geopolitical tensions in the Middle East and an ambiguous demand projection from China.

U.S. Market Highlights

Thursday saw the U.S. stock market demonstrate remarkable tenacity. The Nasdaq Composite, Dow Jones Industrial Average, and the S&P 500 all showcased commendable performances, reflecting promising economic data, suggesting a slowing down of inflation and a potentially stable Federal Reserve rate.

However, it wasn't all rosy. FTX's Sam Bankman-Fried faced a harsh verdict, found guilty on all counts of fraud and money laundering, staring down a sentence of 115 years.

Corporate Tidbits

A flurry of activity characterizes the global corporate scene:

- **Alibaba**: Gearing up for the Singles Day event, Alibaba is encouraging vendors to offer their best prices, deviating from its traditional approach.
- **Anheuser-Busch InBev SA**: Announced a $1 billion share repurchase, reinforcing its pledge to reward shareholders while managing debts.
- **Apple Inc**: Despite unveiling new tech, Mac sales have started to plateau post-pandemic.
- **Berkshire Hathaway**: Slightly reduced its stake in electric vehicle company BYD.
- **BHP Group**: Has invested heavily in the Jansen potash project in Canada.
- **Blackstone**: Joining forces with Vista Equity Partners to acquire Energy Exemplar.
- **Caterpillar**: Celebrated a surge in Q3 profits.
- **Cloudflare Inc:** The company's Q4 revenue forecast was below market estimates.
- **Coinbase Global Inc.:** Although the company beat revenue estimates for Q3, trading volumes saw a decline.
- **Consolidated Edison Inc.:** Q3 profit surpassed expectations.
- **EOG Resources Inc.:** The company exceeded Wall Street's profit estimates for Q3.
- **Marathon Petroleum**: Beat Q3 profit predictions.
- **Netflix & Disney**: Face potential upheavals due to disputes with Hollywood actors.
- **Pfizer**: Despite a quarterly loss, it adjusted its 2023 forecast after a deal with the U.S. government.
- **Micron Technology Inc.:** China's commerce minister expressed a desire for the company to deepen its presence in the Chinese market.
- **Monster Beverage Corp.:** Q3 profits exceeded expectations.
- **Motorola Solutions Inc.:** Provided a Q4 profit forecast that was above market expectations.

- **MP Materials Corp.:** Despite challenges, the company reported better-than-expected adjusted second quarter profit.

And many more corporations continue to redefine their strategies and navigate challenges.

In the midst of these corporate shifts and global economic trends, These updates shed light on the current financial climate and the intricate dance between global economies, corporate strategies, and investor sentiments. As Canada awaits its job data and the world monitors U.S. non-farm payrolls, the intricate web of global finance continues to weave its ever-evolving narrative.

Is Dr. Copper Diagnosing a Recession?

written by InvestorNews | April 2, 2024
We've recently had a look at the outlook for the prices of some critical materials, namely lithium and graphite. As fears of a recession continue to grow, I thought it might be interesting to have a look at the price of copper. After all, Dr. Copper is often used as an indicator when it comes to the health of the economy. So perhaps we can glean some insights on what lies ahead based on how copper prices have reacted over the last few weeks.

Another reason to have a look is that I pretty much nailed the outlook for copper last October when I suggested the price had put in a bottom at roughly US$3.20/lb and that if it broke back above US$3.70/lb, it had very little overhead resistance until the US$4.10/lb threshold. The chart was really speaking to me that day, so let's take another look and see if there is a new story unfolding.

Macro fundamentals for copper

But first, we'll quickly review the macro fundamentals for copper before we dive into what the chart is trying to say. It doesn't take a lot of searching around the internet to find just about any opinion on the future of copper supply and demand. Generally speaking, as the world electrifies in an effort to decarbonize, the demand for copper could prove difficult to meet and, to that end, there tend to be more bullish than bearish opinions out there.

McKinsey recently forecasted that by 2031, annual copper demand will be 36.6 million metric tons, while current supply projections (including recycled production) are roughly 30.1 million metric tons, meaning another 6.5 million metric tons of capacity (an additional 20 percent) need to be found. Contrast that with the International Copper Association (a leading advocate for the copper industry) which states:

> *"Despite an ever-increasing demand for copper, there is more of the metal available today than at any other time in history. This, together with the ability to infinitely recycle copper, means that society is extremely unlikely to deplete the copper supply, and copper will continue to contribute to global initiatives…".*

However, these views look well out into the future, whereas I'm contemplating the next 3-6 months. Looking more near term we see China emerging from its strict zero-COVID policy leading to a rebound in copper demand from Chinese consumers. Additionally, the Chinese Government is introducing new policies to revive the private and public sectors including numerous stimulus measures to support the domestic construction sector. There is also the issue of increasingly challenged supply streams in South America, particularly in Peru, but Chile is also facing some issues of its own such as labor strikes and community opposition to mining activities.

US dollar impact

Then there's the real wild card – the US dollar. A weaker US dollar typically boosts investor sentiment towards industrial metals and increases demand from emerging markets. Has the US Federal Reserve raised interest rates too far and broken the system? Silicon Valley Bank would say yes. But the question remains as to whether the Fed has ended its rate hiking cycle or does the fear of inflation still poses the greatest threat in their opinion. I'm leaning towards the Fed not hiking rates any further but have the least conviction on this being bullish near-term support for copper prices.

Overall, I would say the fundamentals appear to be positive for copper pricing in the near term despite Tesla et al reducing their EV prices. Near-term supply and demand seem to be headed in opposite (bullish for price) directions and we all know, new production doesn't come on overnight. And even though over the last decade more than 30 percent of global copper demand was met with recycled copper, I still think 2023 could be a good year for copper pricing for the reasons noted above.

What does the copper chart say?

But what does the chart say? After all, that was what guided my forecast last October.

Price of Copper – 1-Year – Price Per Pound

Source: StockCharts.com

Unfortunately, this chart isn't as decisive for me as it was last October. The longer-term trend (green lines) is intact, which is encouraging. Additionally, the price has broken through the 200-day moving average (MA) and isn't all that close to retesting that level. As well the 50-day MA has moved above the 200-day MA which also tends to be a bullish signal.

However, after decisively breaking through the 50-day MA in early November, and holding this support threshold at the beginning of 2023 and again in late February, copper prices fell below again and over the last couple of weeks the 50-day MA is now proving to be more of a resistance level. Additionally, since mid-January, we are seeing a bit of a down channel (blue lines) with lower highs and lower lows, albeit the longer-term (green line) support level has held.

Technically, it appears we are at a bit of a critical juncture for copper prices at present. A few things need to happen over the next couple of weeks to move me from the indecisive camp and back into the bullish camp. First, prices need to move back above the 50-day MA, which in turn should break copper out of the current down channel (blue lines). The next thing I'd like to see is a close above US$4.35/lb to give us a new higher high in the longer-term uptrend (green lines). Satisfying those two criteria would place me firmly back in the bull camp.

Better to understand the question

The question becomes, are you wanting to trade copper or invest in copper? The technical analysis of current prices is more geared toward traders. If you are more of a long-term investor then the fundamentals suggest there could be a pretty good opportunity to be long copper over the next several years, regardless of what the price is today or two weeks from now. To thyself be true…I know what I'm doing when it comes to copper.

Will 2023 be the year that gold makes a comeback?

written by Matt Bohlsen | April 2, 2024

Gold prices have recently been rising as the market anticipates the end of the U.S. Federal Reserve interest rate increases at some point around mid-2023. This combined with an inverted yield curve signaling a 2023 U.S. recession gives hope for gold investors, as gold performs best when rates are falling and in recessionary times as investors seek safe havens.

All of this begs the question will 2023 be the year gold makes a comeback?

The long-term gold price chart below shows gold prices surged higher during the Global Financial Crisis of 2008-09 and subsequent years with interest rates falling during that period and again in the 2018 to 2020 period as interest rates fell again heavily as we entered the 2020 Covid-19 recession.

25-year gold price chart. Red arrows show the gold price often surges higher when recessions occur or when interest rates fall

Source: Trading Economics

Starting from H2, 2023 looks set to a good environment for gold

To be clear we are not yet in an environment of interest rates falling, but U.S. interest rates have recently hit a 15 year high.

U.S. Federal interest rates are forecast to peak at 5.1% potentially by ~mid 2023, rising from 4.5% now. Assuming the U.S. is then in a recession by mid-2023, then the Fed may reverse course and start to reduce interest rates later in 2023 or into 2024. This will also depend upon inflation coming back down to 3% or less, from its elevated level of 7.1% as of November 2022.

A December 2022 Bloomberg report stated: "Economists Place 70% Chance for US Recession in 2023. Bloomberg monthly survey shows 0.3% average GDP growth in 2023."

Certainly, a 2023 recession is now the base case for the majority of analysts. Given that the equity market looks forward about 6 months, it is probably no surprise that we are seeing a rotation into gold in the last month resulting in the gold price moving 4% higher. Whether this is the very early stage of the next gold market bull run it is too early to say. What we can say is that interest in gold is returning and the worse 2023 is for the economy the better it helps the fundamentals for gold.

A January 3 CNBC report also commented: "Gold surges to 6-month high, and analysts expect records in 2023." The report cites the following causes for the recent rise in gold: "Gold prices have been on a general incline since the beginning of November as market turbulence, rising recession expectations, and more gold purchases from central banks underpinned demand."

The U.S dollar trades inversely to the gold price

The other key factor to consider is the U.S. dollar. If it rises then gold tends to fall in relative terms and vice versa. This is simply because gold is priced in U.S. dollars.

As shown below the U.S. dollar Index generally fell from 2002 to 2008, a period when the gold price rose.

The U.S. dollar Index 25-year chart

Source: Trading Economics

Closing remarks

Gold behaves differently to most other metals due to its safe haven status. While gold demand versus supply is a factor (including sovereign buying), the bigger factor is the economy and interest rates.

When the U.S. economy is booming interest rates and the U.S. dollar tend to rise, which is a negative for gold. Why invest in gold when equities are doing well or when cash and bonds are paying a nice dividend, compared to zero dividends from gold.

When times are bad gold becomes a safe haven, benefiting from a weaker U.S. dollar and lower interest rates.

To answer the question will 2023 be a good year for gold, you must first decide how you view 2023.

If you are positive about the U.S. and global economy and think

U.S. interest rates will keep on going higher, then gold is not for you in 2023. However, if you are negative on the economy and think rates will start to fall, then gold looks like a sound bet for 2023, or perhaps 2024.

Either way, it never hurts to diversify and build a little safety of gold into your long-term portfolio. And with inverted yield curves everywhere and 70% of analysts forecasting a 2023 recession, now looks to be as good a time as any to top up your gold holdings.

Cam Currie of Canaccord Genuity talks about metals as a vital hedge against inflationary pressure

written by InvestorNews | April 2, 2024
In this InvestorIntel interview Tracy Weslosky talks to Cam Currie, Senior Investment Advisor at Canaccord Genuity Wealth Management and the Principal, Currie Metals and Mining Group, who is among Canada's top 150 investment advisors with 32 years' experience in metals and mining.

In the interview, which can also be viewed in full on the InvestorIntel YouTube channel (click here), Cam discusses the changing fundamentals of the current market. "We have been concentrating on focusing clients on metals and mining for a number of reasons," he tells Tracy. "It's a supply side issue and people don’t understand that there’s no money going to the ground. There are no projects coming on the pipeline and with the EV movement evolving, copper over time will do very, very well.”

As well Cam says that he is “very bullish on precious metals and I’ve actually been very much a crusader in the industry. I meet with the World Gold Council on a regular basis.” He observes that short-term gold prices have been artificially kept down because of the strength of the U.S. dollar, but he remains “extremely bullish – we’re adding to positions very aggressively.” He adds: “I have a basket of companies and again they range from seniors and mid-tiers to developers. I don’t play in the junior exploration grassroots because I think that’s just too high risk.”

Cam also talks about the opportunities and risks presented by the current inflationary environment, and how some of the world’s leading precious metals investment groups are positioning themselves to counter today’s risks in the bond/equity markets: “If you have a portfolio right now with a 60/40 bond-equity composition that’s not going to work for you going forward. You have to have a metals component to hedge against the uncertainties of that.”

About Canaccord Genuity Wealth Management

We are a boutique investment management firm with offices and Investment Advisors around the world, connected to global commerce and focused on deep client relationships. Canaccord Genuity Wealth Management is a full-service firm that leverages our unique approach to commerce and clients into insight-driven advantage and personalized solutions.

To access the full InvestorIntel interview, click here

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Any projections given are principally intended for use as objectives and are not intended, and should not be taken, as assurances that the projected results will be obtained by the Company. The assumptions used may not prove to be accurate and a potential decline in the Company’s financial condition or results of operations may negatively impact the value of its securities. Prospective investors are urged to review the Company’s profile on Sedar.com and to carry out independent investigations in order to determine their interest in investing in the Company.

If you have any questions surrounding the content of this interview, please contact us at +1 416 792 8228 and/or email us direct at info@investorintel.com.

Inflationary Thoughts, and What to Do as Things Unfold

written by InvestorNews | April 2, 2024

Like many people (perhaps like you, dear reader), I'm a creature of habit.

For example, when I buy something in a store I always ask for a receipt. Or I hit the button for a receipt if it's one of those self-serve dispensers, like with fuel pumps at a gas station. Then I fold the receipt and drop it into the left pocket of my trousers. See? Habit.

Later, I empty my pockets, take the receipts, and stuff them into an envelope on my desk. The idea is that I'll sort them later for taxes. Except I hardly ever do that last part. Staying organized for taxes is not a habit, I guess.

At any rate, this short, personal confession is my way of introducing a quick discussion about inflation, currently over 8.5% per no less than the U.S. Government. And it's likely even more than that number because I believe that government bureaucrats badly misperceive and understate reality.

So, here's what happened. The other day I was cleaning my desk and found a stash of gasoline receipts from about a year ago. Back then it cost about $35 to $40 to fill the fuel tank of my car.

Lately, though, it costs me about $70 to $75 to fill my gas tank. That's about 80% more than a year ago.

Same car. Same fuel tank. My driving habits are about the same. Same roads. Same trips to the store, errands, etc. Same everything, except that it costs me much more to fill the tank.

There's a reason for this, of course. A year ago, the price of oil was nestled in the range of $65 per barrel. Today it's north of $110. Do the math, right? The price of oil controls the price of motor fuel. Oil up, gasoline up; cause and effect.

Meanwhile, rising prices for energy – oil, gasoline, diesel – explain a big whack of why the rate of inflation is high and increasing, not just at the fuel pumps but at the grocery store and pretty much everywhere else.

Inflation is up because the global supply of energy is tight, which is certainly the case for oil, and also the scenario for much else in the arena of fuels.

And energy demand is up due to a global recovery from Covid. More people want more and more energy. And due to the massive levels of government spending over the past couple years, there's money out there to chase it.

In other words, demand/people/money are chasing – or more precisely, "cornering" – a relatively static supply of oil, hence higher prices to clear the market.

All this, while higher costs for energy flow through to everything.

Higher energy costs affect what you pay to drive your car, and what it costs farmers and processors to produce food and other goods, and what it costs manufacturers and shippers to create and move everything, and eventually deliver it to stores where people buy it all.

In this regard, inflation is now truly structural. That is, inflation is built into the entire economic system. It's deeply rooted in the fundamentals of energy availability, and how much energy costs its end-users.

Now, consider a follow-on point to what we just discussed. That is, absent a lot of additional energy miraculously showing up and hitting the system (hint: very unlikely) the whole situation will remain bad, if not get worse.

However bad you think it is now – high prices at the gas pump or supermarket – it's about to hurt even more. There's no relief in sight, unless you're one of those well-insulated people who want to see a major global recession to, as the saying goes, "destroy demand."

The takeaway here is that inflation is structural. So stand by for more of it. Stand by for higher prices. Stand by for your dollars to buy less and less, while your quality of living declines.

And okay, one more takeaway, with an upbeat angle. Looking ahead, hard assets – real things like metals and energy resources – will not only hold their value through the coming storm, but preserve and create wealth for the holders.

On that last point, invest accordingly.

That's all for now… Thank you for subscribing and reading.

How to Play the Coming Market Cleanup – Including Five Names To Watch

written by InvestorNews | April 2, 2024

Broad markets are down this week in a wide, deep selloff. Or for optimists out there it's a general cleanup across the spectrum, punishing the overly ambitious. Gold is down too, as I'll discuss below.

Here's what's going on, and towards the end I'll list five "mine and minerals" ideas on how to play it all.

First, and obviously, markets have declined based on negative sentiment. And why? After all, is there any good news out there? Consider:

- War in Ukraine, rapidly emerging as a new, generational East-West struggle.
- Structural, built-in inflation across every economy in the world.
- High oil and natural gas prices, with production and supply issues worldwide that have translated into shortages.
- The nat-gas shortages have led to a lack of fertilizer which – rolled in with high oil/diesel prices – foretells of eventual, widespread food scarcity.
- All of the above, while the global cargo ship economy remains mired in clogged ports, amplified by Covid shutdowns in China.
- And people have finally caught onto the racket of those high flying, profitless tech companies with business plans that lose money, seemingly forever.

I could go on, but you get the picture. It’s a mess out there and getting messier. Not exactly the foundation of a booming global economy as 2022 unfolds.

So yes, people feel negative, sell out, and go to cash. They de-risk, so to speak.

Which brings us to gold, which is sliding. And here’s the quandary: Why sell gold into a de-risking market? Gold ought to represent long-term security in a time of risk, right?

The sell-side argument is that interest rates are rising, and rising rates raise the carry cost for holding gold. That is, physical gold is “just metal” and doesn’t pay a dividend. So, every ounce in the vault is a missed opportunity to generate cash. And the imputed loss on gold (i.e., versus holding cash) is greater when interest rates are high.

It’s not difficult to understand the argument, but I don’t buy it. Because look at the situation from a different angle.

Per the U.S. government’s own statistics, inflation is running in the 8.5% range – and the true number might be twice that if you follow what is called “shadow statistics.” In that respect, holding cash also has a cost, namely that 8.5% inflation rate (or more) per year of vanishing purchasing power.

Here’s the investor choice: hold cash and generate minor amounts of interest in an environment of rising inflation. Or hold gold and protect the wealth basis against declining purchasing power over time.

Indeed, the Fed threatens the world with small interest rate increases of 0.25% or even 0.5%. Okay, but that’s insignificant when compared with the 8.5% (or more) declining value of cash.

So, why have people sold gold down in recent days? Well, sometimes you don't sell what you want to sell. You sell what you have to sell. Like if you need fast cash.

You sell gold because it's liquid and always catches a bid. That's not necessarily the case with many other investment ideas.

During market sell-downs the price of gold often drops early, such as when overstretched people need cash to cover margin calls. But after that early tumble, gold tends to be among the first plays to recover on the other side of the selloff and cleanup.

Along with the declining price of gold, metal miners often head down too. Good companies drop in value for no good reason. The list is long and includes names that hold great assets with serious ore in the ground, coupled with excellent geologic work, facilities, workforce and management teams.

There's no saying how long the current selloff will last. Will the market find a bottom and then head back up? Or will more downside yet unfurl? Nobody really knows, and things can change in a matter of hours.

But along these lines, I have five names for you, companies in the gold and related metals space that have tumbled in recent days into bargain-hunt land:

One great up-and-running metal miner is **Avino Silver & Gold Mines Ltd.** **(NYSE American: ASM | TSX: ASM)**. This company has operated near Durango, Mexico since 1968. The ore body is a deep-running series of veins that were first discovered in 1548 by Spanish explorers/conquistadores. There's a full package of mineshafts, mills and processing facilities. Much of the operation was closed during Covid, but it's all getting back into production. Ore grades are excellent, with continuing discovery as mining progresses. Plus, an offtake agreement with Samsung for all the metals.

And here are a couple of names for companies well-along in the exploration side, with superb results to date and great prospects ahead:

Take a look at [American Pacific Mining Corp.](#) **(CSE: USGD | OTCQX: USGDF)**. This company controls a major copper exploration play in Madison, Montana and is partnered-up with giant Rio Tinto to explore a skarn-porphyry, mineral-bearing body. Progress – meaning mineralization uncovered – has been excellent over the past 18 months, with numerous unreleased drill results still to come. Meanwhile, Am-Pac holds 100% of two other outstanding, high-grade, near-surface gold plays in hard-rock mining country in Nevada.

And look at [Group Ten Metals, Inc.](#) **(TSXV: PGE | OTCQB: PGEZF)**. This is another company that works in the nickel-platinum belt of Montana, adjacent to property controlled by Sibanye-Stillwater. Group Ten controls a vast land package and has had remarkable success identifying high-grade zones of copper-nickel, along with platinum group metals, gold, silver and even chrome. Indeed, it's a "battery metals" play from numerous angles.

For early-stage gold exploration, look at [TRU Precious Metals Corp.](#) **(TSXV: TRU | OTCQB: TRUIF)**. The company works in Newfoundland, in a highly prospective gold-copper belt. Its neighbors include two well-known names, Marathon Gold and Newfound Gold Corp., and TRU is directly on the geologic trend that connects these other two plays. Early sampling, mapping and geophysics are promising, with drill results offering strong promise.

And finally, another early-stage explorer, [Romios Gold Resources](#)

Inc. **(TSXV: RG | OTCQB: RMIOF)**. This is what geologists call a "hip pocket" play, an intriguing collection of historically explored and mined projects across Canada and in Nevada. Right now, the focus is on two high-grade works that were picked in the olden days, but abandoned to the mists of time due to low-priced gold. Modern geophysics and drilling reveal significant new mineralized zones. Romios is a small-cap play, but with the ability to move on news from the drill deck.

That's all for now… Thank you for reading.