

# Will 2023 be the year that gold makes a comeback?

written by Matt Bohlsen | January 4, 2023

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.

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## **Rewarding shareholders is the golden rule at Endeavour Mining**

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Typically when I write about a company I look at a few standard things, latest news, the MD&A from the latest quarterly results, the most recent corporate presentation, and generally anything that appears interesting on their website. For the company I was looking at today I was in for a bit of a surprise. I was following my general review process and started paging through the latest presentation and after about 14 pages I noticed at the bottom that the total file was 170 pages long. Now that's a corporate presentation! I'll be honest, upon realizing this I started spending a little less time on each slide, but I did still scroll through all 170.

The company with a lot to talk about is [Endeavour Mining plc](#)

(TSX: EDV | OTCQX: EDVMF | LSE: EDV), one of the world's senior gold producers and the largest in West Africa, with operating assets across Senegal, Cote d'Ivoire and Burkina Faso, and a strong portfolio of advanced development projects and exploration assets in the highly prospective Birimian Greenstone Belt across West Africa.

Additionally, Endeavour is a member of the World Gold Council, committed to the principles of responsible mining and delivering sustainable value to its employees, stakeholders and the communities where it operates. The Company is also pretty fixated on rewarding shareholders via dividends and buybacks, as well as ESG and corporate responsibility in general, at least based on the number of pages dedicated to these topics in the corporate presentation.

First, the numbers that allow the Company to reward their shareholders. [Q1/22 results](#), reported May 5<sup>th</sup> of this year, included: production of 357k oz at AISC of US\$848/oz; operating cash flow of US\$299 million; net cash position increased by US\$90 million to reach US\$167 million. 2022 full year guidance for the Company's six operating mines is 1.3 – 1.4 million oz with an All-In Sustaining Cost (AISC) of US\$880 – US\$930. With full-year sustaining CAPEX expected to amount to US\$169.0 million, non-sustaining CAPEX of US\$204.0 million and growth CAPEX guidance expected to amount to US\$121.0 million shareholders should be able to have their cake and eat it too.

Endeavour implemented a shareholder returns program that is composed of a minimum progressive dividend of US\$125 million, US\$150 million and US\$175 million for FY-2021, FY-2022, and FY-2023 respectively. In Q1, Endeavour paid its H2-2021 dividend of US\$70 million (\$0.28/share) bringing the FY-2021 dividend to US\$140 million (\$0.56/share), which represents US\$15 million more than their minimum dividend commitment. A total of US\$169

million, or 7.4 million shares have been repurchased from the start of the buyback program on 9 April 2021, meaning a cumulative US\$369 million has been delivered to shareholders in the form of dividends and share buybacks (the difference being US\$60 million in dividends paid out in 2020).

The assets themselves are pretty dynamic as the Company is constantly evolving by divesting non-core assets (having sold 2 mines in the last year) and both strategically acquiring assets (such as Teranga Gold in late 2020), as well as organic additions, having built several mines on its own. A strong exploration track record has resulted in the addition of 11.5 million oz of Indicated Resources from mid-2016 to 2021. The 2022 exploration budget is US\$80 million with a 5 year resource discovery target of an additional 15 – 20 million oz.

All of this paints a pretty optimistic picture given Endeavour is already in a net cash positive position (approx. US\$880 million in debt and almost US\$1.05 billion in cash) and barring any major acquisitions and gold prices above US\$1,500/oz it has become a cash printing machine. If you want to learn more about the six operating mines or the additional exploration properties then I suggest checking out the [corporate presentation](#) as a full 70 pages are dedicated to some pretty detailed information on this topic.



*Source: Endeavour Mining plc [website](#)*

Despite this being a fairly sizeable company, with a US\$4.8 billion market cap, there are still plenty of catalysts for shareholders to get excited about. Endeavour renewed its share buyback program in March and is entitled to repurchase up to 5% of its total issued and outstanding shares, or 12,458,989 shares over the next year. The Company is [announcing Q2 results](#) on

August 3<sup>rd</sup> which should include the declaration and payment of the H1/22 dividend, not to mention how much cash they've potentially added to the treasury over the last 3 months. Completion of a Definitive Feasibility Study for the Lafigué project at [Fetekro](#) is expected any time now. Then there's the US\$80 million exploration program results and resource updates.

Despite all of this the stock is trading at its 52 week low and only slightly above its 2-year low. I guess the bigger question is where does gold go next?

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## Signature Prospector on the rise of interest in gold

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March 28, 2018 – “Signature’s team has been in this business for a long time, specifically the gold sector. We have been involved in projects that have been world-class.” states John Leliever, Prospector and Founder of [Signature Resources Ltd.](#) (TSXV: SGU | OTCQB: SGGTF), in an interview with InvestorIntel’s Jeff Wareham.

**Jeff Wareham:** John you are a third generation prospector. You have seen a lot. What do you think of the market right now?

**John Leliever:** Prospectors are a dying breed that is for sure. The market, in my lifespan, and I am sure in my family’s lifespan, this is probably the toughest they have been that I can ever remember. The survivors are the ones that keep their nose to the grindstone and just plug away and do not give up.



**Jeff Wareham:** On that note you just put in your most recent press release says that the weather is terrible and in northern Ontario and it is tough to get a plane up to do your surveys. But, what good news can we look for from Signature over the next few months?

**John Leliever:** I am very optimistic that this is going to be Signature's year to actually break through all the negative that the industry has been experiencing. I think we are going to see an interest in our sector. In the gold sector I think we are going to see personally some interest in our company and the future that we have laid out. As far as the plans, we have not announced all our plans at this point in time, but I would say that within the next 6 months Signature should be very active and making news.

**Jeff Wareham:** You have got a great historic resource and an incredible property package. Is the plan to try and prove up those ounces or confirm that?

**John Leliever:** Absolutely. We have 234,000 historical ounces already indicated. Our goal initially is to double that, possibly even improve on doubling that over the next 6 to 12 months. We have a huge blue sky opportunity with the greenstone belt to the west and the opportunities that we believe will be presented from the airborne survey results and exploring on that.

**Jeff Wareham:** We talked about the challenges in the market. There is a lot of junior mining companies struggling to find investors. Why should somebody choose Signature?

**John Leliever:** Signature's team has been in this business for a long time, specifically the gold sector. We have been involved in projects that have been world-class. Not necessarily at the management level, but involved with those projects. We

understand world-class projects, that grassroots can evolve into a little bit more advanced stage and take it to a level where some senior mining companies would be interested in our project. I think that we have the talent to get it there and get it there in a shorter period of time than a true grassroots company...to access the complete interview, [click here](#)

Disclaimer: Signature Resources Ltd. is an advertorial member of InvestorIntel Corp.