Investor.Coffee (04.08.2024): Gold Continues to Rise, and Perpetua Resources Secures $1.8B EXIM LOI

written by InvestorNews | April 8, 2024

This week, InvestorNews.com has scheduled two InvestorTalk.com's pre-market sessions. On Tuesday, April 9, 2024, Dr. Luisa Moreno from Defense Metals Corp. (TSXV: DEFN | OTCQB: DFMTF) will present from 9-9:20 AM EST. Similarly, on Thursday, April 10, 2024, John Carter from Silver Bullet Mines Corp. (TSXV: SBMI | OTCQB: SBMCF) will present during the same time slot.

In the pre-market scenario, Canadian futures remained flat due to falling oil prices, counteracting gains from rising gold prices. Investors are anticipating a busy week ahead, particularly awaiting the Bank of Canada's rate decision. Meanwhile, U.S. stock index futures also remained flat, as Treasury yields increased amid speculations of the Federal Reserve delaying policy easing. The U.S. dollar showed minimal movement ahead of the release of U.S. inflation data. European stocks experienced a slight uptick, bolstered by robust industrial production data from Germany. In contrast, Japan's Nikkei rebounded, closing positively as investors capitalized on buying opportunities following recent market declines.

The Bank of Canada is widely expected to maintain its key overnight rate on hold during its upcoming Wednesday meeting. Analysts suggest that the central bank may wait for more evidence of cooling inflation before implementing its first interest rate cut in four years, potentially in June.

In global markets, Euro STOXX 50 futures were up by 2 points at 4,966, FTSE futures added 8 points to 7,926, and German DAX futures gained 10 points at 18,418 by 0430 GMT. Additionally, oil prices experienced a decline, with Brent falling below $90 as tensions in the Middle East eased.

Spot gold prices were reported at $2,341.79, marking a 0.53% increase equating to $12.29.

Looking back at the U.S. market performance, major averages closed positively on Friday despite a down week overall. The Dow Jones Industrial Average rose by 0.8% following its worst session in over a year. The S&P 500 and Nasdaq Composite also climbed by 1.11% and 1.24%, respectively. Friday's positive momentum was attributed to the Labor Department's report, which indicated job growth of 303,000 in March, surpassing expectations.

Federal Reserve Governor Michelle Bowman hinted at potential future rate hikes to control inflation, reflecting a cautious approach amid market uncertainty.

In corporate updates, Catalent Inc. (NYSE: CTLT) and Novo Nordisk A/S refiled their application for approval of a $16.5 billion deal. JPMorgan Chase & Co. CEO Jamie Dimon emphasized U.S. economic strength while opposing stricter bank capital rules proposed by regulators. Perpetua Resources Corp. (NASDAQ: PPTA | TSX: PPTA) received a letter of interest from the U.S. Export-Import Bank for a loan worth up to $1.8 billion. Bristol-Myers Squibb Co reported positive data from late-stage studies of its experimental schizophrenia drug, KarXT, showing symptom reduction without weight gain side effects.

Globally, Janet Yellen concluded meetings in China, advocating for measures to address excess industrial capacity. Additionally, two key U.S. lawmakers reached a deal on draft bipartisan legislation for data privacy, while Peter Pellegrini won Slovakia's presidential election, reinforcing pro-Russian leadership.

Investor.Coffee (12.11.2023): CDN Healthcare Deal, U.S. Dollar Gains Strength on Japan's Nikkei Rebound

written by Tracy Weslosky | April 8, 2024

DIAGNOS Inc. (TSXV: ADK | OTCQB: DGNOF), a company we have followed for several years out of Montreal, announced a landmark move for the Canadian healthcare sector this morning. DIAGNOS Inc., a pioneer in artificial intelligence (AI)-driven health solutions, has announced a significant distribution agreement with global ophthalmic leader EssilorLuxottica. This exclusive Canadian contract, unveiled on December 11, 2023, signifies a pivotal moment for DIAGNOS, cementing its place in the market with its cutting-edge retinal analysis technology.

Renowned for its effectiveness in the early detection of eye conditions, DIAGNOS's technology will now reach a broader audience through EssilorLuxottica's expansive network, promising an enhancement in the quality of eye health care. The three-year agreement, which includes a renewal option, entails a per-patient exam payment model to DIAGNOS. André Larente, DIAGNOS'

President, highlighted this partnership's role in broadening the accessibility of their innovative technology, aligning with their mission to foster visual health in Canada and globally.

Market Watch: Global and US Economic Indicators

As the business day commences, futures indicate a downtrend, shadowing a dip in commodities like oil and gold. In the U.S., we are awaiting the Federal Reserve's monetary policy meeting and upcoming inflation data, which will shed light on the possibility of a soft landing for the economy. European shares are also experiencing a downturn, while Japan's Nikkei has seen a rebound. The U.S. dollar is gaining strength against the Japanese yen.

U.S. Central Bank's Interest Rate Decision

The U.S. Federal Reserve is set to release its interest rate decision on Wednesday, following last month's unchanged benchmark rate. Wall Street is increasingly optimistic about maintaining the status quo in December, as efforts to curb inflation without triggering a recession seem fruitful.

In recent global and U.S. economic updates, the market is witnessing a downward trend in futures, mirroring declines in commodities such as oil and gold. Investors in the U.S. are particularly focused on the upcoming Federal Reserve's monetary policy meeting and the release of inflation data, which are crucial in assessing the prospects of a soft economic landing. Meanwhile, European shares are experiencing a downturn, in contrast to Japan's Nikkei which has shown a rebound. The U.S.

dollar is strengthening against the Japanese yen.

The U.S. Federal Reserve is poised to announce its decision on interest rates this Wednesday, following a period of unchanged rates. There's a growing sentiment on Wall Street that the Fed might maintain the current rates in December, buoyed by successful measures to control inflation without pushing the economy into recession.

Some Business News Highlights:

- In corporate developments, French AI company Mistral AI, founded by ex-employees of Meta and Google, has raised €385 million in a second funding round, marking a significant milestone. This funding, led by investors such as Andreessen-Horowitz and LightSpeed Ventures, positions Mistral AI as a key player in the global AI landscape. The company also launched Mixtral 8x7B, an AI platform intended to compete with leading AI platforms like OpenAI's ChatGPT and Google's Bard.
- In the healthcare sector, U.S. insurer Cigna (NYSE: CI) has ended its merger talks with Humana Inc. (NYSE: HUM), citing price disagreements, and instead announced a significant $10 billion share buyback plan. This development follows several years after regulatory interventions blocked major consolidations in the health insurance sector.
- In the tech industry, NVIDIA Corporation (NASDAQ: NVDA) is expanding its footprint in Vietnam, partnering with leading tech companies in the country. This expansion, announced by NVIDIA's CEO, focuses on AI and digital infrastructure, aligning with Vietnam's ambitions to advance in chip design and manufacturing, especially in the context of ongoing U.S.-China trade tensions.

- In the energy sector, Occidental Petroleum Corp. (NYSE: OXY) has confirmed its acquisition of CrownRock, an energy producer in the Permian basin, in a $12 billion deal. This acquisition is a strategic move for Occidental’s growth in the energy sector.
- TC Energy Corp.’s (TSX: TRP | NYSE: TRP) Coastal GasLink project is currently facing legal challenges due to construction delays, which could significantly impact its financial liabilities. This comes as the C$14.5 billion project was completed at over double its initial budget.
- In corporate leadership news, Tellurian Inc. (NYSE American: TELL) has announced a major change by removing its chairman and co-founder, Charif Souki, from his executive role. This change is part of the company’s strategy to improve its prospects, particularly focusing on its Driftwood LNG project.
- Tesla Inc. (NASDAQ: TSLA) is under pressure from Nordic pension funds to respect collective bargaining rights for its employees. Concurrently, the company is defending its use of “Autopilot” and “self-driving” terminology amid regulatory examination in California.

Globally, the Middle East continues to experience intense conflict with no resolution in sight. The UK’s manufacturing sector is showing signs of recovery, which could bolster the sector in the coming year. UK Prime Minister Rishi Sunak faces a critical week with a COVID-19 inquiry and a key parliamentary vote on asylum policy. The EU has reached a provisional deal on AI regulation, which includes governing biometric surveillance. Bosch is adapting to changing auto sector demands, leading to significant job cuts. Signa Development Finance’s potential insolvency proceedings highlight ongoing market challenges. Lastly, BP Plc’s Bilbao Plant sale to Gunvor reflects BP’s strategic transformation and commitment to becoming a net-zero company.

We kicked off our morning by tweeting our Top 10 Trending columns and videos for the last week that we encourage you to review:

1. Top 10 Trending on #InvestorNews, in the #1 Position, READ: #TechnologyMetals Week-in-Review: The British Stake Claim in #Quebec and the #Uranium Boom in North America https://bit.ly/47jhbmH cc: @IN8News @Energy_Fuels @F3Uranium @Ucore @FirstPhosphate @CriticalMnlInst #criticalminerals
2. Top 10 Trending on #InvestorNews, in the #2 Position, READ: The #CriticalMineralsInstitute Report (CMI 11.2023): #Neodymium price is down 33% over the Past Year, Record Plug-In #EV Car Sales for September https://bit.ly/3QV2dfE cc: @IN8News #RareEarths #Lithium #ElectricVehicles @CriticalMnlInst #criticalminerals
3. Top 10 Trending on #InvestorNews, in the #3 Position, READ: Harris Administration's $3.5 Billion Investment in U.S. #Battery Manufacturing and #CleanEnergy Transition https://bit.ly/46hagJe cc: @IN8News #criticalminerals #Biden @CriticalMetals_ @CriticalMnlInst
4. Top 10 Trending on #InvestorNews, in the #4 Position, READ: Update on the #Teck and #Glencore deal: "Never Fear, the Feds are Here" https://bit.ly/4a1fUlR cc: @IN8News #MetallurgicalCoal @TeckResources @Glencore
5. Top 10 Trending on #InvestorNews, in the #5 Position, READ: Exploring the Future of #Battery Technology and #CriticalMinerals https://bit.ly/3G4HSQ1 cc: @IN8News @CriticalMnlInst @FirstPhosphate
6. Top 10 Trending on #InvestorNews, in the #6 Position, WATCH: Progress in #Pathogen Defense, Dr. Carolyn Myers Discusses #FendX's Collaboration with Dunmore for

#REPELWRAP™ https://youtu.be/rLDSZ8KMBqs via @YouTube #Nanotechnology #PathogenRepellent #VirusRepellent #DiseaseControl @FendXTech $FNDX.C $FDXTF

7. Top 10 Trending on #InvestorNews, in the #7 Position, WATCH: Greg Fenton on how #Zentek's Advancement in #Aptamer Technology is Revolutionizing #Biotech https://youtu.be/LJrNda7ZHRQ via @YouTube #PathogenDetection #ZenGUARD #HVACFilters @ZentekLtd $ZTEK $ZEN.V
8. Top 10 Trending on #InvestorNews, in the #8 Position, WATCH Jack Lifton interviews Mark Chalmers on #EnergyFuels Strategic Path to Dominance in the North American #RareEarths Market https://youtu.be/a1xrRJB5hAw via @YouTube #Uranium #cirticalminerals @Energy_Fuels $UUUU $EFR
9. Top 10 Trending on #InvestorNews, in the #9 Position, WATCH: Terry Lynch on @PowerNickel's collaboration with #CVMR Corporation for developing Canada's first #CarbonNeutral #Nickel mine https://youtu.be/xOtY6U7ovRE via @YouTube #CriticalMinerals #BatteryMetals $PNPN.V $PNPNF @terrybali
10. Top 10 Trending on #InvestorNews, in the #10 Position, READ: Who might follow #PatriotBattery Metals #lithium exploration success in Canada in 2024? https://bit.ly/48fFh1P via @YouTube #criticalminerals @BrunswickExplo1 @WinsomeRes

Can Apple and Goldman Sachs' New High-Interest Savings Account Restore the Confidence of Depositors

written by InvestorNews | April 8, 2024

So far this week we've seen the U.S. Federal Reserve raise interest rates another 0.25% while commenting that the U.S. banking system is sound and resilient. Seemingly oblivious to the fact that a mere two days ago the Federal Deposit Insurance Corp. (FDIC) took control of First Republic Bank (the third major bank failure in less than two months) and followed up with a fire-sale of substantially all the bank's assets and deposits to J.P. Morgan (NYSE: JPM).

Then just after Fed Chair Jerome Powell's press conference on Wednesday, there were more banking fireworks as PacWest Bancorp (NASDAQ: PACW) announced it is exploring strategic options, including a potential sale or capital raise which led to a 40% drop in its share price in after-hours trading. If that's the definition of "sound and resilient" then I have some relatively good junior mining stock ideas for you.

Apple and Goldman Sachs' solution for depositors

But fear not, options to put your money in a safe place and earn a decent return are available to you but from an unlikely source, Apple Inc. (NASDAQ: APPL). Apple and Goldman Sachs (NYSE: GS) are coming to the rescue of the American depositor. Apple is offering a new high-interest Savings account (HISA) with a 4.15% annual return to its Apple Card holders. Obviously, this isn't available to everyone as you have to have an Apple Card account which probably means you participate in the Apple ecosystem in some way, shape, or form (which I don't). You also need to be able to have a bank account in the U.S., which means citizenship or property ownership or adherence to some other rules that may or may not apply to non-Americans. But if you meet these requirements you can bank with Apple (via Goldman), at least up to a maximum of US$250,000, which is the updated FDIC insurance limit.

Apple's HISA – benevolent or another consumer hook

My personal opinion is that Apple isn't benevolently doing its part to help restore confidence for depositors.

The top-notch marketing team at Apple has stepped outside the box again and identified another clever way to put more hooks into its zealous disciples. I'm sure they've done plenty of research to determine that if there's a bunch of money in a person's Apple account, they'll make a few more purchases in the Apple Store, or perhaps upgrade their iPhone or iPad a little more frequently.

And perhaps that's why Apple's HISA has a higher yield than Goldman's own high-yield savings account which offers a 3.90% return. Whatever the case, their strategy appears to be working as Apple's new savings account attracted nearly US$1 billion in deposits in just its first four days.

Rising interest rates not reflected in bank saving accounts

Circling back, the Fed's seemingly myopic approach to dealing with inflation by rapidly and relentlessly raising interest rates appears to have spawned a banking crisis.

Compounding that, at least for many regional banks, the average bank is paying less than 0.5% on savings accounts according to the FDIC's published National Rates and Rate Caps for Savings deposit products. But Apple is certainly not the first entity out there to offer a HISA to attract deposits away.

No wonder banks are seeing a run on deposits as people try to generate a return on their hard-earned savings. I could see people being less likely to panic and take all their money out of an account if it was just going somewhere else to earn nothing.

But by creating an impetus (the collapse of Signature Bank of New York and Silicon Valley Bank) that caused people to review their banking situation, the ball started rolling. At this point, people realize that without taking on any additional risk they can earn an incremental 3.5% to 4.0% on their money. It's hard to imagine there wouldn't be a run on deposits.

Is PacWest just the next 'domino' to fall

So where does this leave us, besides in a bit of a mess? That's a very good question. The recent PacWest seeking "strategic options" news could be a signal that we aren't out of the woods yet.

Although I'm sure the large banks (JPMorgan Chase & Co. (NYSE: JPM), Bank of America Corporation (NYSE: BAC), Wells Fargo (NYSE: WFC), etc.) that can play the long game might be sitting back and salivating at the chance to pick up another quality financial institution at a huge discount – JPMorgan shares jumped over 3% on the news of the First Republic deal.

With that said, I’m not worried about a complete collapse of the financial system as I’m sure at some point the Federal Reserve will wake up and realize that it’s not solely about inflation.

The regional banking crisis could tighten the credit market and negatively impact the economy

However, some unintended consequences of this strain on the financial system could lead to an overall tightening in the credit market as smaller, regional banks step back from making loans to medium to small businesses that the big banks won’t give the time of day to.

According to the U.S. Small Business Administration, businesses of fewer than 500 employees in the US make up 99.7% of employer firms and over 49% of private-sector employment.

If this credit tightening impairs the grassroots growth of the economy, we finally get the recession that everyone has been forecasting for almost a year. Even worse, if inflation remains sticky we could end up with stagflation.

Perhaps Tim Cook and the rest of the brilliant minds at Apple can figure out something else that helps remedy the situation that the Fed has placed firmly in our laps.

Mining Industry Struggles with

Inflation and Supply Chain Pose Challenges for a Low-Cost Green Future

written by InvestorNews | April 8, 2024

Despite the fact that consumers are starting to see faint glimmers of hope that inflation might finally be peaking and starting to hopefully roll over, the same can not be said for everybody. In the case of the mining community, where projects are developed over the span of years and decades, not days or weeks, the curses of the supply chain and inflation are continuing to rear their ugly heads.

There has been a spate of announcements suggesting that economics for these projects remain robust but costs are growing materially, or in one case, the company has put off the final investment decision until the second half of 2024. This is not encouraging when one thinks about how quickly governments around the world want to expedite the green economy and transition away from fossil fuels, given we are talking about the mines that will supply the resources to undertake this task.

Generation Mining's Marathon project's CAPEX just went up by 25%

The first example is Generation Mining Limited (TSX: GENM | OTCQB: GENMF), which is developing the Marathon Project, a large undeveloped palladium-copper deposit in Northwestern Ontario. The Company released its initial Feasibility Study ("FS") in 2021, but keep in mind a lot has to happen between an FS and the start of construction, of which environmental assessments, permitting, and financing, are some fairly large and timeconsuming components. Correspondingly, now that Generation Mining has received its environmental assessment approvals and recently announced an indicative offtake term sheet, it's time to get serious about financing. Naturally, the Company needs to review how much financing they will need to move forward, so a revised FS was undertaken.

Despite management's positive spin, the news wasn't pretty. At the end of March, Generation Mining announced a 25% (C$224 million) increase to the initial construction CAPEX reported in the 2021 FS. Albeit, approximately 19% or C$43 million was due to scope changes, which is reasonable, but 71% (C$160 million) was due to cost escalation, and the final 10% (C$22 million) was a result of increased contingency. That's a big chunk of change, although it is unlikely to slow the project down as the economics remain solid and global demand for copper seems to be bullish in the long run. As well, the project is touted as being one of the lowest CO2 equivalent intensity mines in the world, which is a factor I'm sure will continue to become more important as time goes on.

Trilogy Metals announces updated Feasibility with CAPEX up 40%

Example number two is a similar story, Trilogy Metals Inc. (TSX: TMQ | NYSE American: TMQ) is advancing exploration and development at the Upper Kobuk Mineral Projects, high-grade copper-zinc-lead-gold-silver-cobalt properties in Northwest Alaska. Very similar to Generation Mining, in mid-February Trilogy announced an updated FS for its Arctic Project. But if you thought the Generation Mining results were exorbitant, wait until you see what happened to Trilogy. Granted it's not exactly apples to apples given the original Trilogy FS was a year older (2020) and there are somewhat different commodities in a different geographic jurisdiction but…

You know it's going to be a big number but I personally find it hard to conceive. The updated FS for Trilogy Metals' Artic Project has gone from US$1.22 billion to US$1.72 billion or a 40% increase. On top of that, annual payable metals production is down from the 2020 FS, implying that little to none of the surge in CAPEX was due to scope creep. Sure there was more than a doubling in mine closure and reclamation expenditures (US$205.4 million to US$428.4 million), which could be regulatory changes or any number of uncontrollable issues. But that still leaves US$271 million seemingly attributable merely to things getting more expensive.

This should be a bit of a wake-up call to investors everywhere who are banking on the optimism of "friend-shoring" natural resources. There are a lot of highly valued junior mining companies with a pre-feasibility study or possibly even less than that, who might be in for quite a reality check if/when the project starts to get serious.

Newmont delays Yanacocha Sulfides Project

All this might explain the simplicity of my third example. Newmont Corporation (TSX: NGT | NYSE: NEM) decided it wasn't even going to go there with its Yanacocha Sulfides project in Peru. Last September the Company announced it will delay the investment decision for the project to the second half of 2024. As part of the press release Newmont stated that evolving market conditions, including the continued war in Ukraine, record inflation rates, the rising prices for commodities and raw materials, prolonged supply chain disruptions, and competitive labor markets were part of its decision-making process. Unless I'm missing something, I would have to say that "war in Ukraine" is more of an acknowledgment than anything else, because I'm not sure how that impacts a mine in Peru. I would also think the rising price for commodities would be a good thing but maybe they intended it in a different way. Nevertheless, you see the recurring theme of inflation and supply chain in there, so I've included it in my synopsis.

Final thoughts

What's my point? I alluded to it earlier but I will expand on it. First off, I think there might be a little too much optimism baked into a lot of the junior explorers at present. Yes, General Motors (NYSE: GM), Tesla (NASDAQ: TSLA), Ford (NYSE: F) et al are signing deals left, right, and center with numerous companies, and that's a very bullish thing. But what if GM and Tesla are smart enough to sign deals that have the miner get stuck with all the mining cost increases? The examples above show how an initial Feasibility Study may not be overly relevant a couple of years down the road. So that begs the question "What are the REAL economics of a project?"

Lastly, and this is more of a thought experiment kind of comment, in the grand scheme of things it would appear the world simply doesn't realize how much new critical minerals projects are going to cost. It seems that old metrics might not be overly relevant anymore. Inflation may have a much larger trickle-down effect than anyone imagined and the price of future EVs might cost a King's ransom, despite government subsidies.

Assessing the S&P 500 Market Trend and what it means for Investors

written by InvestorNews | April 8, 2024

Every so often, I like to take a step back from the day-to-day gyrations of the market and have a look at what might be the overall market trend. It can be hard to swim against the current, so if the market is trending lower, then perhaps now isn’t the time to be stepping into a longer-term story. However, if the market is trending higher, then you might be able to load up on a basket of more speculative names and not have to worry as much about whether they pan out right away or not.

At present, it appears there are four key focus points for investors – inflation, employment, interest rates, and earnings. It might be a little more complicated than that but you’ll note I didn’t include a recession. My observation is that a recession is somewhat irrelevant to the overall market performance right now. I suspect that could be due to continued strong employment numbers on both sides of the border, the market doesn’t perceive that there will be a meaningful or severe recession in light of that. I’m sure the press will be happy to push the panic button if or when the economy slides into a recession but as I’ve discussed previously, by the time you can actually declare there is a recession, a forward-looking market could be starting a bull run and perhaps we already have.

Turning back to the key points I started with, they are all somewhat interrelated. Starting with inflation, it appears to be cooling marginally but not as much as I think the market, or more importantly the U.S. Federal Reserve, was expecting. Additionally, employment numbers continue to surprise to the strong side. This sticky inflation and strong employment lead to the potential for interest rates to stay where they are (or possibly even see another small increase or two) for a longer period of time, or until inflation gets back down closer to 3% (I know the Fed target is 2% but I think they'll blink before then). Higher interest rates for a longer period of time flow through to the cost of debt, and discount rates that are used to value companies, especially high-growth tech names which led the market for so long. The one piece of good news, about the four points, is that this latest earnings season was OK. Not great but also not terrible.

1-Year Chart – $SPX – S&P 500 Large Cap Index

Source: StockCharts.com

So where does this leave us? I think it means we see a market that is floundering without direction. January saw a nice little rally, February saw us give up most of those gains and the lack of conviction continues. The market is reacting here and there on specific news items but it doesn't necessarily lead to a broad-based move. For example, early in the week, there was some positive economic news out of China and the copper stocks all caught a pretty good bid. But that was short-lived as everyone waits for the next data point. Yesterday, one of the more hawkish members of the U.S. Federal Reserve made comments that the market interpreted very differently than I did, and we saw a mid-day rally. But again, it has little to no sustainable influence on the overall market trend.

Looking at the one-year chart for the S&P 500, the market has entered a bit of a sideways pattern. We might be in a slight uptrend that started last October with higher highs and higher lows. However, the current dip has to bottom out at the 3,850 level or higher. If it dips to 3,800 or lower then I would say we are likely rangebound between 3,650 and 4,150. Yesterday we bounced off one key support level and that's the 200-day moving average (3,940). This could signal a continuation of the uptrend but we won't know that until it goes back to test the 4,200 mark.

What lies ahead is anyone's guess at this point. If I had to make a call, I would guess we'll see stocks trade in a sideways pattern or range until something "gives". What do I mean by "gives"? Either inflation starts to noticeably move lower, sentiment towards "higher for longer" interest rates get ingrained and the market decides to get on with life instead of overanalyzing every data point that comes out, or other macro events occur that attract the attention of investors. Unfortunately, that doesn't help us determine if the next move for the market is up or down. But the next few days and the 3,940 level on the S&P 500 may go a long way toward helping us decide.

Will 2023 be the year that gold makes a comeback?

written by Matt Bohlsen | April 8, 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.

Here’s a thought, buy the recession

written by InvestorNews | April 8, 2024

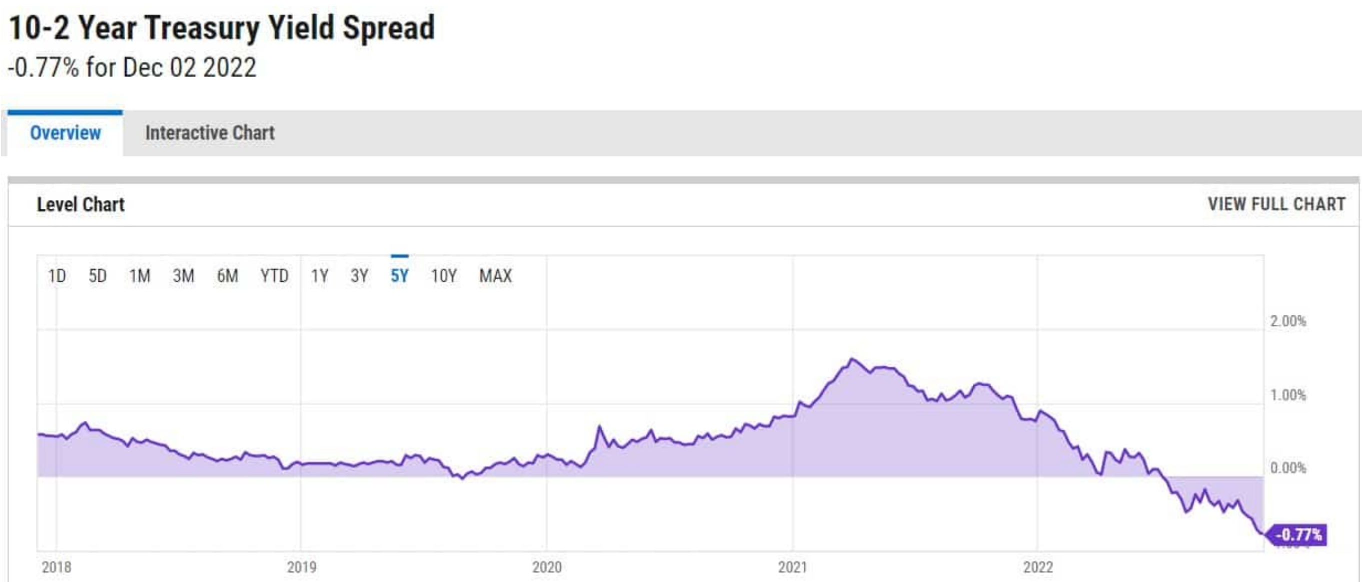
Recession, bear market rally, China zero covid policy, short covering, tax loss selling, Santa Claus rally, crypto nuclear winter, the markets have all the makings of a Netflix series at present. How do we dig through the weeds and figure out what is ahead for investors and will we like it or not? I certainly don’t have all the answers (if any of the answers) but I will make a few comments that may or may not provide some clarity.
Generally speaking, it looks like Central Banks (Canada & U.S.) are starting to taper their interest rate hikes. It feels like there is maybe 0.75% to 1.00% left to go, likely spread out over two or three more hikes, and then everyone will wait and see what happens next. The markets have been anxiously awaiting this signal for quite some time, with a few head fakes along the way. This should be good but only if it’s not too late and the actions to date haven’t already taken too much momentum out of

the market.

Rising interest rates along with sky-high food inflation already has plenty of news agencies and market “experts” ringing the recession alarm bells. However, all recessions are not created equal. If it’s short and shallow, then the second the statistics give the press all they need to go invoke fear into the hearts and minds of all who will listen, it probably means it’s time to buy. Why would I say that? I’m hearing – moron, nut case, and perhaps a few other comments being muttered under people’s breath (or possibly out loud), but hear me out. The actual data required to call a recession (generally identified as a fall in GDP in two successive quarters) is backward looking and arguably we will have been in a recession for 6+ months by the time it’s official. The market is forward looking, generally considered to be pricing equities based on the coming 6 months (give or take). That suggests at least an entire year between when the recession has officially started and where the market is looking. If inflation is truly coming off the boil and interest rates are close to hitting their near term peak, and may even start moving back down if the Central Banks panic about recession, then it could be the start of the next bull market.

Of course, it’s not that simple. A very important factor on where equities go is earnings. Thus far earnings haven’t been too bad overall, although there have been a few big companies that got soundly thrashed by the markets for misses and disappointments. As long as it is a sound business, with revenue and/or income growth, and modest levels of debt, then as the markets regain confidence, we could see multiple expansion (P/E, EV/EBITDA or whatever metric is most applicable) and all is good again. Another key item that the Central Banks watch is employment, which continues to be quite strong in Canada, albeit slightly weaker in the U.S. but still pretty solid. It’s very difficult to foresee a deep and problematic recession when most key economic stats are progressing relatively smoothly.

However, there is one bogeyman out there and that is the spread between the US 2 year bond yield and the US 10 year bond yield, which when inverted can be a harbinger of tough times. A negative 10-2 yield spread has historically been viewed as a precursor to a recessionary period and is said to have predicted every recession from 1955 to 2018. I've also heard that this metric has predicted 12 of the last 5 recessions, so one has to be careful with buying into the doom and gloom that a recession is inevitable. With that said, this measure continues setting new 5 year low (or high) negative spreads.



Despite my cautious optimism, there is still likely to be some volatility ahead. It's entirely possible for the market to retest recent lows before my "buy the recession" theory is plausible. Especially given we aren't actually in a recession yet. However, if there is another test to the downside I'm looking at the 3,600-3,650 level on the S&P 500 as the key technical support level to signal a bottom might be in. If that doesn't hold, next support is 3,400 or possibly even down to 3,200 (which UBS analysts called for in early November). Wherever the S&P 500 finds its bottom, if the media is shouting from the rooftops that we are now truly in a recession, it could well be time to buy.

To M&A or not M&A – that is the question

written by InvestorNews | April 8, 2024

Micro-cap companies are typically defined as organizations with below $250 million market capitalization, which these days is a pretty big club. About 60% of the public company acquisitions throughout the equity market involved micro-cap companies. These acquisitions can represent an opportunity for an investment exit at substantial premiums for investors and executives alike.

Six months ago, dealmakers were optimistic about the year ahead. Global M&A had just had its best year on record, and there was no sign of the market slowing down. However, fast-forward to today, and the picture looks very different. Inflation and interest rates are rising, stock prices are falling, and the Russia-Ukraine conflict has deepened the energy crisis.

These challenges have put a sizable dent in M&A activity in 2022. Compared to the first half of 2021, deal values declined by 20% and could fall even further. Deal activity has decreased to pre-pandemic levels, and deals above $5 billion have decreased by almost 40% in the first half of 2022 compared to the last half of 2021.

Navigating this tricky time period can be difficult for small-cap space executives. Executives at small-cap companies who are being targeted for acquisition may struggle with how to move forward. With low market caps and share prices, CEOs don't want to upset shareholders by exiting at the bottom of the market. However, cash-strapped companies may be forced to sell if they cannot raise enough capital to continue operating. Executives need to reset their strategic priorities and focus on areas where they can be successful and score a win. With careful planning and execution, deals can be successfully completed in today's environment.

1. Public-to-Private Transactions

Executives at small-cap companies can look towards taking their companies private through private equity (PE) deals. Deals to take public companies private have increased by more than 50% in 2022 as compared to 2021.

This market trend is mainly due to the tremendous growth in PE "dry powder" – capital available for investment – reaching a record $2.3 trillion globally. With this vast pool of capital available, PE firms have been increasingly active in M&A and now account for approximately half of all M&A deal value. Small cap executives can find deals to take their companies private.

2. Long-Term Focus

In today's rapidly changing world, it is more important than ever for leaders to take a long-term view. Short-term thinking can lead to missed opportunities and poor decisions while focusing on the long term can help create value and generate successful outcomes. This focus is especially true in mergers and acquisitions, where a downturn can present solid growth opportunities.

A PWC analysis shows that deals done during a downturn are often the most successful, so it is crucial for leaders to be bold and pursue M&A with a strong capability fit. Leaders can position themselves to create value and achieve success by taking a long-term view.

3. Embrace Inflation

Today’s small-cap executives need to be inflation-prepared. As companies face a different set of challenges in an environment where prices are increasing, it is essential to consider both present and expected future rates for economic growth when making decisions on valuation techniques or M&A strategies.

In order to approach valuations from a proper perspective, executives must understand how companies are affected by inflation and what repercussions this has for business decisions and shareholder value.

4. Talent Management

Workforce strategy should not be an afterthought in the M&A process. There is an increasing recognition that human capital issues are key in M&A deals. To get acquisition ready, executives should assess the impact of the deal on their company’s workforce. This analysis includes questions on workforce composition, compensation and benefits, and future organization design and culture.

These factors can all impact future business performance. In addition, post-deal integration plans should take into account the role of the workforce in achieving desired outcomes. By taking workforce matters into account from the outset, executives can increase the chances of a successful M&A deal.

With the right approach, small-cap executives can manage an increasingly complex business environment and potentially secure an acquisition.

The Inflation Reduction Act delivers a mixed bag of successes and failures for EVs and the green economy

written by Melissa (Mel) Sanderson | April 8, 2024

Did anyone besides me hear happy hollering last week? Probably so – the Democrats in the U.S.A. unexpectedly delivered a piece of legislation which, in the current conflicted context, can reasonably be called a win for the so-called green economy.

Also known as Build Back Better's Baby Brother in disguise, the bill does contain some important, and even some surprisingly positive provisions, such as: tax credits to encourage further deployment of wind and solar power, as well as development of geothermal (one of the surprises); tax credits to encourage businesses to source more of their energy needs from renewables; tax credits for carbon capture technology; and tax credits for the nuclear industry, with special reference to the new generation "mini-nukes," but also including older reactors, some of which would have been retired either this year or next (another surprise). So, big wins for the energy industry.

Now, some of the hollerings might not have been as happy as some of the provisions are markedly less positive. Most spectacularly, excluding both Tesla and Lucid Motors' high-value (and pricey) cars from the consumer tax credit. Although not explicitly named, GM's EV division also might find itself in difficulty, since the tax incentives are for cars made using inputs which do NOT come from “unfriendly” countries. Given China’s 80% market share, that makes it pretty hard to qualify a made-in-America EV for the credit. This definitely is going to solidify Elon Musk’s conviction that the US government is out to get him, and could throw a spanner into Tesla’s reported plan to source its rare earths and other materials from the Democratic Republic of the Congo, a country not on the official “friends” list (at least not yet…?) despite the recent visit by the Secretary of State.

Following along the same line, Congress missed yet again what is arguably the most important link in the green supply chain, and certainly the most fundamental, i.e., actual mining of rare earths and other critical materials such as lithium in the domestic US.

While there are various incentives already in place from prior legislation such as the Defense Production Act to spur research and development in separation and production technologies, and even funding for construction of a full-cycle separation/refining plant in the US, the failure to address the hostile climate toward actually MINING the materials needed for the refining plant continues to undermine the achievability of a viable US green economy. (Yes, those puns are intended).

Obviously, miners – senior as well as junior – would welcome financial incentives and/or government-sponsored assistance in attracting private investment to support development of new mines. But even more, companies would welcome recognition by Washington that without actually producing primary materials such as rare earths and lithium in the US, the separation and production facilities in the US are going mostly to process materials sourced elsewhere. Kind of defeats the purposes of shortening supply chains and securing reliable supply, doesn’t it?

Of course, with mid-term elections approaching and seeming more up for grabs than usually is the case, the Democrats don't want to risk alienating a core constituency (young "greens" and environmentalists) by appearing to promote digging actual holes in the ground. But – and especially if they manage to pull larger majorities out of these midterms (thanks more to errors by the Republicans than any genius on their part) – one has to hope that in the final two years of this Administration someone will courageously decide to tackle streamlining the regulatory process, providing clarity to companies and investors on a reasonably short development timeline and even, perhaps, incentivizing investment into the primary mining production segment of the "green" US economy.

Optimistic, you say? Agreed – but pragmatically speaking, without even such relatively minimal changes, it's far from clear that the US will arrive where it says it wants to go.

Byron W King says it is time for investors to get back to real things like copper and gold

written by InvestorNews | April 8, 2024

In this InvestorIntel interview with host Tracy Weslosky, Critical Minerals Corner co-host & InvestorIntel columnist Byron W King talks about the investor market moving away from crypto and other "vaporware", and getting back to basics at PDAC 2022.

In the interview, which can also be viewed in full on the InvestorIntel YouTube channel (click here), Byron says the number one commodity and investment in the coming years is copper as the the world's most vital material. He also discusses a resurgence of gold in an increasingly uncertain world and the enduring appeal of gold projects in"classic old mining districts." Byron also talks about some of the companies he visited with on the floor of PDAC 2022, including Kodiak Copper Corp. and Barrick Gold Corporation.

To access the full InvestorIntel interview, click here

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