Commodities

A Stock Pitch On Gold

What is a commodity?

- A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type.
- Commodities are most often used as inputs in the production of other goods or services.
- Investors and traders can buy and sell commodities directly in the spot (cash) market or via derivatives such as futures and options.
- Hard commodities refer to energy and metals products while soft commodities are often agricultural goods.
- Traditional examples of commodities would include grains, gold, beef, oil and natural gas.

Background on Gold and its Importance

- Since ancient civilization, from the Egyptians to the Inca, gold has held a special place of actual and symbolic value for humanity.
- Gold has moreover been used as money for exchange, as a store of value, and as valuable jewelry and other artifacts.
- Gold's value is ultimately a social construction: it is valuable because we all agree it has been and will be in the future.
- Still, gold's lustrous and metallic qualities, its relative scarcity, and the difficulty of extraction have only added to the perception of gold as a valuable commodity.
- Gold can be something quantitative and tangible, like money, and at the same time, it can embody something ephemeral, like a feeling, even a host of feelings. Gold has always had value lies in the psychology and nature of the human experience.
- Gold doesn't corrode and can be melted over a flame, making it easy to work with and stamp as a coin. Silver and gold are beautiful metals that are easy to form into jewelry.

$1,797.35 per ounce

Current Price of Gold

SWOT-Strengths

- Gold is very valuable, this was evident during March 2022 when Gold almost created a new All Time High, due to its huge increase in price.
- Gold has remained popular and is regarded by many as a trustworthy, steady asset even throughout Covid-19. Since gold is still in high demand (and has been since the dawn of time), price declines equivalent to those seen in the stock market are considerably less likely to occur.
- Gold can safeguard your wealth in an environment where most of the world is suffering unstable economic conditions and high inflation rates. Gold doesn't depreciate like money, thus investing in it will always result in value retention or growth. Gold can be a wise backup, unlike bank accounts where money may become worthless.
- A new gold mine's startup and operation are thought to take more than ten years. As a result, attempts to expand supply are difficult to match short-term fluctuations in demand for gold. This explains why fast and abrupt price changes are possible.
- Goldman Sachs Asset Management (GSAM) completed its previously announced acquisition of the sponsorship of the Perth Mint Physical Gold ETF, which has been renamed the Goldman Sachs Physical Gold ETF (AAAU) and will continue to trade on the NYSE Arca. “We are pleased to complete this transaction and enter into this market, where we believe our size, scale and expertise can provide considerable value to investors,” said Michael Crinieri, GSAM’s Global Head of ETFs.

SWOT-Weaknesses

- It's not as simple as purchasing a dividend-paying stock or share because you can only get a return on investment when you sell gold.
- Despite the fact that gold is extremely profitable, it is unlikely to result in a gain as significant as one from equities, shares, or real estate.
- To pay for a portion of its enormous stimulus programme to address the economic crisis, Japan sold 80 tonnes of silver used to manufacture coins. According to Reuters, the nation's public debt was twice the size of its economy, and it is looking for non-tax money to finance expanding spending because tax receipts have been negatively impacted by the recession. The selling of gold brought in $4.84 billion for the government.
- Gold will not pay you any interest or dividends if you are looking to make money off of your investments. Although there are no assurances and you could get back less than you invested in, the aim is that gold will instead give you long-term capital gains.

SWOT-Opportunities

- Jeff Currie, global head of commodities research at Goldman Sachs Group, said in a Bloomberg Television interview that commodities have “all the telltale signs” of a super cycle and are entering a structural bull market. Currie says the lower U.S. dollar will help drive prices higher.

- Global strategist at Credit Suisse Andrew Garthwaite claims that relative prices for gold miners are roughly as low as they have been in the past 20 years. According to forecasted earnings, Garthwaite predicted a "strong bull market" for precious metals in a report released this week. The forward price-earnings ratio for an MSCI global gold mining index was 36% lower as of Wednesday than the ratio for the MSCI All-Country World Index, according to data gathered by Bloomberg.

- In what is referred to as a "friendly acquisition," Equinox Gold will purchase all of the Premiere Gold Mines shares that are currently outstanding. At the Zgounder Silver Mining in Morocco, Aya Gold & Silver announced a "all-time best" drill result from their exploratory programme. Alamos Gold stated that it has successfully completed the acquisition of Trillium Mining Corp for C$25 million in cash.

SWOT-Threats

- Caterpillar, a leading manufacturer of construction and mining equipment, said November total machine sales were down 11% globally. Worldwide sales in the resource industries segment fell 13%, with North America seeking the sharpest drop of 25%. Sales in Latin America were up 2%.
- Bitcoin has been slowly rising back to $20000, over the past three weeks. The question of whether the rising popularity of cryptocurrencies like bitcoin would cause investors to turn away from gold is still up for debate.

ESG Compliance

ESG Risk Rating

COMPREHENSIVE

27.5 Medium Risk

Negligit	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

Ranking

Industry Group (1st = lowest risk)

Precious Metals	**21** out of 120

Universe

Global Universe	**8434** out of 15559

Industry Comparison

Company	ESG Risk Rating		Industry Rank
Gold Fields Ltd.	27.5	Medium	21 out of 120
Newcrest Mining Ltd.	27.8	Medium	22 out of 120
AngloGold Ashanti Ltd.	27.8	Medium	23 out of 120
Northern Star Resources Ltd.	34.7	High	46 out of 120
Shandong Gold Mining Co., Ltd.	53.3	Severe	99 out of 120

Gold Fields Ltd is a producer of gold and is a holder of gold reserves and resources in South Africa, Ghana, Australia and Peru. In Peru, the company also produces copper. The company is primarily involved in underground and surface gold and surface copper mining and silver and related activities, including exploration, extraction, processing and smelting. It conducts underground and surface mining operations at St. Ives, underground-only operations at Agnew, Granny Smith and South Deep and surface-only open pit mining at Damang, Tarkwa and Cerro Corona. The company's revenues are derived from the sale of gold that it produces.

Source – Sustainayltics & Intel

Do Technicals Align?

Looking at Gold on the weekly, we can see bullish nature as many highs are being broken, which then reacts off major support and starts to rise again.

Analysing on the daily, we can see after the reaction off the support, we can see Gold start to break new highs confirming its bullish nature.

Market Reactions to News

Macroeconomic Factors affecting Gold

- Central banks hold paper currencies and gold in reserve. As the central banks diversify their monetary reserves—away from the paper currencies that they've accumulated and into gold—the price of gold typically rises.

- The price of gold is generally inversely related to the value of the United States dollar because the metal is dollar-denominated. All else being equal, a stronger U.S. dollar tends to keep the price of gold lower and more controlled, while a weaker U.S. dollar is likely to drive the price of gold higher through increasing demand.

- Worldwide jewellery and industrial demand is another factor,In 2019, jewelry accounted for approximately half of the gold demand, which totaled more than 4,400 tonnes, according to the World Gold Council. India, China, and the United States are large consumers of gold for jewelry in terms of volume. Another 7.5% of demand is attributed to technology and industrial uses for gold, where it is used in the manufacturing of medical devices like stents and precision electronics like GPS units.

- Gold also sees demand from exchange traded funds that hold the metal and issue shares that investors can buy and sell. SPDR Gold Trust (GLD) is the largest and held over 1,078 tonnes of gold in March 2021. In all, gold purchases from various investment vehicles in 2019 were 1,271.7 tonnes, according to the World Gold Council, representing over 29% of the total demand for gold

- Major players in worldwide gold mining include China, South Africa, the United States, Australia, Russia, and Peru. The world's gold production affects the price of gold, another example of supply meeting demand. Gold mine production was roughly 3,260 tonnes in 2018, up from 2,500 in 2010..

How to invest in Gold (SPDR Gold Shares ETF)

- There are a few ways to invest in gold, such as actually purchasing the physical commodity, purchasing shares of companies in the gold business, buying gold futures, or investing in gold exchange-traded funds (ETFs).
- Investing in gold ETFs is a cost-efficient and easy way to gain exposure to gold, and the SPDR Gold Shares ETF (GLD) is one of many ETFs that offer this exposure.
- Gold is a precious metal commodity and many investors want to hold physical gold as a hedge against an overall decline in economic conditions as well as against inflation, while some may use it as a method of portfolio diversification.
- Shares in the ETF are very liquid, easy to buy and sell throughout the trading day at the prevailing market price. The structure of the fund allows for baskets of the underlying asset to be created and redeemed as dictated by market demand. Each share represents one-tenth of an ounce of the price of gold. However, investors cannot convert their shares into physical gold.

How Investors Can Use This ETF

- Many investors are wary of potential drops in the larger stock market. They may see gold as an attractive physical asset.
- The fund is an easy way to own an interest in the physical asset without the risks and costs of owning actual gold bullion. The fund may also serve as an easy way to diversify a portfolio with a precious metal commodity. Historically, gold has held its value well during times of financial instability, since it is not correlated with the stock markets.

Main Competitors and Alternatives

- There are a few other ETFs that also track the price of gold. Furthermore, there are leveraged gold ETFs as well as ETFs that track gold miners. The aforementioned iShares Gold Trust tracks the metal with a lower expense ratio. There is also the Aberdeen Standard Gold ETF, which also has a lower expense ratio of 0.17% but only has around $2.05 billion in net assets as of June 2020. GLD is by far the most popular and most liquid of the gold ETFs.

Stop Loss for SPDR

Summary

- Investors have considered Gold a stable and safe investment for a long time. There are a few ways to invest in gold, such as actually purchasing the physical commodity, purchasing shares of companies in the gold business, buying gold futures, or investing in gold exchange-traded funds (ETFs).

- Gold is one of the most common and valuable commodities in the world, and it has been used in society for thousands of years. Gold has been used as a currency in ancient civilizations, acted as a sign of prosperity and wealth, and played an important role in the culture of many people.

- To add to this, in the past, gold prices and recessions have had an inverse relationship. When the economy weakens, gold prices usually increase as investors flock to the mainstay of all safe-haven assets. During the last three recessions, 2020, 2007 and 2001, the price of gold increased while the value of the S&P 500 decreased