

# Mediaportal Report

## Press

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- ▶ **Gold bolstered by bad news**  
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# Gold bolstered by bad news

**G**old will continue to perform as a safe-haven investment that thrives on bad news, weakness of the US dollar and fears of inflation.

This was the main conclusion of an RCR equity research report entitled "junior and mid-tier gold companies", compiled by the company's senior gold analyst Tony Parry.

The report said that gold was "caught in a battle between US dollar weakness and equity market recovery – and, even if equity markets recover, gold is likely to be underpinned by increasing fears of post-recession inflation".

The gold market was also being driven by the emergence of gold-backed Exchange Traded Funds (ETFs), which surged in the March 2009 quarter (up by

\$US15 billion to \$US49 billion in value), eclipsing demand from the traditional gold demand stalwarts – jewellery and industrial fabrication – for the first time.

Gold share indices in the last six months have recovered much of their 2008 falls and have outperformed overall equity markets strongly.

"Gold shares have been the place to be in the last six months. Gold share indices have recovered much of the ground since hitting lows in the September 2008 quarter, and have strongly outperformed overall share-market indices. In the past six months the Australian Gold Index is up 38%, Canadian up 26% and South African up 29%. The South African and Canadian indices are now slightly above the levels 12 months ago (pre-GFC) and the Australian is 13% below 12 month levels."

Money is even flowing into the junior end of gold share markets,

with many exploration and development gold companies undertaking equity raisings.

"The gold price is currently being driven by two opposing factors: equity market recovery (which reduces the perceived need for 'safe haven' buying of gold) tends to push it down, while US dollar weakness increases 'store of value' demand for gold, and tends to drive it up," said Parry.

"Strong equity market recovery in March pushed gold back below \$US900/oz, while a diving US dollar since early April (and more subdued equity markets) has seen the gold price surge back up towards the \$US1,000/oz mark. Which of these will win? In the next six months we see gold tacking in a band between \$US900 and \$US1,000, with probably a greater risk that further equity market recovery could push it below US\$900, relative to US dollar weakness which could push it over US\$1,000. Beyond

that time period, re-emergence of inflation is the monster under the bed which could crawl out and become the dominant driving force in gold markets, and which could see the price above \$US1,000/oz in 2010."

Parry added that on the supply side, recycled gold scrap has been flooding the market.

As part of the report, RCR analysed the outlook for 15 gold companies: A1 Minerals Ltd, Adamus Resources Ltd, Andean Resources Ltd, Avoca Resources Ltd, Azumah Resources Ltd, Beaconsfield Gold NL, Catalpa Resources Ltd, Cortona Resources Ltd, Eleckra Mines Ltd, Kingsgate Consolidated Ltd, Kingsrose Mining Ltd, Morning Star Gold NL, Navigator Resources Ltd, North Queensland Metals Ltd and West Wits Mining Ltd. Details of the research can be found at [www.rcresearch.com.au](http://www.rcresearch.com.au)



Dr Tony Parry