

*Adrian Day's*

# Global Analyst

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Issue No. 928, 3 pages

21<sup>st</sup> September, 2024

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*I have just returned from two major gold conferences in Colorado, in Beaver Creek for junior companies and in Colorado Springs primarily for more senior companies. In today's Bulletin, I'll discuss some overall impressions of the state of the market gleaned from the conferences, while a follow-up letter will discuss specific companies.*

## **THE GOLD BULL MARKET IS FAR FROM OVER AS INTEREST SLOWLY SPREADS**

Beaver Creek, in the majesty of the Rockies—and what better time to enjoy than the autumn?—saw record attendance with meeting rooms expanded again; the Gold Forum Americas at the beautiful Broadmoor, was smaller and more subdued. This may have been because one-on-one meetings are absolutely central to the former, while the formal presentations are a major focus of the latter event (and available virtually, in the comfort of one's own home).

What was common to both was that attendees were overwhelmingly from resource-oriented funds or investors long in the space; there was only a smattering of generalists new to the space, which, given the record high gold prices and strong cash flows from the producers is both somewhat surprising but also, for a contrarian, positive. The mood among investors was far more upbeat, with a growing comfort that the gold price rally may last longer than prior rallies, while the gold companies are in better financial shape than previously.

### The mood was more positive than in the past

Over the last decade plus, investors have seen gold rallies quickly peter out. This time there are few of those concerns. Keynote speaker Ronald-Peter (“Ronni”) Stöferle, fund manager and editor of the “In Gold We Trust” reports says “in football terms, we are at half time”, while others suggested more enthusiastically that the bull market had barely begun. I would quote Winston Churchill at the end of 1942 that “now is not the end, it is not even the beginning of the end, but it is perhaps the end of the beginning.”

Stöferle gave keynotes at both conferences, but I unfortunately had to skip his Colorado Springs talk for a lunch with Mark Bristow (a surfeit of choices). I did however enjoy a most enjoyable dinner with him and many other luminaries where we spent only half the time discussing markets, with the rest on travel, history and books (oh, and opera, though that part of the conversation received rather short shrift from some).

### Will there be more gold acquisitions?

Following much high-profile M&A activity in recent months, and indeed in the weeks leading up to the conferences, it is not surprising that such was a major theme, particularly in Beaver Creek, where almost every company I met with (I had well in excess of 50 meetings) mentioned that a large number of their meetings had been with “corporates” looking for properties, rather than with investors. Some of these were specific (and obvious) such as royalty companies meeting with Orogen to discuss its Silicon royalty, while others were far more general (“show me your more advanced projects in the Western U.S.”)

M&A was not a major theme among the producers talking in Colorado Springs, but it was a question frequently asked. Two who addressed it most forthrightly were Barrick, whose CEO reiterated his long-standing critique of high-premium acquisitions, emphasizing the company’s numerous organic growth opportunities, and B2Gold, which has come under pressure for difficulties at both its main mine (in Mali) and its major new mine under construction (in the Yukon). B2’s Clive Johnson likewise emphasized the company’s organic projects and brownfields potential.

### Who is next on the block?

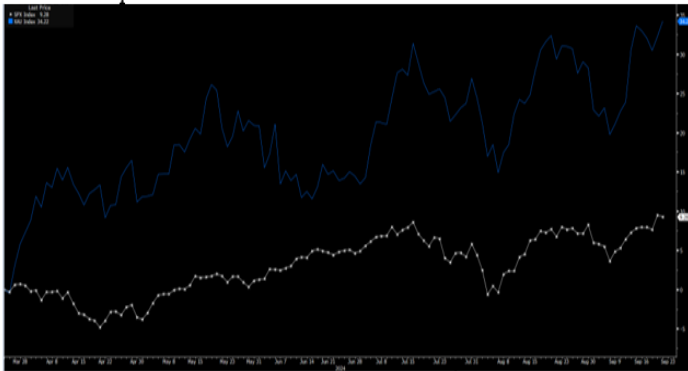
One reason perhaps for the relatively little M&A talk is quite simply the relatively small number of large companies who would be on the prowl now. Most—from Anglo to Goldfields—have only recently undertaken large acquisitions, while others, such as Newmont and Pan American, have laundry lists of assets to be sold from earlier acquisitions (Newcrest and Yamana respectively). Among the potential targets, however, hope springs eternal. And there are some that make sense, such as where an exploration company has land between two halves of a senior’s large developmental projects.

### The major theme was capital allocation

There is usually a major theme at the conferences, whether political risk or ESG, usually driven by events. The major themes among the producers in Colorado Springs were capital allocation and returns to shareholders amid strong cash flows. Most said that reinvesting in the business was the top priority, and after that came reducing debt, then increasing (or instituting) dividends, and lastly share buybacks; most companies have a mix of all three. With the gold price in the third quarter about \$160 an ounce higher than

### **Gold Stocks Move Ahead of Broad Market**

XAU Index pulls ahead of S&P over last six months



Source: Bloomberg

the average second-quarter price, this should be another quarter of increasing cash flow, particularly given the lower oil price. (Energy is the largest cost input for producing miners.)

This strong cash flow should lead to continued outperformance; you might not guess from media coverage that the XAU index of gold

stocks has outperformed the S&P over one year, year to date, and over six months, nor indeed that gold itself has well outperformed the S&P this century. Such outperformance amid strong cash flow should surely sooner or later catch the attention of generalists who remain largely on the sidelines of this market. Only this month have fund flows started to turn positive after a year and more of net outflows; the major gold ETF, the GDX, has net outflows of \$1.33 billion dollars over the last six months.

Given that I had over 50 one-on-one meetings, including with most of the resource companies on our list, as well as listened to several presentations, chaired a nearly two-hour long junior royalty panel with five companies, and of course participated in many dinner and bar chats, there is a lot to absorb. In the next Bulletin, I shall highlight some of the key points from meetings and presentations of companies on our list, while other news and market discussion may come later.

**TOP BUYS THIS WEEK** include **Nestlé** (NESN, Switzerland, 82.04); **Kingsmen Creatives** (KMEN, Singapore, 0.245); **Orogen Royalties** (OGN, To., 1.55); **Midland Exploration** (MD, To., 0.32); and **Lara Exploration** (LRA, To., 1.09).

**PRIVATE PLACEMENT OPPORTUNITY** I have alluded to a private placement opportunity following my due diligence trip to Trinidad to visit a steel mill being acquired and refurbished. If you are potentially interested in participating in a placement, please let me know and I can send full details of what could be a very exciting opportunity. (Email me at [globalanalyst@adrianday.com](mailto:globalanalyst@adrianday.com).)

**WEDNESDAY WEBINAR** Co-host Rich Checkan and I will welcome special guest **Nomi Prins**, best-selling financial author to our next **On The Move** webinar, Wednesday at 7 p.m. (eastern). It is complimentary to attend, as always, but you do need to [register here](#). Dr. Prins has an extensive background in banking and finance. This is going to be a fascinating discussion, touching on geopolitics and the upcoming U.S. election, the future of the dollar, and opportunities in gold and silver. Please bring your questions!

In October, 17<sup>th</sup> to 19<sup>th</sup>, I'll be speaking at the **Money Show in Orlando** along with Peter Schiff, global stock picker Keith Fitz-Gerald, gold commentator Brien Lundin, and famed stock market analyst, Ed Yardini. For further details and to register [click here](#).

Immediately after, I'll be in **New York** for the 121 Mining Conference, 21<sup>st</sup> and 22<sup>nd</sup>. I have a keynote talk on the gold price outlook, and other sessions discuss geopolitics and technology. [Register here](#).

If you plan on attending any of these conferences, please let me know so that we may meet.

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