



Trading at near-record highs, but gold still has 'further to go' - DATA ROOM

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Body

Plenty of gold bugs are sitting on hefty 12-month gains across their Australian listed portfolios, but with US rates heading south shortly, plenty of brokers think the good times will roll on despite gold already changing hands near record prices.

Canaccord Genuity has crunched the numbers on how gold fares as interest rates ease and says that based on historical trends there's "more room to move".

On the rates front, Canaccord says bond markets are now pricing in a 100 per cent chance the US Fed cuts in September on weaker inflation and labour market numbers.

"While views are mixed on the magnitude of the cut, a pause/loosening of monetary policy will likely provide tailwinds for gold," Canaccord says. "The last three easing cycles (i.e. tech bubble, housing bubble/GFC and 2019/pre-Covid easing) have resulted in gold rising an average of 40 per cent (up to 73 per cent in the GFC) in the 12 months following the last rate cut." Gold is already trading around record highs, but Canaccord says there's further to go, and while equities have closed on the gap on the gains to date, there's still a disconnect based on historical ratios.

"Valuations remain relatively undemanding," they say.

"While all-in sustaining costs have been trending up we continue to see margin expansion across our coverage and with a number of tailwinds for gold over the remainder of 2024 (rates, geopolitical risk, US debt levels, increased ETF flows), we see further room for equities to move." Shaw & Partners is also bullish on gold, amusingly pointing out that the precious metal is trading at "2000-year highs", and up 30 per cent over the past year.

"Shaw and Partners forecast gold to hit \$US3000/oz in 2025 and 2026 and we expect outperformance in ASX-listed gold equities to continue," Shaw said. Shaw is keen on Genesis Minerals in the sector and has a price target on the stock of \$2.75 against \$2.18 currently.

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UBS has a target price of \$2.25 on Genesis but that's assuming a long-term gold price of \$US1950 per ounce and an Australian dollar exchange rate of US75c.

Canaccord favours Evolution Mining, Northern Star Resources, Resolute Mining and Ramelius Resources among the Australian gold miners. Evolution had improved balance sheet capacity and a "unique investment offering" given it also has copper exposure, with a dearth of quality copper names on the ASX.

Cashed up Northern Star also had plenty of room to move should attractive deals emerge, Canaccord said.

"Northern Star maintains exceptional leverage to rising gold prices, owing to the scale of its operations," the broker said.

"Its FY25 production profile is more than double the next biggest ASX gold producer ... "Northern Star retains \$1.5bn in available undrawn debt facilities for total liquidity of over \$2.7bn. In our view, this offers the company good optionality around deleveraging, special dividends and potential M&A."

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