

Hello,

Today we look at one metal that has been in the press a lot lately: Gold.

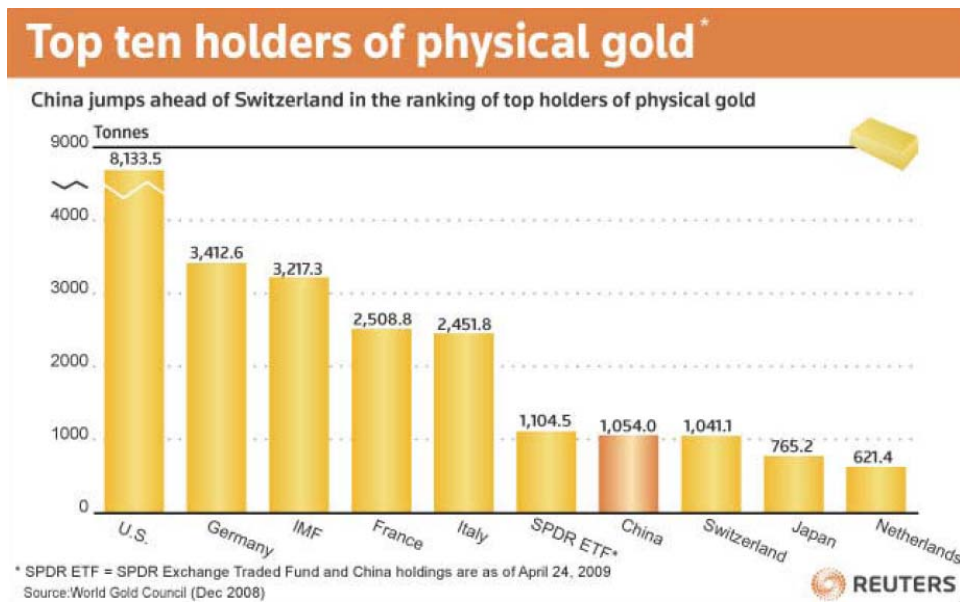
Gold: Wealth That Can't Be Printed

New, economic gold deposits continue to get harder to find, and we expect more consolidation in the gold sector as larger companies take over smaller ones in order to boost their overall production. Gone are the nuggets of California or the rich seams of South Africa; most gold produced today is in chemical form that requires processing to extract. One example is Newmont Mining's Batu Hijau mine in Indonesia, which can be seen from space. No visible gold is mined there, and it takes over 250 tons of rock to produce one ounce of gold (enough for roughly one wedding ring). Every 16 hours, Newmont's huge Caterpillar trucks (the same ones Finning supplies to the oil sands in Alberta) move rock weighing more than all of the refined gold produced in human history (about 161,000 tons, enough to fill two Olympic-sized swimming pools).

Today, China is the world's largest producer of gold, and it does not permit the export of gold ingots or bullion, only jewelry. If China were to increase its gold reserves from 1.6% to 5% of its total foreign reserves, it would consume 80% of a year of Chinese production.

China recently revealed that it had secretly raised its gold reserves by three-quarters since 2003, bringing its holdings to over 1,000 tonnes. This brings its total holdings to just over those held by Switzerland, Japan and the Netherlands.

Below is a chart of the top ten holders of physical gold worldwide:



Of interest in the chart above is the sixth column from the left, labeled "SPDR ETF". This exchange-traded fund (which trades like a stock) now holds more gold bullion than all but five countries in the world.

Below is a chart of the TSX Global Gold Index, which contains all the major gold mining and production companies such as Barrick Gold (accounts for nearly 10% of global production), Goldcorp, Newmont Mining, Kinross Gold, Agnico-Eagle Mines, Yamana Gold and many others.



Source: www.globeinvestor.com

There are many ways to gain exposure to the gold sector: individual companies, ETFs that track the sector (in both Canadian and U.S. dollars), leveraged ETFs that provide one, two or three times the leverage to the daily movement of the sector in either direction, and most recently, a gold bullion ETF similar to the one mentioned in the bar chart above, but hedged against the Canadian dollar (investors would receive the price performance of the underlying bullion, without exposure to adverse movements in the U.S./Canadian dollar exchange rate). Feel free to contact us if you would like more information on these investments.

We also have some excellent recent research on most companies in the gold and silver sector, including valuation metrics based on reserves and production. Let us know if you would like to receive these reports and other gold and silver related commentary.

All the best!

Andrew Johns