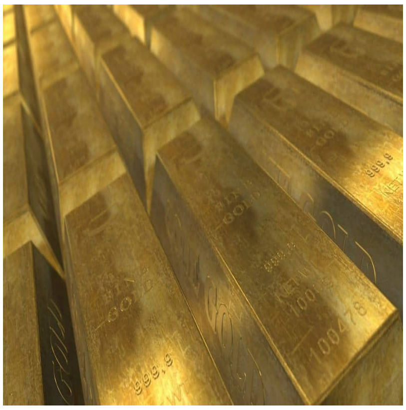

Is Now the Time to Buy Gold?

Description

Gold has plunged sharply in recent weeks after peaking in mid-April at over US$1,345 per ounce. This decline can be attributed to the increasingly upbeat global economic outlook, which is fueling higher oil prices and driving the U.S. dollar higher.

Nonetheless, regardless of the considerable degree of optimism now surrounding the economic health of the U.S. and many other economies globally, economic and political risks abound. One of the best ways to hedge against these risks is to invest in gold because it is perceived to be the ultimate safe-have assets and store of value. The lustrous yellow metal's latest pullback has created an opportunity for investors seeking to cash in on gold's next rally.

Now what?

The key threats to the current better-than-expected global economic growth are myriad, but centre on fears of a trade war between the U.S., China and the European Union (EU). While that would certainly roil financial markets initially, it would more than likely have little long-term impact on the global economy.

There are much larger threats.

Key among them is the prospect of an economic and political meltdown in Italy, which is facing yet again the very real possibility of a banking crisis. This has the potential to spread like wildfire across the EU — much like the sovereign debt crisis of 2012 — and challenge the sustainability of the euro. If that were to occur, the impact across global financial markets would be tremendous.

Another flashpoint is the Middle East, where rising geopolitical risk could spark an escalation of conflict in the region as two of its major powers continue to battle it out for regional supremacy. That would cause oil to rise sharply, potentially triggering another oil shock that would cause petroleum prices to surge into the triple figures. Such a significant increase in the cost of oil, which is an essential element of modern economic activity, would have a marked impact on economic growth. This is especially true given that many economies across the world, including the largest – the U.S. — have yet to achievethe same degree of resilience and robustness that existed before the 2008 financial crisis.

Amid such circumstances, gold would rally sharply.

So what?

For these reasons, junior gold miner **Seabridge Gold Inc.** (TSX:SEA)(NYSE:SA) is an attractive investment. Over the last three months it has gained 9%, despite gold dropping by around 6%. This can be attributed to a number of positive developments associated with its quality gold mining assets and the fact that the market has failed to recognise its value for some time now.

Seabridge is developing the Kerr-Sulphurets-Mitchell (KSM) project in British Columbia, which has reserves of 39 million ounces of gold, 183 million ounces of silver and 10 billion pounds of copper. The project is permitted and shovel-ready, meaning that Seabridge is looking for finance, a joint venture partner or a buyer for the asset. The likelihood of it being able to secure such an outcome is high, as senior gold miners globally are seeking to expand their exploration and development assets after years of underinvestment caused the protracted slump in gold.

In 2018, Seabridge launched a $19.7 million drilling program at KSM aimed at the Iron Cap resource in order to further delineate and expand that ore body's mineral resources. The junior miner is also initiating a $1.35 million drilling program at its Snowstorm property in Northern Nevada, which it purchased in June 2017. That asset is believed to hold considerable exploration upside. It sits at the intersection of Northern Nevada's three most prolific gold belts in a region where there are already numbers of large quality proven producing mines, including Turquoise Ridge, Twin Creeks and Midas.

For these reasons and the fact that Seabridge has a very low enterprise value per ounce of gold reserves, it is an extremely attractive play on higher gold, which offers considerable upside.

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