



Get Ready for Gold to Reach US\$1,600 Before the End of 2019

Description

Gold continues to whipsaw wildly on a mix of positive and negative news. It has recently recovered, gaining 7% over the last month to be trading at over US\$1,534 per ounce. While it may yet again pull back, as investors move to take profits, there is every indication that it could [break through](#) US\$1,600 an ounce before the end of 2019. One miner that is delivering value for investors and appears poised to soar higher, despite gaining 31% since the start of the year, is **Dundee Precious Metals** ([TSX:DPM](#)).

Gold poised to rally further

Markets are gripped by uncertainty which appears to be growing. This is being magnified by heightened geopolitical tensions in the Middle East and the ongoing trade war between the world's two largest economies: the U.S. and China.

The Fed's recent decision to cut the U.S. headline interest rate by 0.25% has made gold a more attractive investment. This is because as interest rates fall, the opportunity cost of holding gold compared to other income-producing assets falls. It also points to a weaker U.S. dollar, which makes it less expensive to buy gold in other currencies, thereby boosting its appeal for investors outside of the U.S.

The significant degree of uncertainty surrounding the global economy, fears of a looming recession, and the growing risk of war in the Middle East make a safe-haven asset such as gold a very appealing investment.

In fact, for over a millennium, gold has been considered the ultimate safe haven during times of economic and political upheaval. Every time Trump ratchets up trade tensions or fears of a recession grow, the price of gold spikes. There appears to be no end to higher trade tensions with the Trump Administration making non-traditional policy decisions aimed at re-introducing protectionism, while heightening geopolitical tensions in the Middle East, as it seeks to spark regime change in Iran. This bodes well for gold, with further gains for the yellow metal ahead and could easily propel it to US\$1,600 per ounce before the end of the year, particularly if the economy weakens and trade tensions come to

a boil once again.

This would give Dundee Precious Metals a [solid lift](#), especially as it ramps up the tempo of operations at the Ada Tepe mine in southern Bulgaria, which achieved commercial production during the second quarter 2019.

Dundee Precious Metals recently announced that it had received the final operating permits for the mine. Ada Tepe is expected to produce 45,000-60,000 gold ounces for 2019, which will give the miner's earnings a healthy boost, particularly in an operating environment where gold is trading at over US\$1,530 per ounce.

When this is considered in conjunction with the solid performance of Dundee Precious Metal's Chelopech mine, it is clear that the miner is on track to achieve its 2019 guidance, producing 200,000-247,000 gold ounces. At the anticipated average all-in sustaining costs (AISCs) of US\$675-US\$820 per gold ounce sold, this will see Dundee Precious Metal's profitability and earnings rise substantially, with higher gold a powerful tailwind.

The miner recently announced that it had brought forward the shut down and planned maintenance of its Tsumeb copper smelter, which saw it reduce the guidance for that operation to the production of 210,000-230,000 tonnes of copper concentrate. While that will impact Dundee Precious Metals's earnings, the impact should be more than offset by firmer gold and its rising gold output.

Foolish takeaway

There is every indication that higher gold is on the way, and the yellow metal could break through US\$1,600 an ounce before the end of 2019, although it is likely that yellow metal could soften over the short term because of profit taking. Dundee Precious Metals remains a top play on firmer gold because of its expanded operations, growing production, and focus on improving productivity as well as reducing costs, which — along with higher gold — will boost its earnings and ultimately its stock.

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