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May 09, 2018 00:00:00

Deal-Shy Miners Need $1,400 Gold to Buy Again, Tocqueville Says

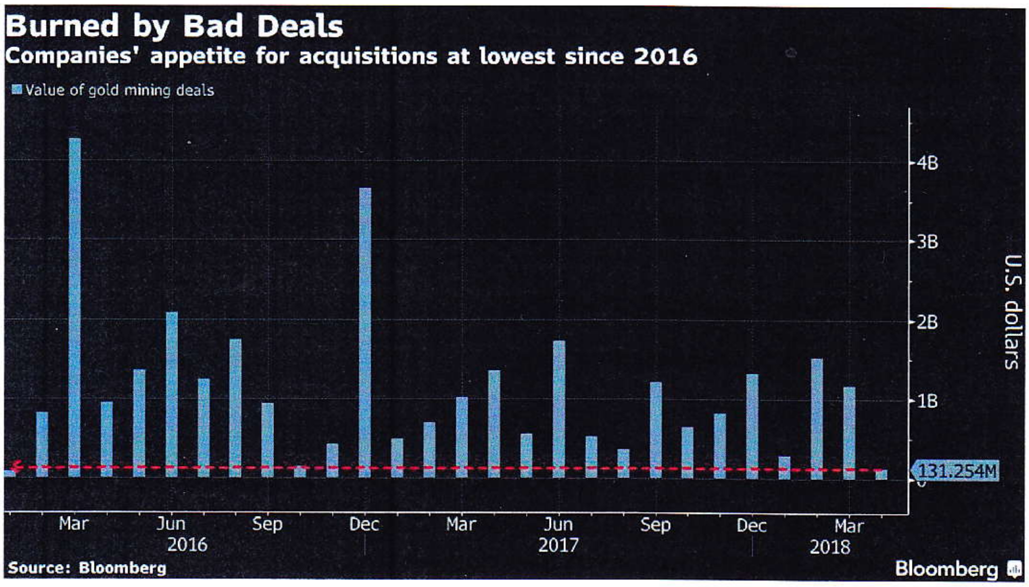
- Deals pending or completed shrank to $131 million in April
- Investor disinterest to persist until gold rallies: Charteris

By Luzi Ann Javier

(Bloomberg) -- Gold's inability to regain $1,400 an ounce is damping the appetite of mining companies for big deals.

Last month, there were $131 million in pending or completed precious-metal deals, the lowest level in more than two years, according to data compiled by Bloomberg. Companies have exercised restraint in acquiring new assets after a slew of bad deals in the past left many saddled with debt. That resulted in shares trailing gains in the price of gold.

"We probably need gold prices of $1,400 or better before you can see bigger companies execute on a strategy of acquiring smaller companies," Doug Groh, a portfolio manager at Tocqueville Asset Management, which oversees about $11 billion, said in an interview at the Mines and Money conference in New York.



Mining companies probably won't enter into big deals until "they're much more profitable, they're more optimistic about the future and thirdly they're in a position where they're financially stronger and perhaps strategically in a better place to make an acquisition," he said.

Since the end of 2016, a gauge of 15 senior gold producers tracked by Bloomberg Intelligence has remained relatively flat, compared with a 15 percent gain in the spot gold price.

The metal for immediate delivery traded little changed at $1,315.29 at 2:51 p.m. in New York Tuesday. Investor disinterest for gold producers are also seen in the recent trend in exchange-traded funds, with SPDR Gold Shares attracting $1.2 billion this year, compared with $414 million inflows into VanEck Vectors Gold Miners ETF.

Deals seen recently have been limited to big companies acquiring a stake in smaller companies, said Groh of Tocqueville, whose portfolio includes bullion and gold mining equities. Last year, Newmont Mining Corp. paid just over $100 million for a 20 percent stake in Continental Gold Inc. Newmont is among the holdings of Tocqueville Gold Fund, according to the latest filing compiled by Bloomberg.

"If the price of gold were to go up to $2,000 or $2,500 an ounce, a lot of those problems would solve themselves," Ian Williams, chief executive officer of London-based Charteris Treasury Portfolio Managers Ltd., said in an interview. "Investors seem to have completely lost their interest in the precious-metals sector. Until that changes, it's just going to drag on like that and it's going to make life difficult for the mining companies."

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