

Gold 2021

By Richard Gray Cormark Securities

Outlook for Gold in 2021

The gold price has enjoyed a strong year so far in 2020 with the year-to-date average of \$1,762/oz up 26% from the 2019 average of \$1,393/oz. The recent weakness (down \$177/oz over last three weeks) comes after the U.S. election and the release of positive COVID vaccine results and correlates with a modest increase in real rates.

However, looking into 2021 we believe gold will benefit from a weakening U.S. dollar and inflation concerns, and will continue to be viewed as a safe haven investment and hedge against geopolitical upheaval for investors looking to protect capital in a multi-asset portfolio. We forecast a gold price of \$1,900/oz in 2021 as a base case, with major fluctuations around vaccine news and U.S. stimulus initiatives.

Base Metals 2021

By Stefan Ioannou

Outlook for Base Metals in 2021

Strong base metal pricing in 2020 has been prompted by better-than-expected Chinese economic data—driven by post-COVID stimulus efforts centred on infrastructure builds. A pandemic-induced lack of scrap has also helped to bolster metal prices.

While we have modestly increased our price forecasts in 2021 (\$3.00/lb for copper, \$1.15/lb for zinc, \$1.00/lb for lead, \$7.50/lb for nickel) to better reflect improved sentiment, we remain cautious with regards to the near-term impact of potential 'Phase 2' pandemic considerations and potential for a greater global economic fallout on the back of waning government stimulus. Nevertheless, general base metal sentiment is clearly improving—arguably in part reflecting a 'what next' resource-focused investment thesis following gold's run through \$2,000/oz earlier this year.

Looking further ahead, we maintain a constructive view on base metal supply/demand fundamentals and continue to expect the industry's lack of timely new large-scale project advancement over the last 5 years will culminate in a supply deficit—near-term supply growth is dominated by brownfield expansion (as opposed to new discoveries) and the industry's inventory of available development opportunities is low (and now further delayed by COVID-induced disruption). As such, our bullish long-term outlook remains essentially unchanged and arguably conservative in the context of an anticipated supply deficit.

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