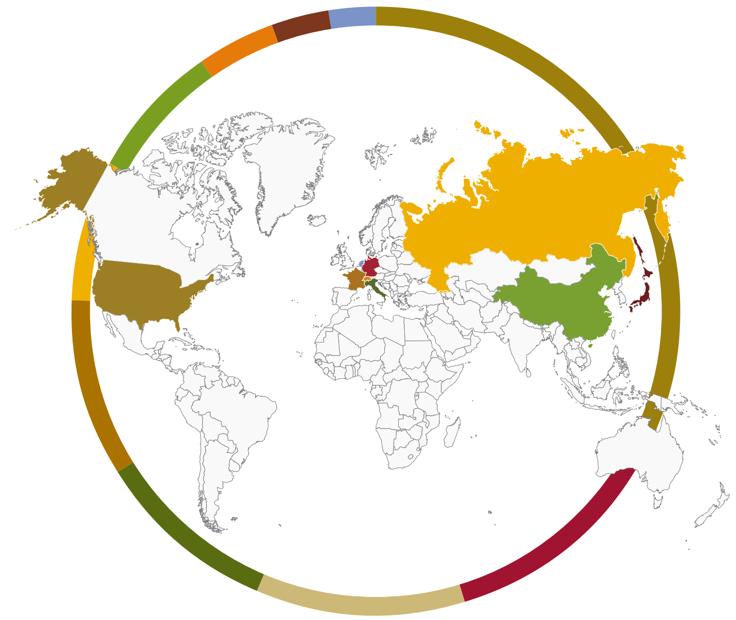
FACTORS INFLUENCING GOLD PRICE

Mexico is a Top 10 gold producer, with Sonora, Chihuahua and Guerrero in the limelight. However, the lasting effects of the most recent industry downturn, coupled with the perceived uncertainty that the López Obrador government has generated, has slowed down investment in new gold projects. But key industry players have good reasons to be cheerful. The average gold price in 2018 and 1H2019 was US$1,300/oz. During the latter period, the yellow metal's price reached US$1,500/oz, a level not seen in six years. Given that, on average, the AISC of the largest gold producers in the world for 4Q18 was US$826/oz, new investments are ever more appealing. Added to this is the Fed's dovish stance on monetary policy, a large repertoire of geopolitical risk factors (like a no-deal Brexit) and central banks purchasing record amounts of gold. A boom in the industry seems imminent.

TOP GOLD RESERVES IN 2018

Percentage	Reserve Holder	Tons
32.08%	US	8,133.5
13.30%	Germany	3,372
11.10%	IMF	2,814
9.67%	Italy	2,451
9.61%	France	2,436
7.46%	Russia	1,890.8
7.27%	China	1,842.6
4.10%	Switzerland	1,040
3.02%	Japan	765.2
2.42%	Netherlands	612.5



SHORT-TERM FACTORS INFLUENCING GOLD PRICE

1. GEOPOLITICAL AND MACROECONOMIC

A historical store of value, gold is seen as a safe haven investment. In times of geopolitical and macroeconomic uncertainty, gold becomes more appealing to investors.

2. MONETARY POLICY

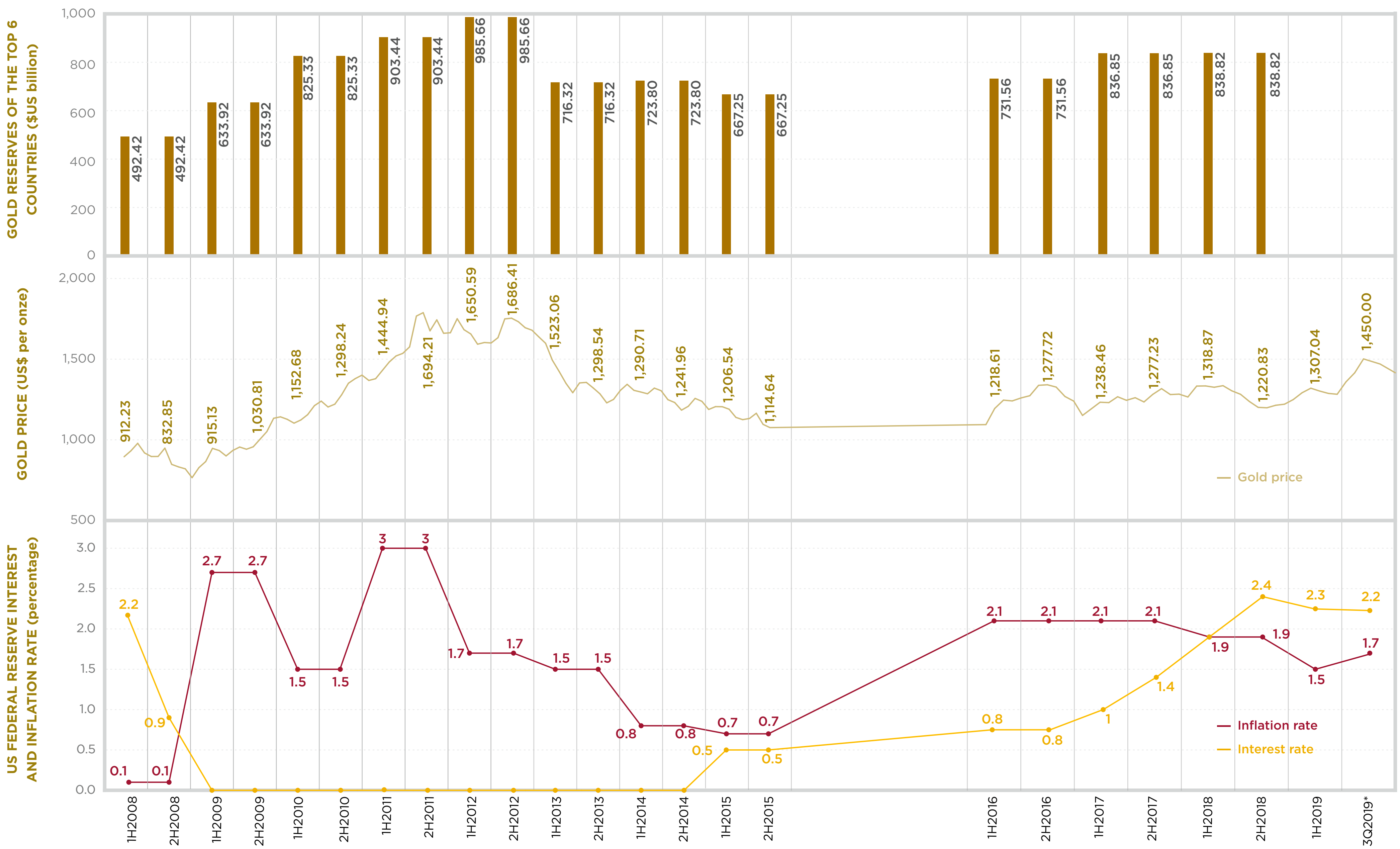
During periods of low interest rates, investors turn to gold, which does not yield interest, over fixed interest rate securities.

3. INFLATION

As inflation rises, the value of currency decreases, and gold is sought after as an instrument for protection against inflationary conditions.

4. CENTRAL BANKS BUYING

Gold maintains universally accepted trust, working as a supporting element in a nation's creditworthiness.



In August 2019, gold price broke the **US$1,500/oz Mark**

LONG-TERM FACTORS INFLUENCING GOLD PRICE

1. WEALTH AND ECONOMIC EXPANSION

Sustained periods of economic expansion tend to push demand for gold upwards. Gold-intensive technology products become more appealing, as well as long-term savings solutions. Demand for jewelry also grows during these periods.

2. MARKET RISK AND UNCERTAINTY

When multiple risk-generating trends come together to darken the economic long-term horizon, investors turn to gold as a bulwark against uncertainty. Such trends include inflation, changes in interest rates, fluctuations in currencies, recessions and wars.

3. OPPORTUNITY COST

If investors decide that gold will yield a higher return than other assets, like stocks or bonds, then the metal's price tends to rise. There is an inverse relationship between gold, on the one hand, and interest rates and the value of the US dollar, on the other.

4. MOMENTUM AND POSITIONING

Trending variables such as price momentum can enhance o depress gold's price. Momentum is the rate of acceleration of a security's price; it refers to the rate of change on price movements for a particular asset.

**Forecast*

Sources: World Gold Council, Investopedia