proactive
UK: +44 (0)207 989 0813
NA: +1 646 896 3065
AU +61 2 9280 0700
action@proactiveinvestors.com

Hochschild Mining PLC

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The continued strength in gold and silver prices could presage another bout of corporate activity

The gold price hit another five-year high in early trade on Monday 18 May, rising to over US$1,760 per ounce as concerns about the state of US-China trade weighed on investors minds and sent them scurrying towards the more traditional safe haven metals.

Gold has enjoyed a strong run in 2020 already in the wake of the coronavirus panic, and although it dipped briefly below US$1,500 an ounce in mid-March, has been consistently higher ever since.

The previous all-time high was hit in 2011 when the after-effects of the global financial crisis were still lingering and quantitative easing was at full tilt.

Now quantitative easing is back in a big way the price is surging again, although it's still roughly US$150 short of the record US$1,899 price of late 2011.

But what's been more noticeable in recent days has been the catch-up role that silver has played.

Silver had initially lagged as the rise from US$1,500 gold got underway, but this did not go unnoticed by seasoned commodity investors like Jim Rogers, as was highlighted on these pages [https://www.proactiveinvestors.co.uk/companies/news/917503/legendary-investor-jim-rogers-is-long-on-the-dollar-in-the-short-term-and-is-buying-more-silver-than-gold-917503.html] a couple of weeks back.

Back then Rogers advised his large audience that he was buying considerable amounts of silver, and it now looks like the rest of the market is waking up to the widening in the gold-silver ratio that occurred in the wake of gold's strong run since late March.

In recent days, though, silver has been outperforming gold in percentage terms, although both have been performing well.

And it's not just the commodities themselves. Gold and silver equities are performing strongly too. Hocschild Mining (LON:HOC) was up 13% by mid-afternoon on 18 May, in the wake of the silver price strength, and following news that it will be re-opening two mines in Peru.

Gold equities have performed well across the board. Centamin PLC (LON:CEY) was up by around 5% in the early afternoon, after it released full year results showing profits up and cash pile that had been significantly boosted post-year end by the ever-higher gold price.

The higher gold price also opens up other opportunities too.

Price: 196.8

Market Cap: £1.01 billion

1 Year Share Price Graph

Share Information

Code:		HOC
Listing:		LSE
52 week	**High**	**Low**
	326.8	**80.4**

Sector: **Gold & silver**

Website: **www.hochschildmining.com**

Company Synopsis:

Hochschild Mining PLC is a leading precious metals company listed on the London Stock Exchange (HOCM. L for Reuters / HOC LN for Bloomberg) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild currently operates five underground epithermal vein mines, four located in southern Peru and one in southern Argentina and one open pit mine in northern Mexico.

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Proactive's mining analyst Dr Ryan Long points out that the higher gold price is likely to stimulate a renewed bout of corporate activity in the sector.

"The substantial rise in gold price seen today just goes to highlight the up-trending market for gold and gold-related equities, which is likely to drive mergers and acquisitions in the gold mining space in the near-term," he says.

That in turn, reckons Long, "bodes well for equity investors in quality gold-focused exploration in the mid-term."

Companies which fall into that category include Greatland Gold (LON:GGP), which was recently the subject of a favourable research note from Hannan & Partners, and near neighbour Artemis Resources Ltd (ASX:ARV).

Also likely to be on the radars of investors is Chaarat Gold (LON:CGH), which was early off the starting blocks in terms of the latest round of deal-making in the gold space, and established producers like Caledonia Mining (LON:CMCL)(TSE:CAL), which has said it would look at deals, but that with production set to increase significantly soon, it could afford to be choosy.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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