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Gold Miners Outperform the Metal

Are they the new haven?

Throughout history, gold has cemented its role as the ultimate safe haven. A refuge for investors when chaos rattles markets and geopolitics ignite fear. Its timeless allure shines brightest in moments of crisis, like in the 1970s when gold surged as the Bretton Woods system collapsed, unleashing inflation and uncertainty. The 1979 oil crisis then amplified economic turmoil, propelling prices higher. When the dot-com bubble burst and 9/11 shook global confidence, gold again emerged as a sanctuary. The 2008 financial meltdown and the COVID-19 pandemic reignited the same flight to safety, with gold scaling record highs as central banks flooded markets with liquidity. Today, with escalating US and China tariff tensions and collapsing economic stability, gold is rallying once more.

Yet a curious question lingers: **Why are gold miners outperforming the metal?** While gold prices climb, mining shares have surged even faster, defying the traditional playbook. Is this a sign of renewed confidence in production efficiency, a bet on operational leverage, or something deeper in the market's psyche? As the yellow metal glows, could the real story lie not in the ground, but in the companies digging it up?

Recent developments follow the well-known pattern of geopolitical tensions, this time driven by escalating tariffs between the US and China, and are beginning to shake global equity markets. Major indices like the S&P 500 have seen declines in the year-to-date, with increased volatility reflecting a shift in global risk sentiment toward a more defensive stance. Interestingly, in contrast to this weakness, the SA Top 40 has shown resilience, recording an uptick in performance, suggesting that investors are rotating into alternative markets and sectors better positioned to weather trade disruptions.

History teaches us that when economic giants clash, markets suffer. In past tariff wars, the US manufacturing and tech sectors felt the brunt, while safe havens like gold outperformed. Today, a similar trend is unfolding, but with a twist.

In times of global uncertainty, should investors consider buying gold, or should they go one step further and ride the outperformance of the miners themselves?

Gold miners, with their strong correlation to gold prices and additional upside from operational gains, may offer a smarter hedge in today's complex environment.

While **gold has climbed roughly 27% year-to-date**, South African gold miners such as **Harmony Gold (HAR), Gold Fields (GFI)**, and **DRDGOLD (DRD)** have exploded higher, delivering returns as high as **127%**. These mining stocks benefit from higher gold prices, improved operational efficiency, higher-grade reserves, and favourable exchange rates.

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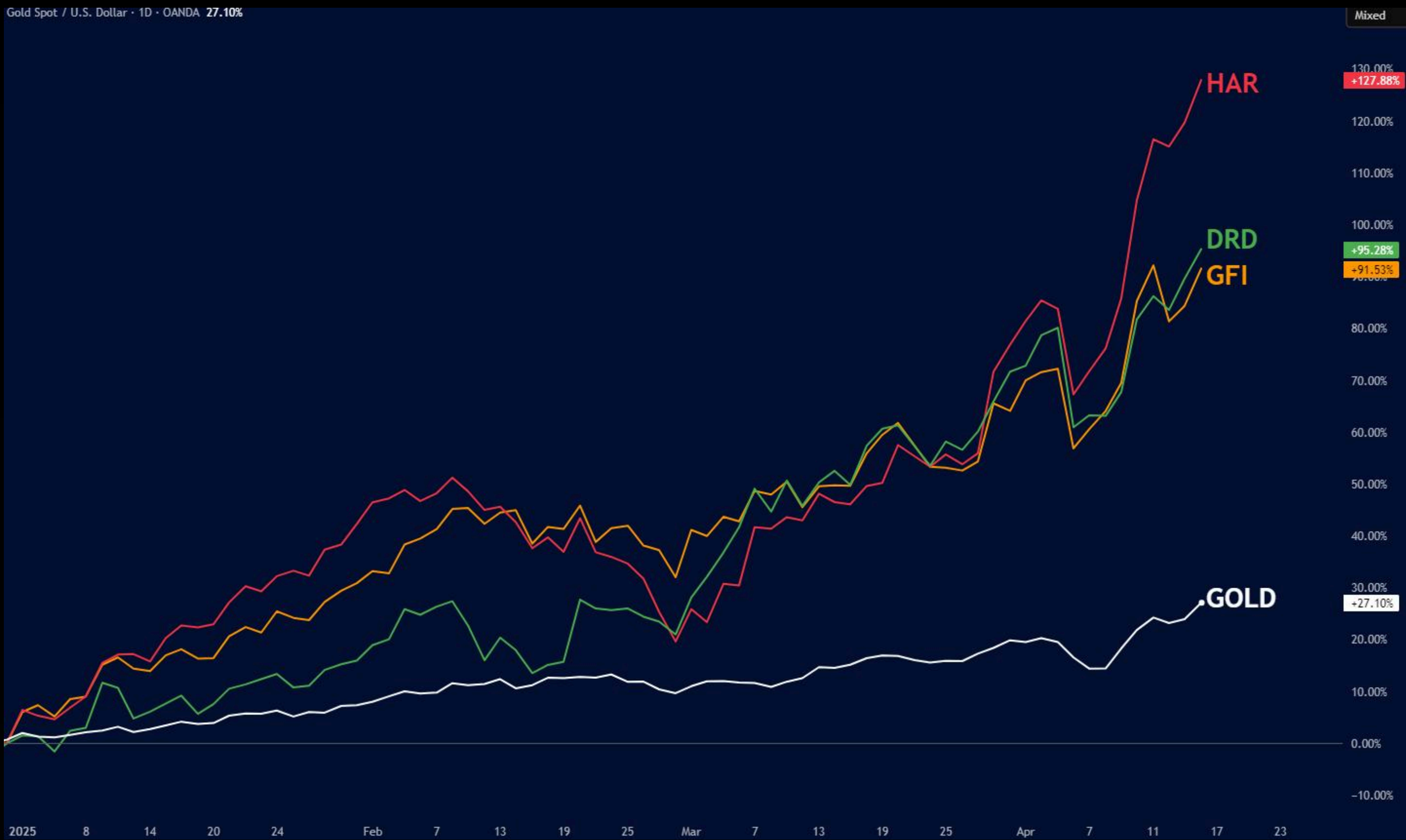

Gold Miners: Snapshot of Opportunity

Harmony Gold (JSE: HAR | NYSE: HMY)

Reserves: As of June 2024, Harmony Gold reported attributable gold and gold equivalent mineral reserves of 40.3 million ounces (Moz).

Operations: Harmony operates nine underground mines, one open-pit mine, and several surface operations in South Africa.

Share Price: The share price has surged to an all-time high of R360.90, marking a 127% year-to-date gain. However, momentum indicators suggest the share is currently in overbought territory, raising the likelihood of a short-term pullback. A potential retracement to the R280 level could present an attractive entry point for investors seeking to capitalise on further upside, assuming geopolitical tensions continue to support gold's safe-haven appeal.

DRDGOLD (JSE: DRD)

Reserves: As of December 2023, DRDGOLD reported attributable surface mineral reserves of 2.9 Moz and mineral resources of 4.7 Moz.

Operations: DRDGOLD specialises in the retreatment of surface gold tailings, with operations like Ergo and Far West Gold Recoveries (FWGR).

Share Price: The share price has reached a new all-time high of R33.24, representing a 95.28% year-to-date gain. This move has been accompanied by rising trading volumes, potentially signalling renewed investor interest and growing market confidence in the shares' outlook.

Gold Fields (JSE: GFI | NYSE: GFI)

Reserves: Gold Fields' mineral reserves are substantial, though specific figures as of December 2024 are detailed in their annual report.

Operations: The company has a diversified portfolio with operations in South Africa, Ghana, Australia, and Peru.

Share Price: Analysts predict the stock could reach up to $41.40 in May 2027, with an average price of $32.07, suggesting a bullish outlook.

TAKEAWAY

As gold reaffirms its role as a safe haven, investors must ask: Is buying bullion enough, or should they tap into the potential returns of quality miners? In a world bracing for further tariff escalations and geopolitical strain, gold miners, especially those in resource-rich and export-leveraged environments due to the rand exchange rate, may offer not just a hedge against inflation, but an edge.

Are you just watching gold shine, or are you ready to back the ones digging it up?