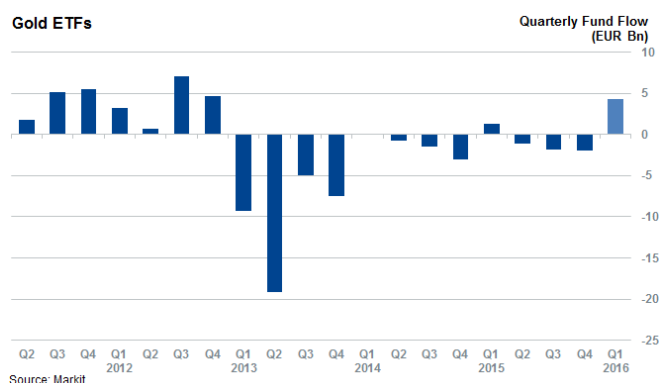


Gold shines on mining credit

The market has rekindled its love affair with gold in its quest for safe assets which has driven a wedge between the bonds tied to the commodity's miners and the wider mining sector.

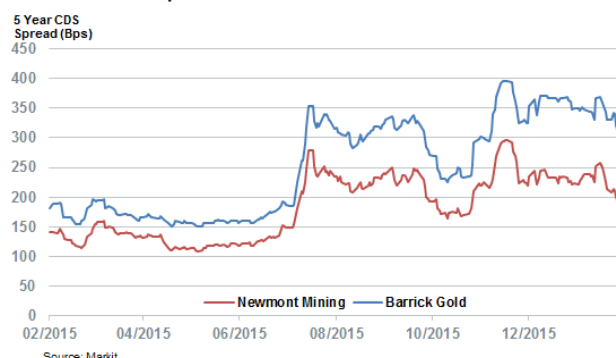
- Investors have piled \$4.2bn into gold ETFs ytd as the commodity surged by 16%
- Gold bonds make up nine of the ten constituents of the iBoxx \$ Mining index seeing ytd spread tightening
- Non gold related Rio Tinto, Vale and HBP Billiton have continued to see credit risk climb

The market is in full “capital preservation” mode and gold is regaining its appeal as investors shun all but the safest asset classes. Investors have piled over \$4.2bn into ETFs tracking the asset class since the start of the year and demand shows no signs of slowing down as a quarter of these inflows have come this week alone. This rekindled fondness for the shiny stuff puts gold ETFs on track for their best quarterly inflow since the third quarter of 2012.



wider than the levels seen 12 months ago, the recent tightening is reverting most of the surge in credit risk which was seen at the tail end of last year.

Gold Miner CDS Spreads



Credit improvement

The improving credit situation is reflected in the wider bond market as nine of the ten constituent bonds of the Markit iBoxx \$ Mining index have come from gold mining issuers as they trade with a tighter benchmark spread since the start of year.

Issuer	Coupon	Maturity Date	Benchmark Spread (Feb 10)	Spread Change
Anglo American Capital PLC	2.6	4/3/2017	840.6	-277.6
Kinross Gold Corp	5.1	9/1/2021	1,110.3	-204.5
Barrick North America Finance LLC	6.8	9/15/2018	411.9	-48.6
Newcrest Finance Pty Ltd	5.8	11/15/2041	571.2	-36.6
Barrick PD Australia Finance Pty Ltd	6.0	10/15/2039	607.9	-35.8
Newmont Mining Corp	6.3	10/1/2039	511.0	-26.7
Barrick North America Finance LLC	4.4	5/30/2021	485.6	-24.6
Barrick Gold Corp	4.1	5/1/2023	451.1	-16.6
Barrick North America Finance LLC	5.8	5/1/2043	564.8	-1.8
NEWMONT MINING CORP	5.9	4/1/2035	602.8	-0.5

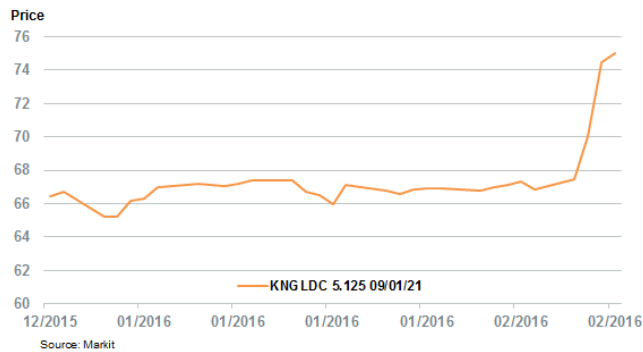
Gold's appeal has also seen its price [jump](#) by over 16% since the start of the year, propelling the asset class to the top of the global return rankings. This has in turn seen gold producers under a much more favourable light with credit risk across major issuers falling significantly in recent weeks.

Kinross Gold's 5.125% 2021 bond leads the spread tightening among gold bonds as its price jumped by 8.6 cents on the dollar since the start of the year. The firm offered a bullish

CDSs spreads of two of the three largest issuing companies, Barrick Gold and Newmont Mining have fallen significantly in the wake of Gold's recent rally. While both firms currently see their CDS spreads trade

outlook for the year ahead in its fourth quarter earnings update as it looks to put its past troubles behind it.

Kinross Gold 5.125 2021

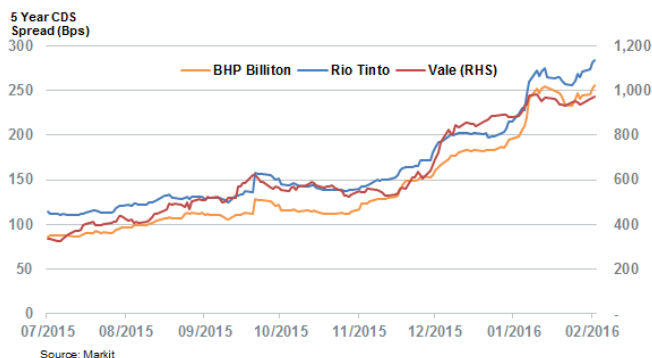


Gold lifts mining bonds

The improving credit sentiment towards gold miners is helping prop up the rest of the mining sector as the \$ Mining index has returned 1.2% so far in February.

This comes despite the fact that its three largest constituent issuers, Rio Tinto, BHP Billiton and Vale have seen their credit risk, as tracked by their CDS spreads, surge to new highs. The industrial metals mined by these firms continue to slide as the global growth outlook deteriorates.

Major Miner CDS Spreads



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