

BMO Sector Trade Opportunity

Tactical Golden opportunity

For those investors that have cash on the sidelines, timing re-entry into turbulent equity markets is a daunting task. It takes both skill and luck to time a market bottom, instead we recommend buying on dips and staying invested for the long term. As such, we are reviewing our ETF line up for the best buying opportunities, both in terms of the realized price retreat and each ETF's potential to outperform during trying economic conditions. Recently, we have identified gold equities as an asset class with attractive valuations and an economic backdrop which could support it over the next 6-12 months.

Macro Update

Since the COVID-19 crisis has began taking its momentous toll on the economy and equity markets, the price of gold has not moved as we would expect to see entering a global recession. Historically, gold will move opposite to equity markets and will rally as the economy weakens. But most recently we have seen the price of gold tumble, following the direction of equity markets. And gold equities, which generally move in tandem with gold spot prices, have taken a beating, more so than the movement of the spot price would suggest. The spot price of gold is down -11% over the last 30 days while the Solactive Equal Weight Global Gold Index, which represents the performance of thirty large cap gold companies is down -30%. Interestingly, this is a greater decline than what the broad US equity market has experienced during this time (S&P 500 is down -25% since Feb 21st)¹.

The dislocation between gold equity prices and the spot price could be short-lived. Gold equities have suffered from equity market contagion and further, there has been a large gold-sell off mostly driven by institutions who are looking to raise cash and cover margin positions. As central banks begin to flood markets with liquidity, and as the grave economic impact of this situation begins to be more understood, the price of gold could rally and pull gold equities with it. Gold will become more attractive as investors look for hard assets as cash alternatives.

¹Source: MorningStar Direct, March 23, 2020.

Implementation

For exposure to gold equities, consider buying the **BMO Equal Weight Global Gold Index ETF, ticker: ZGD**.

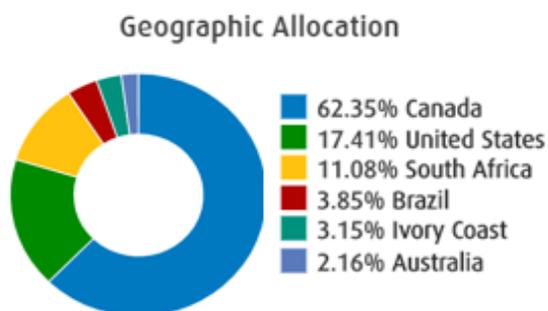
BMO Equal Weight Global Gold

ZGD

Distribution Yield: 0.0% | A

Mgmt. Fee: 0.55%

Risk Rating: High



Weight (%)	Name
5.95	KIRKLAND LAKE GOLD LTD
4.73	NOVAGOLD RESOURCES INC
4.66	NEWMONT CORP
4.65	FRANCO-NEVADA CORP
4.07	BARRICK GOLD CORP
4.07	HECLA MINING CO
4.00	WHEATON PRECIOUS METALS CORP
3.92	B2GOLD CORP
3.92	GOLD FIELDS LTD
3.62	ENDEAVOUR MINING CORP

Source: BMO Asset Management, March 23, 2020.

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