

Evolve Global Materials & Mining Enhanced Yield Index ETF

BASE invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, with added value of a covered call strategy on up to 33% of the portfolio.

As at October 31, 2019



TICKER: BASE (Hedged); BASE.B (Unhedged)

MACROECONOMIC HIGHLIGHTS:

Silver, gold, platinum and palladium prices climbed higher during the month on continued US-China trade uncertainty and the prospects of slower global growth and lower US interest rates.

Gold closed October above the \$1500 an ounce mark, recovering from its first monthly loss in five months in September, while silver, platinum and palladium also regained their lustre. Weak data from the US during the month, rekindled fears of an economic slowdown, combined with concerns over possible risks to a new Brexit deal.

Gold's safe-haven appeal was lifted by weak retail sales data and industrial output report out of the US, which fanned fears about the health of the world's biggest economy, amid prolonged China-U.S. trade dispute.ⁱ

While silver price typically tracks that of gold, the palladium market is still hampered by strengthening demand and weaker supply. Demand for the metal will continue to move higher, mainly from China. Palladium is used for making catalytic converters used in the exhaust systems of vehicles.ⁱⁱ

At the beginning of October, most base metals advanced after a private survey showed China's factory activity improved in September, largely due to a rebound in domestic demand. Another official survey showed factory activity picked up in September on improving domestic demand, despite shrinking for the fifth straight month as new export orders continued to fall amid the protracted trade dispute.ⁱⁱⁱ

However, base metals prices, except for nickel, have been under pressure on worries about global economic growth and demand for industrial metals.^{iv} Nickel benefitted from news that Indonesia would ban nickel exports in January 2020, a move that was originally planned for 2022. Indonesia is the world's largest producer of nickel and the second-largest exporter of nickel ore and concentrate after the Philippines.^v

Incidentally, the deceleration in the Chinese economy has translated into particularly weak demand dynamics for aluminium, while expectations of subdued consumption in the European Union and Japan, together with weak automotive production, also weighed on prices.



On the other hand, the hard line taken by China with aluminium producers has delayed production from new smelters, providing some support to prices. Furthermore, the global market for aluminium is projected to remain in deficit this year, and inventories tracked by the Shanghai Futures Exchange are hovering at their lowest since the first half of 2017.^{vi}

SOURCES:

ⁱ <https://www.cnbc.com/2019/10/17/gold-markets-us-economic-data-in-focus.html>

ⁱⁱ <https://www.cnbc.com/2019/10/17/gold-markets-us-economic-data-in-focus.html>

ⁱⁱⁱ <https://www.cnbc.com/2019/09/30/reuters-america-metals-most-base-metals-rise-as-chinese-factory-activity-improves.html>

^{iv} <https://www.cnbc.com/2019/10/07/reuters-america-metals-most-base-metals-fall-as-u-s-china-trade-deal-prospects-dim.html>

^v <https://www.focus-economics.com/commodities/base-metals/nickel>

^{vi} <https://www.focus-economics.com/commodities/base-metals/aluminium>

DISCLAIMER:

Commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs). Please read the prospectus before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs. Please read the prospectus for a complete description of risks relevant to the ETF. Investors may incur customary brokerage commissions in buying or selling ETF units.

