

## 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 November 29, 2019



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

### MACROECONOMIC HIGHLIGHTS:

At the end of November, gold extended its retreat from September's six-year high to cap its worst month since 2016. The yellow metal which closed the month at \$1460.15 an ounce on the London Fix, came under pressure as a result of a strengthening US dollar and optimism that an interim trade agreement between the US and China was in sight.

Silver also declined from \$18.05 an ounce on the London Fix at the end of October to \$16.96 an ounce at the end of November, while platinum closed at \$894 an ounce, down from \$936.<sup>i</sup>

In spite of the pull back, the gold options market saw \$1.75 million in block trades in the last week of November, betting that the precious metal could almost triple by June 2021.<sup>ii</sup>

On the other hand, copper prices were supported by positive developments in US-China trade relations during the month, reviving hopes for a boost in demand for the metal. Concurrently, falling copper inventories stoked concerns of shortages in supply, though demand remained subdued.<sup>iii</sup>

The price of aluminium gained ground during the month, largely fuelled by bearish investors buying back their short positions. But it is expected that the global market will flip into a surplus next year. However, a combination of weak macroeconomics and an anticipated increase of global aluminium supply could result in more participants purchasing metal with the intention of holding and financing it for long-term gain. Demand for aluminum could also be hurt by a slowdown in Japan, the world's biggest importer of the commodity.

Nickel continued to be the best performer among base metals this year, supported by fears of a shortage in supply from Indonesia, which placed a ban on exports as a result of export violations. However, it is anticipated that Indonesia will resume exports in 2020, following the temporary ban.

During the month, London hosted the traditional LME Week gathering of analysts, brokers, traders and industry experts from around the world. The general consensus that emerged from the conference was that copper, aluminium, zinc and lead are all expected to experience a demand contraction this year.



The base metals sector hasn't seen this sort of synchronised downturn since the global financial crisis in 2008. It was forecasted that global growth in industrial production would recover from 1.5% this year to 2.2% in 2020, with a warning of "persistently lower growth rates" ahead, relative to the last couple of years. However, if manufacturing weakness morphs into broader economic recession, particularly in the US, demand for base metals could further contract.<sup>iv</sup>

#### SOURCES:

<sup>i</sup> <https://www.kitco.com/gold.londonfix.html>

<sup>ii</sup> <https://ca.finance.yahoo.com/news/huge-bets-gold-could-triple-183207229.html>

<sup>iii</sup> <http://www.moneycontrol.com/currency/reports/base-metals-weekly-report-november-11-2019-motilal-oswal-178875.html>

<sup>iv</sup> <http://www.moneycontrol.com/currency/reports/base-metals-weekly-report-november-11-2019-motilal-oswal-178875.html>

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