

NovaGold Resources Inc

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Equities offer far greater leverage in a rising gold market, and share prices are already on the move

The gold price has hit record highs in several currencies in recent days, including the British pound, Canadian dollar, South African rand, and the Australian dollar. It's also recovered much of the ground lost in US dollar terms when investors sold heavily to cover losses elsewhere in the market. That selling is now abating, and the buyers are coming in for gold again, seeking the traditional safe haven.

That means that the companies that find and produce the gold are set to benefit too, a process that is already getting underway.

For those that are able to continue production and development work - and at this stage, there are many - a high gold price combined with ongoing low fuel prices means that the opportunities for wider margins are considerable.

But why is it worth looking at these companies, rather than just taking a speculative position in a gold ETF?

The answer is that the leverage to the upside is greater, albeit that the risk is too. With a gold ETF you don't get the benefits to the margin of lower oil prices and higher gold prices - all you get are the daily moves in the price itself. Thus, a rise in the gold price such as we've seen in the past couple of weeks, as gold moved from below US\$1,500 to above US\$1,600 amounts to a rise of slightly less than 7%.

The US\$48bn Barrick Gold (NYSE:GOLD, TSE:ABX) has enjoyed a 25% jump in its share price since six-month lows hit a week ago. That kind of action just doesn't happen on the gold market itself, however wild the commodities markets are at the moment.

And it means that those on the lookout for big gains will always still look to the gold equity markets.

Price: 27.59

Market Cap: \$49.06 billion

1 Year Share Price Graph



Share Information

Code: GOLD

Listing: NYSE

52 week	High	Low
	28.5	13.01

Sector: Gold & silver

Website: www.novagold.com

Company Synopsis:

NovaGold is a precious-metals mining company with a 50% stake in the Donlin gold project in Alaska. .

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