

Home » Home » Lear Capital's Kevin DeMeritt Explains How the State of the Mining Industry Could Affect Your Investment Returns

# Lear Capital's Kevin DeMeritt Explains How the State of the Mining Industry Could Affect Your Investment Returns

By Space Coast Daily // August 1, 2023

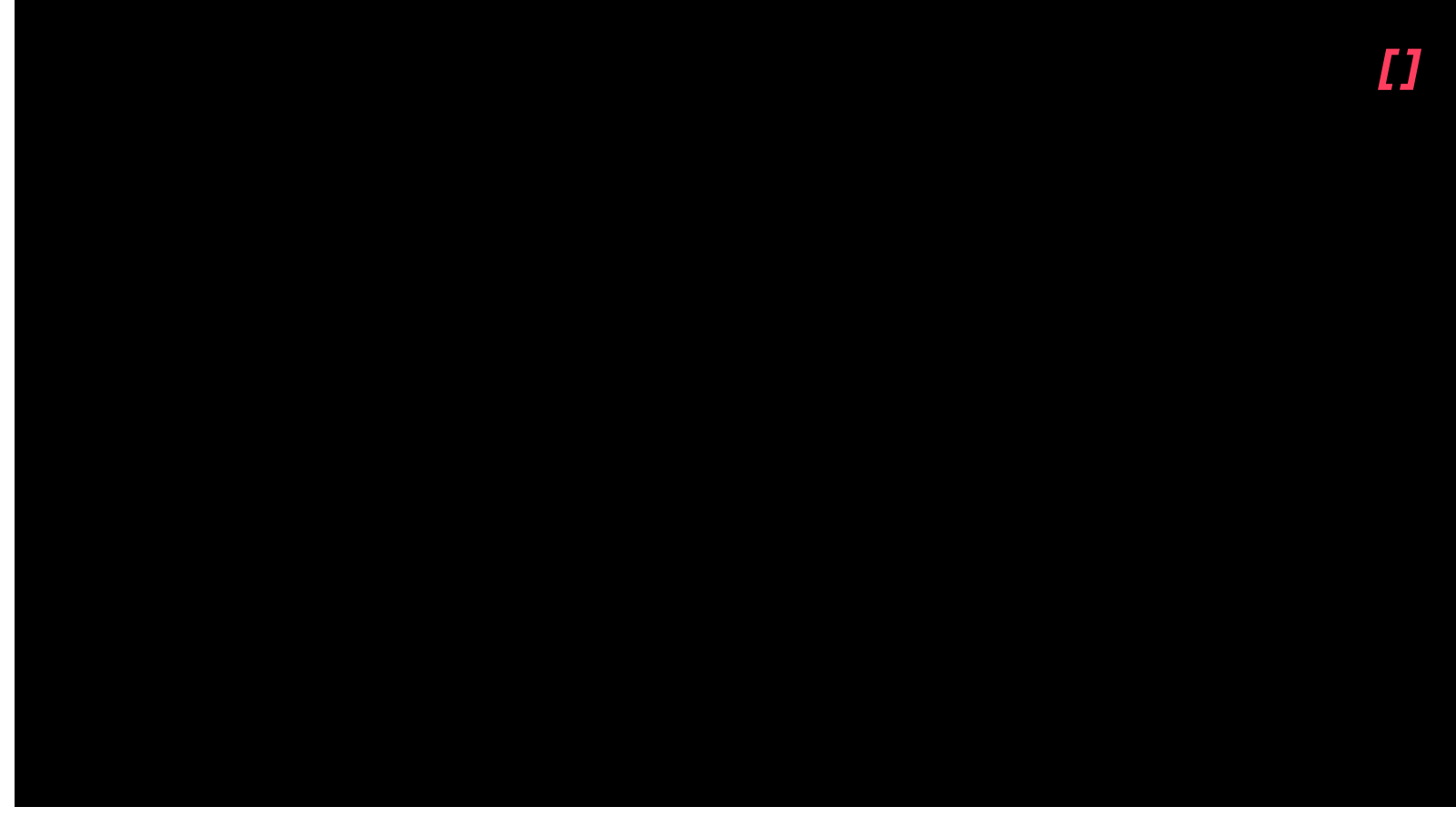


**A number of factors can influence precious metal assets' current value, including excavation efforts that occur half a continent away, says Lear Capital President Kevin DeMeritt.**

Gold, silver, and platinum coins and bars possess an inherent value because the amount of precious metal resources in the world are finite. More can't be made; we just keep drawing from the remaining available supply.

Further supply constraints, including mining production challenges, can restrict precious metals' availability even more, potentially increasing the amount buyers are willing to pay for gold and other physical assets.

"You can only pull so much gold out of the ground," Kevin DeMeritt says. "Even with new technology, we're having to go deeper and deeper inside the Earth to go get it; that technology is just [adjusting for not] having the gold closer to the surface."



## Regional Conditions' Effect on Output

Just a few countries — including South Africa and Russia — provide much of the world's platinum.

The South African mining industry faced a number of obstacles last year, including rail and other transport issues and adverse weather, which at times posed a threat to production, according to an Economist Intelligence Unit [report](#). Total mine output ultimately declined by 7% in 2022.

The area experienced annual revenue growth, however, due in part to the elevated prices that were paid last year for some of the metals it harvested. Gold is one of Africa's major mining exports, according to the EIU, which predicts that despite high energy costs and other challenges, widespread supply constraints and the increased demand for industrial and other uses should help keep prices for gold and platinum-group metals high this year.

With the ongoing conflict between Russia and Ukraine now in its 16th month, export activity in the region has, not surprisingly, experienced some delays — including mine-related platinum production in Russia, which [had already declined](#) from 2019 to 2022.

Metals are Russia's second biggest export, according to a University of Florida [analysis](#), which also noted the U.S. placed restrictions on metal imports from the country due to the war.

"There's an impact from the supply out of Russia," Kevin DeMeritt says. "Russia [has] a fairly decently sized mining supply of precious metals."

Shortly after Russia invaded Ukraine, [prices for palladium rose](#), according to a 2022 [mining.com](#) article. Russia was responsible for 40% of global mine production of palladium in 2021 and 10% of all mine-related platinum production.

S&P Global Market Intelligence [reported](#) exports of gold and other metals fell more than 35% in the first few months following the invasion, and mining product markets were still affected months later.

With the demand for precious metals like platinum increasing, maintaining the desired mining inventory levels on an ongoing basis could be challenging, Kevin DeMeritt says.

"Platinum is a fairly versatile metal with a lot of different industrial applications," he says. "We have some supply issues because we're limited to those two countries, South Africa and Russia, for the majority of the platinum production. Russia, because of this war, is not supplying the market with the same amount of platinum it typically would. That could be an interesting play for long-term investors moving forward."

## Internal Business Operations Can Shape Stocks' Course

While tangible precious metal assets such as coins have historically retained value despite market shocks and other situations — the CU 3000 Rare Coin index [rose 660% in the 1980s](#) as the market crashed and a recession occurred, for instance, according to Lear Capital — stock investments can potentially show considerable volatility.

Gold mining company investments can be subject to conditions that may not have the same impact on physical precious metal asset values. If news broke that a mining company official tried to bribe a government official, for example, in an attempt to bypass local drilling regulations, the company's stock — and investors' hopes of profiting — could possibly sink, Kevin DeMeritt says.

"You have what we call third-party risks that you don't have with physical gold," he states. "You've got the risk of the CEO hedging gold one way, and it goes the other way; the company could take on a little bit too much debt, interest rates go up, their earnings crash because they have to pay all this interest — and now investors pay for it because they own the gold stock, as opposed to the actual gold."

In addition, physical precious metal investors have a tangible ownership over precious metal coins and other assets. They're stored remotely in qualified facilities like the Delaware Depository, the facility Lear Capital utilizes for [Lear Advantage IRA](#) assets, but they're a fairly liquid asset.

"You cannot hold those metals yourself [and] continue to get the tax benefit of that retirement account, because then the government doesn't know if you actually have them or not," Kevin DeMeritt says. "But you can sell them, liquidate, move it back to your current IRA at any time."

## The Significance of Global Investment Appetites

Other factors can also play into precious metal assets' current value. Recently, central banks' growing interest in maintaining and expanding their gold reserves, for instance, in lieu of investing in U.S. Treasury Securities, has helped push the demand for the metal higher, Kevin DeMeritt says.

Amid economic challenges such as inflation, central banks' continued craving for gold [reached a record level last year](#), according to the World Gold Council.

"We have not seen this kind of buying from central banks for 50 years," Kevin DeMeritt says. "Central banks purchased a quarter of all the mining supply, which is a huge jump from [their previous activity]."

DeMeritt attributes the high inflation rate, which in the U.S. topped 9% at one point, as being one incentive, along with the federal government's money printing practices, which have included printing \$22 trillion since 2008, he says.

"We can only mine so much gold per year," Kevin DeMeritt says. "Central banks can print up as [much] money as they want — but with every dollar they print, the paper money that's already out there becomes worth a little less. So the price of gold is probably going to continue to increase as more people and countries take those falling paper dollars and buy gold."

That scenario could, DeMeritt says, further decrease the available supply of the precious metal — and possibly cause its price to increase even more.



## Men Are Trying This Salt Trick at Night — And Urologists Say It Works

daily-suggestions

Sponsored Links by Taboola

"Central banks hold that metal for 10, 15, 20 years at a time," he says. "That metal is gone — and you're not talking about small amounts. If that continues, as a recession takes hold [and] we start to see more of these financial instabilities happen, the demand from central banks could intensify, along with demand from institutional and individual investors. You might just wake up to \$3,500 [or] \$3,700 prices for gold."



LATEST NEWS

HOT OFF THE PRESS! April 28, 2025  
Space Coast Daily News – Brevard County's Best Newspaper

Enroll Now for Summer Term Courses at Eastern Florida State College!

2025 SPACE COAST SPORTS HALL OF FAME: All-American Steve Freeman Led Florida Tech to Soccer National Championship in 1988

United Launch Alliance Set to Launch Kuiper 1 Mission from Cape Canaveral Monday, April 28

Space Coast Sports Hall of Fame Set to Induct 2025 Class During Ceremony at Eastern Florida State May 24

Get Your Home Ready for Warmer Weather with Tips from Florida Power & Light

Orlando Dreamers Secure \$1.5 Billion in Investments to Lure Tampa Bay Rays, Stadium Proposal Located Near SeaWorld

Watch Brevard High School Graduation Ceremonies Live on Space Coast Daily TV, See Complete Schedule

\$104.99

-85%  
\$9.99

M/W

Dressed for whatever's next.  
Men's Wearhouse