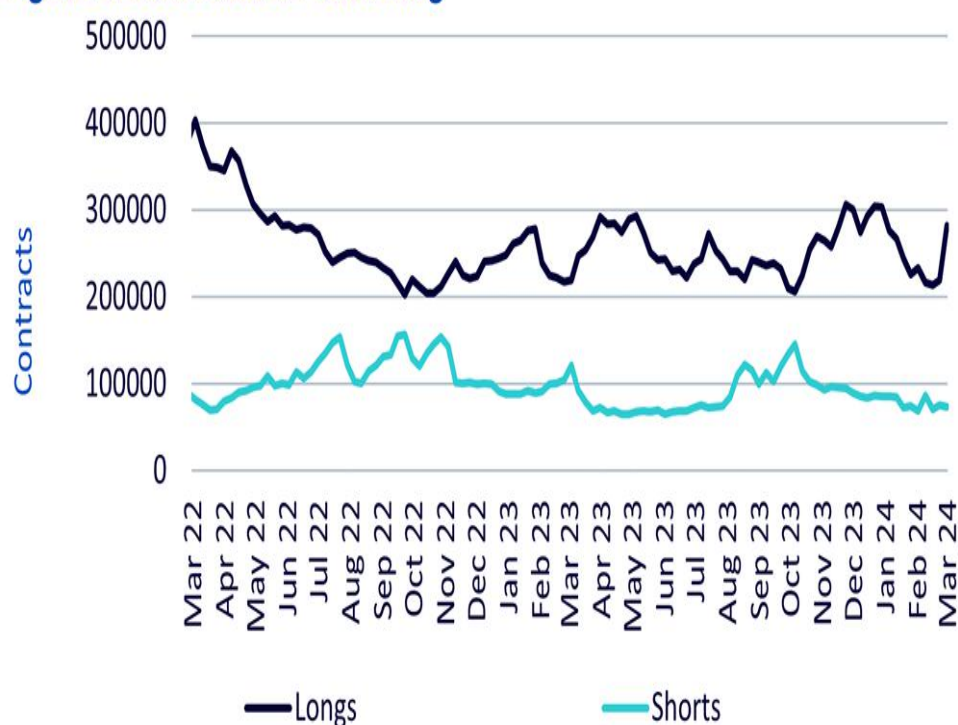


GOLD BULLION BREAKS NEW HIGHS LEAVING TIPS, GOLD MINERS AND SILVER BEHIND

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Gold bullion reached a new high of US\$2195/oz on 8 March 2024¹. The recent rally seems to have been driven by a sharp rise in speculative long positioning in gold futures markets. Data released on Friday 8 March 2024 (relating to Tuesday 5 March 2024) showed that speculative longs rose by 62,528 contracts (Figure 1), the highest weekly gain since February 2020. Meanwhile shorts remained broadly flat. Although, in absolute terms, the longs are still lower than they were back in January 2024, it is clear that there has been a notable reversal in institutional investors' sentiment towards gold, at least in the futures market.

Figure 1: Gold Futures Positioning



Source: WisdomTree, CFTC, Bloomberg. 5 March 2022 - 5 March 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

Gold outperforms TIPS again

Gold has historically moved in tandem with real rates (inversely), but that relationship has weakened in recent years. The most recent spike in gold has driven a deeper wedge between Treasury Inflation Protected Securities (TIPS) and gold (Figure 2). This underscores why analysing gold prices can not be done in a univariate fashion and our model approach to prices (using many different drivers – including treasury yields, inflation, speculative positioning and the US Dollar) best captures gold's price behaviour².

Figure 2: Gold vs real rates (treasury inflation-protected securities

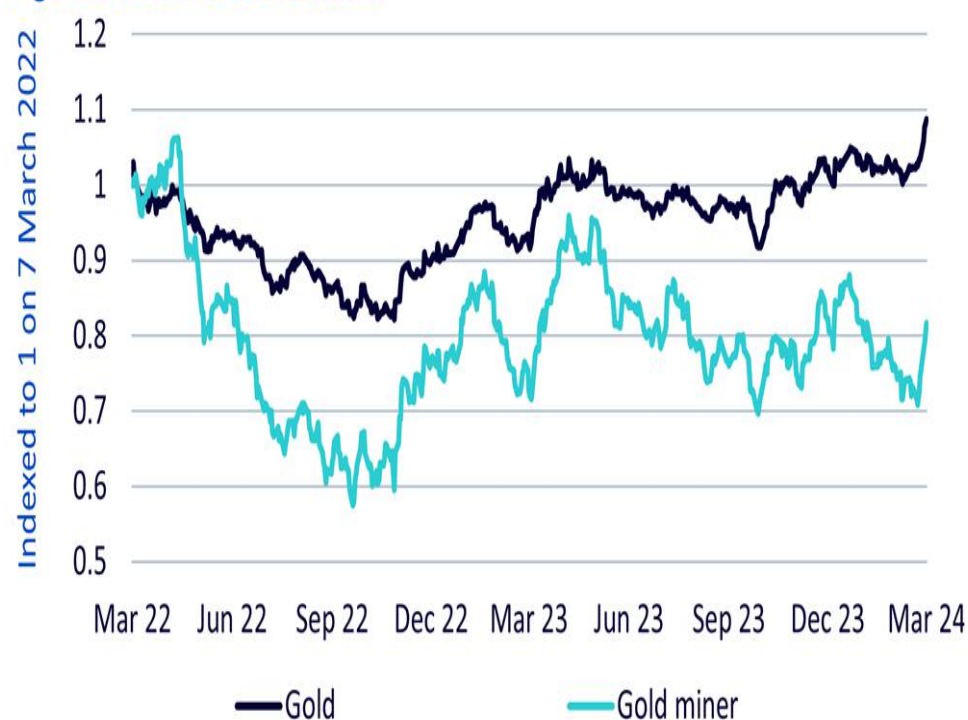


Source: WisdomTree, Bloomberg. 11 March 2023 - 11 March 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

Gold bullion outperforms gold miners

Gold bullion has also risen much more than gold miner equity prices (see Figure 3). Gold miners carry an equity market and a gold price beta. Global equity markets have been performing extremely well, with the MSCI World Net TR up 7.7% year-to-date and S&P 500 TR up 8.3% year-to-date, both greater than gold's 5.0% rise over the same period³. However, the rise in equity markets has been somewhat narrow, with just a handful of stocks driving most of the performance. Gold miners unfortunately were not part of that club of outperformers.

Figure 3: Gold vs Gold miners

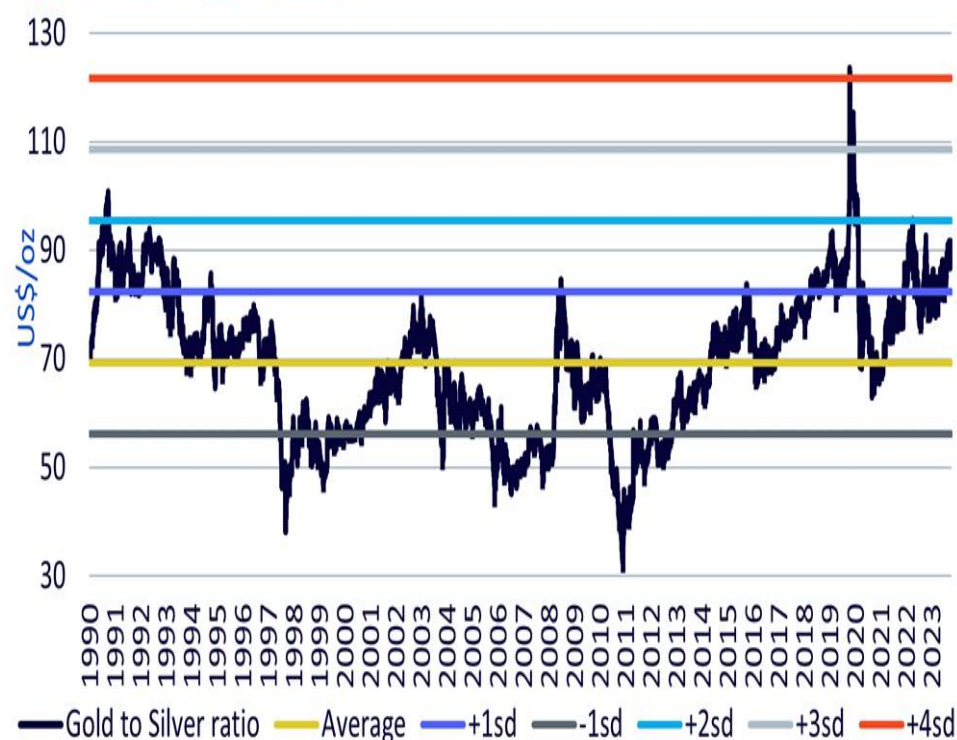


Source: WisdomTree, Bloomberg. 7 March 2022 - 7 March 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

Gold outperforms silver, but expect a catch-up

Gold has also outperformed silver and the gold to silver ratio is now more than 1.5 standard deviations about the average since 1990 (Figure 4). Silver is often thought of as a leveraged play on gold as the metal usually moves in a similar direction to gold, although often with a higher beta. We expect both gold and silver to end the year higher: gold at \$2,210/oz⁴ and Silver at \$26.01/oz⁵. We therefore believe that silver has more catch-up potential and the gold-silver ratio could moderate to 84 from closer to 90 at present.

Figure 4: Gold to silver ratio



Source: WisdomTree, Bloomberg June 1990 - March 2024). Sd = standard deviation **Historical performance is not an indication of future performance and any investments may go down in value.**

Conclusion

Gold's recent rally has been impressive and indicates an improved sentiment towards the metal. A natural question on investors' minds, is what assets will rise on gold's coattails? We believe silver has plenty of catch-up potential.

Sources

- 1 Source: Bloomberg
- 2 Source: [Gold: how we value the precious metal](#)
- 3 Source: Bloomberg
- 4 Source: [Gold Outlook to Q4 2024: From one high to the next](#)
- 5 Source: [Silver Outlook to Q1 2024: Two-faced silver](#)

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