THE IFA's WEALTH GRAM
LA TRIBUNE MENSUELLE DES MEMBRES DU GSCGI
Vol.XIII — N°141 — Novembre 2024

Favorable supply-demand dynamics for Gold

Charles-Henry Monchau—CIO—SYZ GROUP—Membre Partenaire du GSCGI

Gold prices hit a new all-time high last week, reflecting a broader trend of rising demand and constrained supply. If the year would end today, it would be the best year ever for the Gold ETF which is up over 31% in 2024.

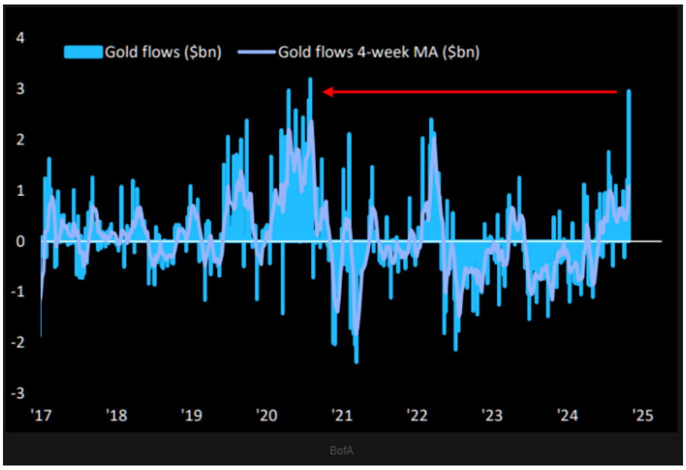
Gold - Annual Returns
(As of 10/22/24)

Year	Return	Year	Return	Year	Return
1971	16.7%	1989	-2.8%	2007	31.9%
1972	48.8%	1990	-3.1%	2008	4.3%
1973	73.0%	1991	-8.6%	2009	25.0%
1974	66.1%	1992	-5.7%	2010	29.2%
1975	-24.8%	1993	17.7%	2011	12.0%
1976	-4.1%	1994	-2.2%	2012	5.7%
1977	22.6%	1995	1.0%	2013	-27.6%
1978	37.0%	1996	-4.6%	2014	0.1%
1979	126.5%	1997	-21.4%	2015	-12.1%
1980	15.2%	1998	-0.8%	2016	8.1%
1981	-32.6%	1999	0.9%	2017	12.7%
1982	15.6%	2000	-5.4%	2018	-0.9%
1983	-16.8%	2001	0.7%	2019	19.1%
1984	-19.4%	2002	25.6%	2020	24.2%
1985	6.0%	2003	19.9%	2021	-3.8%
1986	19.0%	2004	4.6%	2022	0.5%
1987	24.5%	2005	17.8%	2023	13.3%
1988	-15.3%	2006	23.2%	2024 YTD	33.2%

CREATIVE PLANNING @CharlieBilello

As we enter the year's final quarter, key trends are poised to shape gold's future trajectory.

A significant development is the Federal Reserve's shift in monetary policy. For the first time since the pandemic, the Fed decided to cut interest rates. This is bullish for gold; lower real yields on U.S. Treasuries reduce the opportunity cost of holding non-yielding assets like gold. A weaker U.S. dollar also boosts the price of gold by making it cheaper for foreign buyers.



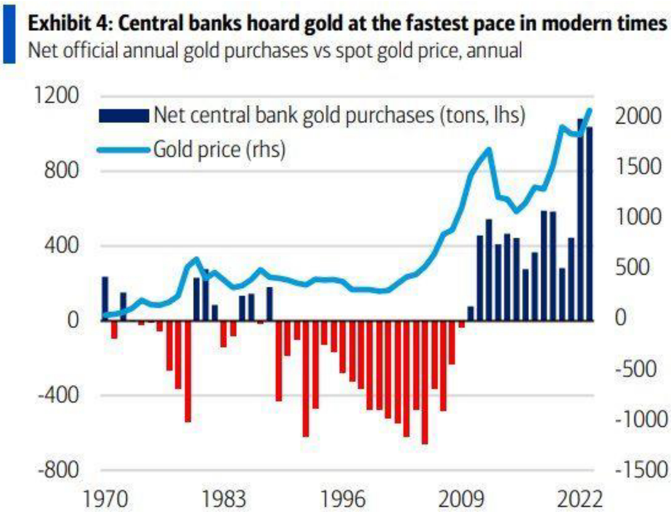
Source: BofA

On the demand side, retail investor interest is growing. Net open futures positions have increased, and gold-backed ETFs are finally seeing inflows.

However, the strongest demand for gold remains from central banks and sovereign entities. In August, the Bank of Russia raised its gold holdings by over $9 billion, bringing them to a record $188.8 billion, and bullion's share in Russia's international reserves now exceeds 30% for the first time in almost a quarter century. Saudis have joined China and other BRICS+ countries in their quest for Gold. Evidence suggests the Saudi central bank has been quietly buying 160 tons of gold in Switzerland since 2022, fueling the current gold bull market.

Favorable supply-demand dynamics for Gold

Charles-Henry Monchau—CIO—SYZ GROUP—Membre Partenaire du GSCGI



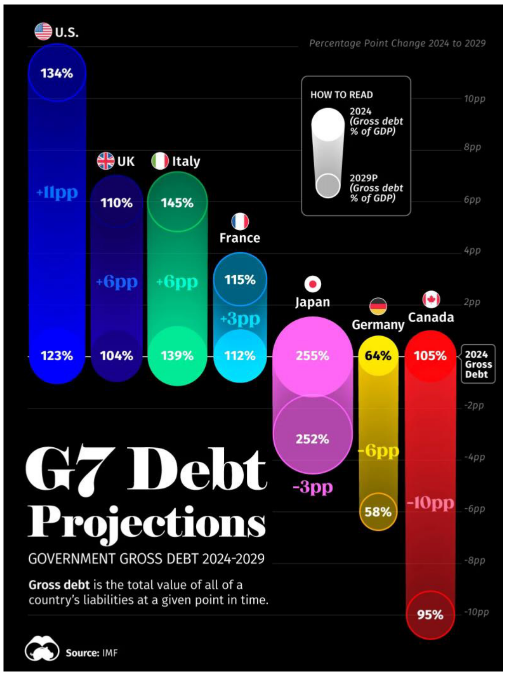
Source: BofA

On the supply side, gold's outlook benefits from limited production and growing extraction costs. The World Gold Council indicates that the average All-In Sustaining Cost (AISC) for gold mining rose 10% over the past year to $1,439 per ounce in early 2024. This rise is due to higher costs for labor, fuel, and electricity, and more inhospitable mining environments. As accessible gold deposits dwindle, mining companies are investing more in exploration and technologies to maintain production levels, a trend likely to support gold prices.

As we enter the final months of the year, the gold market is strong, driven by favorable monetary policies, high investor demand, and limited supply.

As central banks worldwide, particularly the U.S. Federal Reserve, ease policies, gold prices are poised to rise. Although a brief pause in the upward trend may occur, it wouldn't be surprising to see gold surpassing $3,000 per ounce.

In the long term, trends like de-dollarization and escalating geopolitical tensions are likely to sustain strong gold demand. The U.S.'s fiscal pressures, particularly rising public debt and interest payments, strengthen gold's role as an inflation hedge, while the IMF's concerns over the sustainability of U.S. fiscal policies add to gold's appeal as a store of value.



Source: Statista, IMF