

SPDR® Gold ETF Dashboard

Insights
SPDR Gold
Strategy Team

April 2021

What Happened to Gold in Q1 2021

The gold price posted its first quarterly decline since Q3 2018 by declining 10.41%. In fact, gold has pulled back almost 20% from its all-time high of US \$2,067/oz set during the first week of August 2020.¹ Understanding the current gold market requires some historical perspective. For the six years from June 2013 to June 2019, gold traded predominantly in a range between US \$1,100 and US \$1,350/oz. The price did not break out above the established trading range until Fed Chair Jerome Powell indicated at the June 2019 meeting of the Fed Open Markets Committee (FOMC) that he was planning to make what he referred to as a “mid-cycle adjustment” and reduce interest rates in July. He said he based his decision on concern that the escalating tariff wars between the US and China might precipitate recession. As it turned out, of course, the Fed was soon faced with the economic dislocation caused by the COVID-19 pandemic and had no choice but to take much more drastic action.

By the beginning of 2020, just six months after breaking out of its trading range, gold had climbed above US \$1,500/oz, US \$150 above where the price had been capped for six years. Establishing itself firmly above the US \$1,700/oz level by May, as speculative activity increased the price rose another US \$300 by the first week of August to set a new all-time high.

Gold’s first move down came on profit taking by speculators, with the price falling to US \$1,850/oz before finding support as the US headed to vote

Key Facts

Ticker	Fund Size*	30-Day Bid-Ask Spread*	30-Day Average Daily Volume*
SPDR® Gold Shares*	US \$56 . 7B	US \$0 . 01	US \$1 . 6B

*As of 31 March 2021.

Source: Bloomberg Finance L.P., & State Street Global Advisors.

in early November. After clarity on the election results removed some of the uncertainty that had been supporting prices, announcements of vaccine progress were greeted with a response that was little short of euphoric. ‘Perceived’ “Safe haven”² buying subsided dramatically, evidenced by substantial redemptions from gold-backed ETFs, and the price fell back toward the US \$1,700/oz level by year end. This year, gold has mostly traded above US \$1,700/oz, although the price briefly drifted below that level in March.

Looking Ahead As the global economy continues to show signs of recovery from the pandemic-led recession, investor focus has shifted to inflation risk. Reflationary pressures emanating from rising growth and economic activity (both consumer and manufacturing) are a core source of these inflationary concerns. Gold has historically performed well — appreciating 16% on average — in years when inflation was higher than 5%.³

In addition, the recovery in jewelry demand and purchases by central banks will likely support gold’s rebound in 2H 2021. Additionally, continued dovish policies by the FOMC and more stimulus from the

Biden administration focusing on infrastructure and climate change may lead to a weaker US dollar (USD). The current rout in gold may be viewed as a strategic buying opportunity for investors that are

concerned with record levels of debt, record-low interest rates, record-high stock valuations and a record level of money supply.

- 1 Source: Bloomberg Finance L.P., & State Street Global Advisors, date as of 31 March 2021. Note: Gold is measured by LBMA Gold Price PM (US\$/oz).
- 2 Assets may be considered "safe havens" based on investor perception that an asset's value will hold steady or climb even as the value of other investments drops during times of economic stress. Perceived safe-haven assets are not guaranteed to maintain value at any time.

- 3 Source: Bloomberg Financial L.P., & State Street Global Advisors. Data from 31 August 1971 to 31 March 2020. Note: Inflation is measured by US Consumer Price Index (CPI)

Gold Vitals

Factors	Trend*	Potential Impact**	31-March-2021	52 Week High	52 Week Low
Gold Price (USD/oz)	∨	∨	1691.1	2067.2	1576.6
Citi Macro Risk Index	∧	∧	0.3	1.0	0.1
Stock Market Volatility	∨	∨	19.4	57.1	18.9
Gold Spec. Interest (moz)	∨	∨	19.4	32.1	19.4
US Dollar Index	∧	∧	93.2	100.7	89.4
*Gold ETP Holdings (moz)	∨	∨	114.9	125.9	102.3
10-Year TIPS Yields %	∧	∨	-0.64	-0.26	-1.12

*We define Trend as a comparison between end-of-month; 50-day; and 200-day readings for each factor. A positive trend is identified if either the end-of month reading is greater than the 50-day reading or if the 50-day reading is greater than the 200-day reading. We identify a negative trend when either the end-of month reading is less than the 50-day reading or when the 50-day reading is less than the 200-day reading. We define a flat trend as instances when the prevailing movement is neither positive nor negative.

**We define "Potential Impact" as the possible impact each of the trends may have on the price of gold.

† Gold holdings in exchange traded-products (ETPs) are represented by the securities tracked by Bloomberg Finance L.P.; Company Filings & World Gold Council as of 31 March 2021. We only track funds that are fully backed by gold, including: 1) open-end gold-backed ETFs whose shares are 100% backed by gold 2) closed-end funds that are not technically ETFs, but trade on exchanges and whose shares are 100% backed by physical gold. 3) gold-backed ETFs that may hold a small portion of cash or derivatives, as long as their assets include at least 90% physical gold at all times. 4) ETFs holding precious metal baskets, as long as their shares are backed by physical gold. Source: World Gold Council, Gold Demand Trends, Central Bank Statistics, 31 March 2021. Indices representing the above asset classes are as follows: Gold = LBMA Afternoon Gold Price as tracked by ICE Benchmark Administration Ltd., Citi Macro Risk Index = Citi Macro Risk Index, Stock Market Volatility: SPX Volatility Index, Gold Spec. Interest = Gold Net Speculative Long Positions from the Commitment of Traders Report released by the CFTC, US Dollar Index = The US Dollar Index. 10-Year TIPS Yields = Bloomberg Generic Government 10 Year TIPS Yield Index. (See "Glossary" for details on indices or benchmarks). MOZ represent Million Ounces.

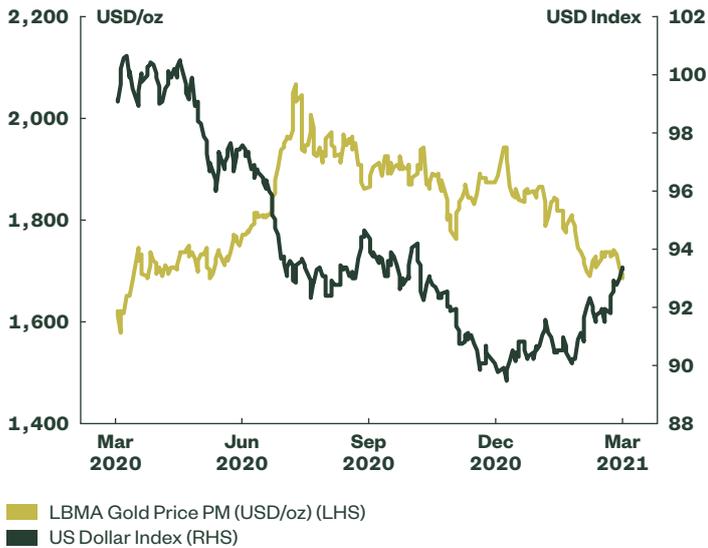
Asset Class Returns and Correlations***

	Returns			Correlation to Gold				
	March (%)	Trailing 3-Mo. (%)	Trailing 12-Mo. (%)	March Correlation	Correlation Over Past 3 Months	March	Trailing 3-Mo.	Trailing 12-Mo.
USD	2.59	3.96	-5.87	Moderate Negative	Weakening	-0.37	-0.43	-0.39
10-Yr TIPS	-0.73	-2.94	5.24	Strong Positive	Strengthening	0.52	0.24	0.26
Commodities	-2.01	14.61	82.91	Weak	Flat	0.05	0.05	0.12
Equities	2.72	4.84	55.31	Moderate Positive	Strengthening	0.33	0.06	0.22
Gold	-2.97	-10.41	5.10	—	—	—	—	—

***The correlation coefficient is a metric that measures the strength and direction of a linear relationship between two variables. It measures the degree to which the deviations of one variable from its mean are related to those of a different variable from its respective mean. Correlations between -1.0 to -0.5 or 0.5 to 1.0 are considered "strong," correlations between -0.5 to -0.3 or 0.3 to 0.5 are considered to be "moderate," and correlations between -0.3 to -0.1 or 0.1 to 0.3 are considered to be "weak." We view a correlation coefficient between -0.1 to 0.1 as having "no correlation" or a "very weak" correlation.

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 31 March 2021. **Past performance is not a guarantee of future results.** Indices representing the above asset classes are as follows: Gold = LBMA Afternoon Gold Price as tracked by ICE Benchmark Administration Ltd., USD = The US Dollar Index, 10-Year TIPS = S&P 10 Year U.S. TIPS Index Total Return, Commodities = S&P Goldman Sachs Commodity Index, Equities = MSCI AC World Daily TR. In terms of "Strengthening" and "Weakening" correlation, it's a comparison between the March correlation and the trailing 3-month correlation. It is considered "Strengthening" when the March correlation is greater than 0.2 and greater than the trailing 3-month correlation. It is considered "Weakening" when the March correlation is less than -0.2 and less than the trailing 3-month correlation. It is considered "Flat" when none of the criteria above fits.

Figure 1: Gold posted its first quarterly decline after nine straight positive quarters led by a stronger US Dollar



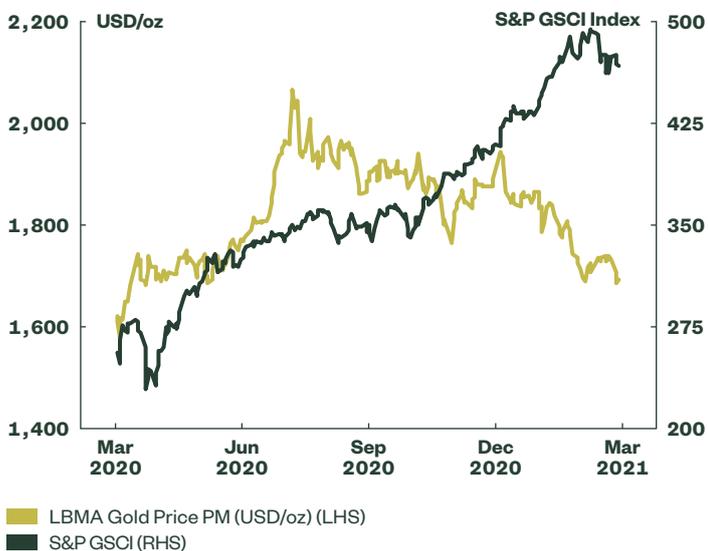
Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 2: Equities surged higher in Q1' 2021 due to greater than expected stimulus and vaccine progress



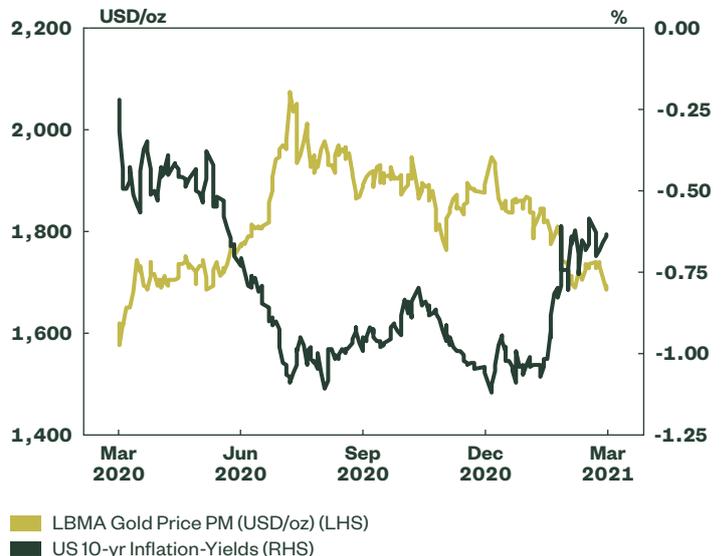
Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 3: Commodities like copper, nickel, and oil surge as investors debate if another commodity supercycle is underway or just a post-pandemic rally



Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 4: Inflation expectations increased in Q1' 2021, as large U.S. fiscal stimulus has shifted investors from worrying that growth will be too slow, to now fearing that growth will be too fast and potentially inflationary



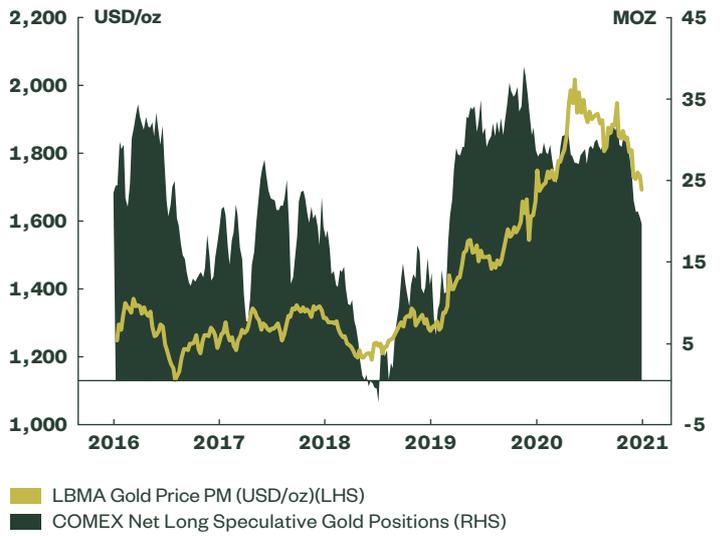
Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 5: The VIX dropped to a fresh pandemic low as virus related anxiety has continued to fade away



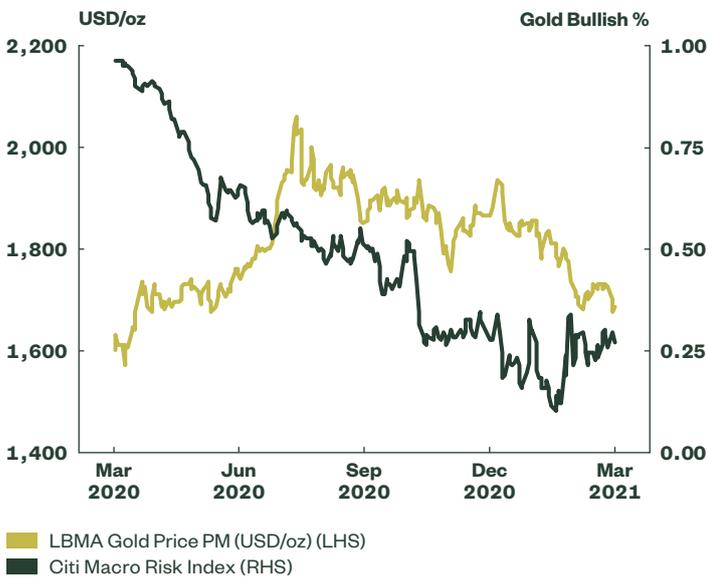
Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 6: Net long position dropped to 19.37 MOZ at the end of Q1' 2021, which is slight below the 5-year average of 21.19 MOZ



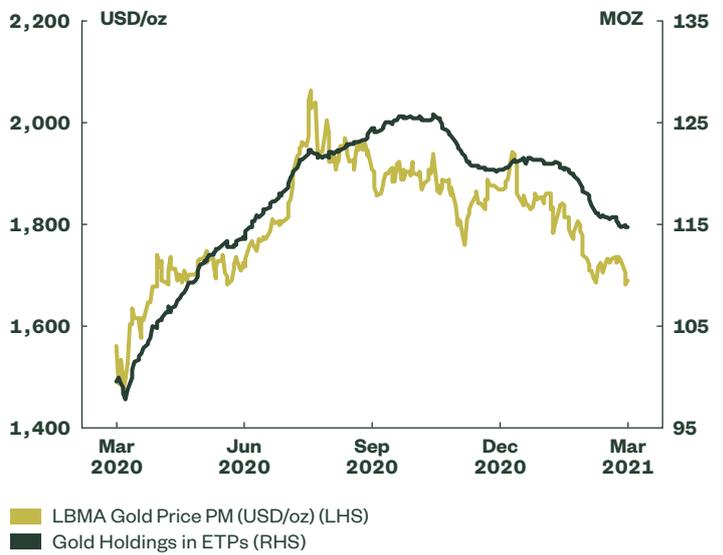
Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 7: Citi Macro Risk Index ended the quarter where it started, illustrating the reopening sentiment has continued to be positive for financial assets



Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

Figure 8: Since the peak asset levels in November 2020, gold ETF holdings have fallen nearly 9% in tonnage terms, on a par with the approximate loss in the price of gold over the same period



Source: Bloomberg Finance L.P., State Street Global Advisors, data as of 03/31/2021. Past performance is not a guarantee of future results.

SPDR® Gold Trust Performance as of 31 March 2021

	Cumulative Returns			Annualised Returns				
	1 Month (%)	QTD (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Since Inception 11/18/2004 (%)
NAV*	-3.01	-10.67	-10.67	4.68	8.06	6.03	1.22	8.11
Market Value	-1.14	-10.32	-10.32	8.04	8.33	6.34	1.35	8.09
LBMA Gold Price PM	-2.97	-10.41	-10.41	5.10	8.49	6.45	1.63	8.54

Source: spdrs.com. **Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. Visit ssga.com for most recent month-end performance. Performance returns for periods of less than one year are not annualised.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. Gross and Net Expense Ratio: 0.40%. Effective March 20, 2015, the SPDR Gold Trust adopted the LBMA Gold Price PM as the reference benchmark price of gold in calculating the Net Asset Value (NAV) of the Trust. Prior to that date, the Trust used the London PM Fix as the reference benchmark price in calculating the NAV. *Past performance of the scheme is not necessarily indicative of the future performance of the scheme. NAV return on the scheme is calculated on a single pricing basis, on the assumption that all dividends and distributions are reinvested, taking into account all charges which would have been payable upon such reinvestment.

About State Street Global Advisors

State Street Global Advisors serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. Pioneers in index, ETF, and ESG investing and the world's third-largest asset manager, we are always inventing new ways to invest.

ssga.com/etfs

Information Classification: General Access

Glossary

Citi Macro Risk Index measures risk aversion in global financial markets. It is an equally weighted index of emerging market sovereign spreads, US credit spreads, US swap spreads and implied FX, equity and swap rate volatility.

COMEX The main futures market for trading metals such including gold, silver, copper and aluminum.

ICE U.S. Treasury 7-10 Year Bond Index A fixed-income benchmark created by the Intercontinental Exchange, or ICE, that focuses on debt issued by the US Department of the Treasury. The index includes only US dollar denominated, fixed-rate securities that have a minimum term to maturity greater than seven years and less than Xor equal to 10 years.

LBMA Gold Price The LBMA Gold Price is determined twice each business day (10:30 a.m. and 3:00 p.m. London time) by the participants in a physically settled, electronic and tradable auction administered by the IBA using a bidding process that determines the price of gold by matching buy and sell orders submitted by the participants for the applicable auction time.

Long Gold Positions Speculative long positions on gold and other futures are recorded in the weekly Commitment of Traders Report published by the Commodities Futures Trading Commission, or CFTC, and measure the amount of gold ounces that are represented by gold futures that will be profitable should the price of gold rise.

MSCI ACWI Index, or MSCI All Country World Index – Captures large and mid cap representation across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries. With 3,050 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Net Positions Net positions in gold futures and other futures markets is the difference between the number of speculative long and speculative short positions. The data, found in the weekly Commitment of Traders Report, are published by the Commodities Futures Trading Commission, or CFTC. S&P Goldman Sachs Commodity Index, or S&P GSCI A production-weighted index launched in 1992 that tracks the performance of 24 commodity futures contracts. The index, tilts to commodities that are more heavily produced globally,

so its weights more heavily to crude oil than, say, to cocoa.

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Short Gold Positions Speculative short positions on gold and other futures are recorded in the weekly Commitment of Traders Report published by the Commodities Futures Trading Commission, or CFTC, and measure the amount of gold ounces that are represented by gold futures that will be profitable should the price of gold fall.

SPX Volatility Index VIX, or CBOE Volatility Index The SPX Volatility Index, also called the VIX or the CBOE Volatility Index, is a measure of the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

US Dollar Index The US Dollar Index (DXY) Index measures the performance of the US Dollar against a basket of currencies: the euro (EUR), the Japanese yen (JPY), the British pound sterling (GBP), the Canadian dollar (CAD), the Swiss Franc (CHF) and the Swedish krona (SEK).

US Generic Government 10 Year Yields Index A fixed-income index compiled by Bloomberg that measures yields of generic US, on-the-run, government notes and bond indices. Yields are yield to maturity and pre-tax, are based on the ask side of the market and are updated intraday. Yields included in the index are precise to 4 decimal places.

US 10-Year Treasury Note Yield (Used in Macro Sensitivity) The interest rate paid to holders of U.S. 10 Year Treasury Notes. The rate is comprised of Generic United States on-the-run government 10 Year Treasuries. The yield quoted is yield to maturity and on a pre-tax basis.

Important Risk Information

All forms of investments carry risks, including the risk of losing all of the invested amount. Such activities may not be suitable for everyone.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to

these industries. Investing in commodities entail significant risk and is not appropriate for all investors. Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates.

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Singapore: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

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