

Talking Gold — March 2024

Maxwell Gold, CFA, Head of Gold Strategy

Gold Market Recap & Outlook

February saw the gold spot price rise 0.23%, closing the month at US\$2,044/oz.¹ The spot price ranged from a low of US\$1,984/oz to a high of US\$2,065/oz; after a brief mid-month dip below \$2,000/oz, it found support back above the key psychological price level.² Gold's recent price resilience has been supported by strength across global fundamental demand sectors.

Global gold demand for 2023 remained robust, driven by significant central bank buying and strong jewelry demand. Central bank gold purchases exceeded 1,000 metric tons (~US\$63B) for the second consecutive year.³ China, Poland, and Singapore were the largest buyers with net purchases also from Libya, Czech Republic, India, and Iraq.⁴ Overall, jewelry demand remains well supported above pandemic-era lows, with jewelry fabrication demand holding steady against an environment of higher gold prices for consumers. Retail bar and coin investment demand only saw a mild contraction in 2023 despite higher gold prices as a decline in European demand was balanced by strength in China.⁵

The missing piece of the gold puzzle remains institutional investor demand, as measured by global gold exchange traded funds (ETFs). 2023 marked the third consecutive year of net outflows from gold ETFs despite the spot price rising 13.1% last year, with net outflows persisting thus far in 2024.⁶ Since gold last bottomed at US\$1,622/oz on September 26, 2022, it has risen over 30% and is within striking distance of setting a new record high this year.⁷ During this same period, gold ETF holdings decreased by over 20%.⁸ Evaluating this recent disconnect between global gold ETF flows and the gold price (to which these funds directly track) begs the question: are investors missing out on the start of the next gold bull market?

Many investors appear to be waiting for a clear signal from the Federal Reserve (Fed) as to the start of interest rate cuts before jumping back into the gold market. The disconnect between ETF flows and gold price, likely fueled by strong demand in other sectors like central banks, may return to synchronization as the Fed begins cutting rates — reducing gold's relative opportunity cost. Such a timing strategy may prove challenging to predict. Instead, given the unprecedented disconnect, investors may benefit from getting ahead of the curve and shoring up portfolio allocations to gold before anticipated interest rate cuts or a resurgence in market volatility, currently trending near four-year lows, come to fruition.⁹

Gold's Chart of the Month

Figure 1: Are Investors Missing Out on the Start of a Gold Bull Market?



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 1, 2019 to March 1, 2024. **Past performance is not a reliable indicator of future performance.**

Gold Performance Drivers

Flows

Global gold-backed ETFs registered outflows in February, the ninth consecutive month, as gold ETF holdings fell by 1.8%.¹⁰ COMEX managed money net speculative gold positions remained bullish and broadly unchanged from last month at 56,153 contracts.¹¹

Factors

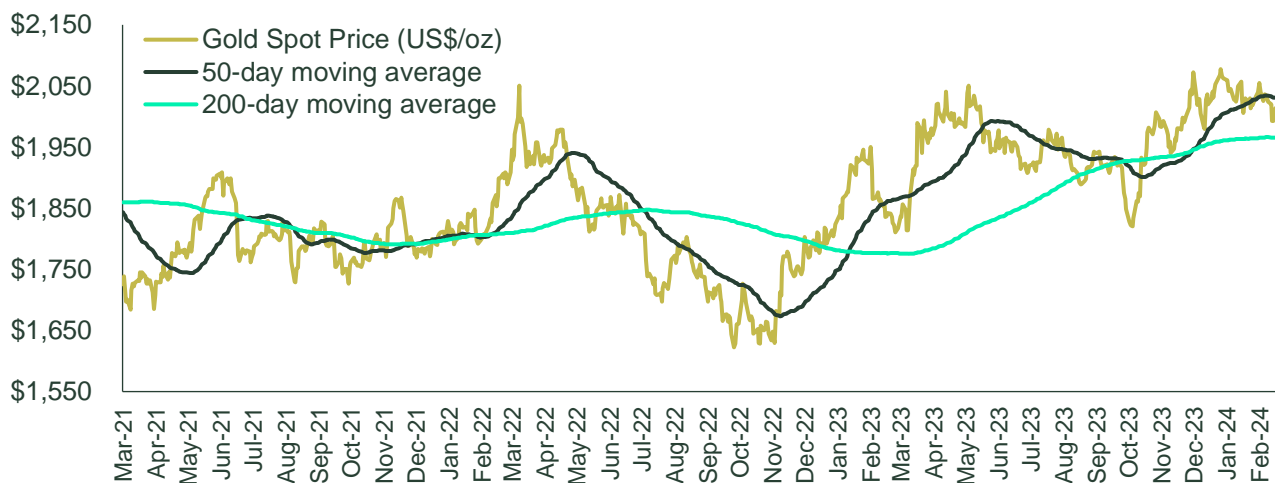
The US Consumer Price Index (CPI) fell to 3.1% year over year as of January 2024, down from 3.4% the month prior.¹² US 10-year Treasury yields closed February at 4.25%, up from 3.91% at the end of January.¹³

Fundamentals

China's gold consumption during the longer-than-usual 2024 Chinese New Year was robust, despite Chinese consumers spending a record amount on domestic travel, according to the World Gold Council. Gold retailers saw a constant flow of customers during the holiday with data from the Ministry of Commerce showing gold and jewelry sales in China rising 24% year over year during the holiday.¹⁴

Gold Price Trends

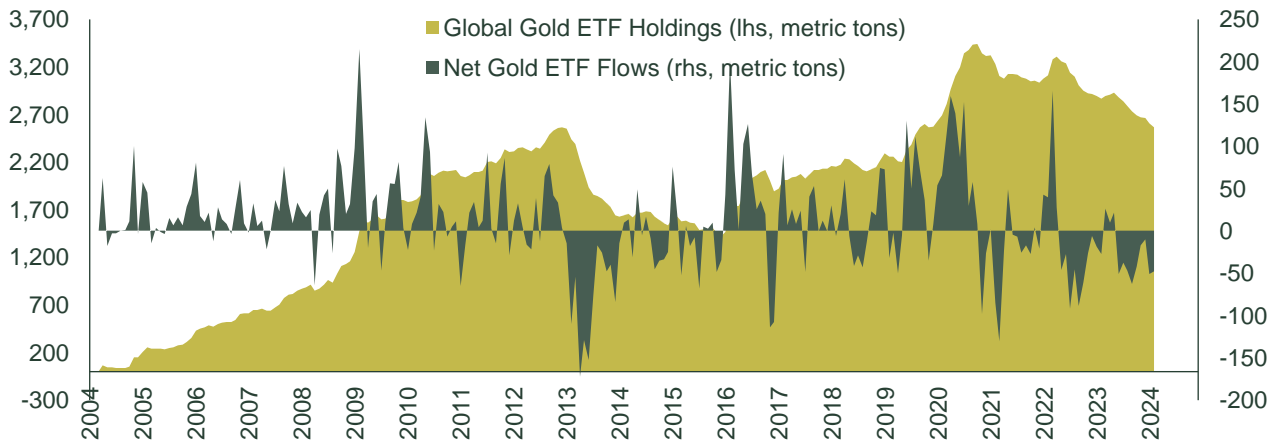
Figure 2: Trailing 3-year Gold Spot Price (US\$/oz) and Moving Averages



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from February 28, 2021– February 29, 2024. **Past performance is not a reliable indicator of future performance.**

Gold ETF Flows

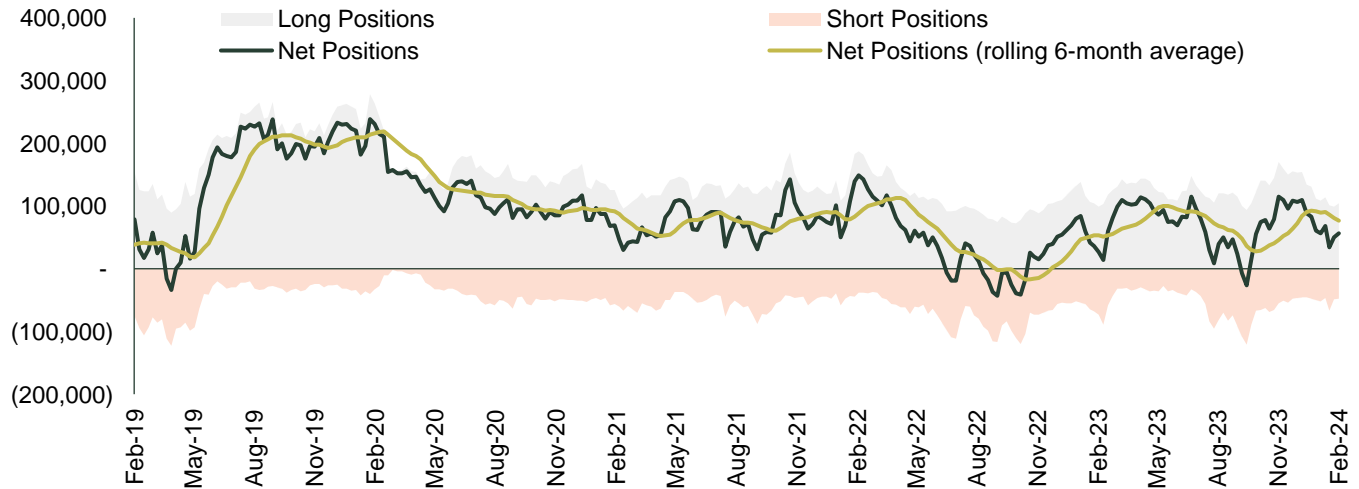
Figure 3: Global Gold ETF Holdings in Metric Tons



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 1, 2004 – February 29, 2024. **Past performance is not a reliable indicator of future performance.**

Gold Futures

Figure 4: Trailing 5-year COMEX Gold Futures Positioning — Managed Money (# of Contracts)



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from February 28, 2019 – February 29, 2024. **Past performance is not a reliable indicator of future performance.**

Footnotes

- 1 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 2 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 3 World Gold Council, State Street Global Advisors. Data as of December 31, 2023.
- 4 World Gold Council, State Street Global Advisors. Data as of December 31, 2023.
- 5 World Gold Council, State Street Global Advisors. Data as of December 31, 2023.
- 6 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 7 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 8 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 9 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024. Market volatility as measured by the CBOE Volatility Index (VIX).
- 10 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 11 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 27, 2024.
- 12 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 13 Bloomberg Finance L.P., State Street Global Advisors. Data as of February 29, 2024.
- 14 World Gold Council, State Street Global Advisors. Data as of December 31, 2023.

Glossary

Consumer Price Inflation (CPI) Index

This CPI represents changes in prices of all goods and services purchased for consumption by urban households on a year-over-year basis.

Gold Spot Price

The price in spot markets for gold. In US dollar terms, spot gold is referred to with the symbol "XAU," which refers to the price of one troy ounce of gold in USD terms.

LBMA Gold Price PM Index: Provides the price platform and methodology as well as the overall administration and governance for the LBMA Gold Price.

Troy ounce (ozt)

Standard unit of measurement for weighing precious metals such as gold, silver, platinum, and palladium.

US Dollar Spot (DXY) Index

The DXY Dollar Index tracks the performance of a basket of foreign currencies issued by US major trade partners, including Eurozone, Japan, UK, Canada, Sweden and Switzerland, versus the US Dollar.

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