

Talking Gold — September 2024

Gold Strategy Team

Gold Market Recap: Gold Hits New All-time High... Again!

Gold continued to shine brightly in August, recording its fourth all-time high this year — \$2,529/oz. This latest record was fueled by a spike in risk-asset volatility at the start of the month, declining real rates, and a softer US dollar (USD) following dovish Federal Reserve (Fed) commentary and the increased consensus expectation for 100 basis points (bps) of rate cuts by year end.¹

While the spot price retreated off its most recent record high to end August, the yellow metal still registered a +2.33% gain for the month. This is gold's seventh consecutive month of gains, and it now has a year-to-date return of 21.56% — outperforming stocks and bonds in 2024.²

On top of already robust central bank demand, investors contributed to gold's upward momentum. Gold ETFs had inflows of more than \$1.5 billion in August.³ This surge in investment demand can be attributed to the macro factors discussed above and investors seeking to “[get ahead of the Fed](#).” Gold's historical negative correlation to real rates has produced an average 1.6% monthly return when real rates fell during a month in which the Fed lowered its fed funds rate.⁴

Looking ahead, accelerated investment demand from conducive macro tailwinds such as lower real rates, weakness in the USD, and persistent geopolitical tensions — including the US election — may keep gold shining brightly into 2025.

Gold Performance Drivers

Flows: Global gold ETF holdings increased by .5% in August, an estimated 12 metric tons(t). This was the third consecutive positive month of inflows since May 2023 and the highest cumulative 3-month average since April 2022. Net speculative positioning in COMEX gold futures increased to 200,291 contracts in August, the highest rolling 6-month average since May 2020 and the largest position since March 2020. The sustained extension of long contracts highlights that money managers remain bullish on gold.⁵

Factors: Gold's technical forecast remains bullish until we see a lower low; it's currently positioned to the upside, trading well above its 50-day, 100-day, and 200-day simple moving averages. A 14-day RSI of 56.6 indicates that gold's price still has room to increase before reaching overbought levels.⁶

Fundamentals: The latest data signals underlying strength in the economy and less urgency for large and rapid rate cuts. As a result, expectations for a 50 bps rate cut in September have declined over the past two sessions, with market-implied odds falling to 30%. Increased probability of the negative real rate relationship with gold depends on gold markets getting support from weaker economic and inflation reports.⁷

Gold's Chart of the Month

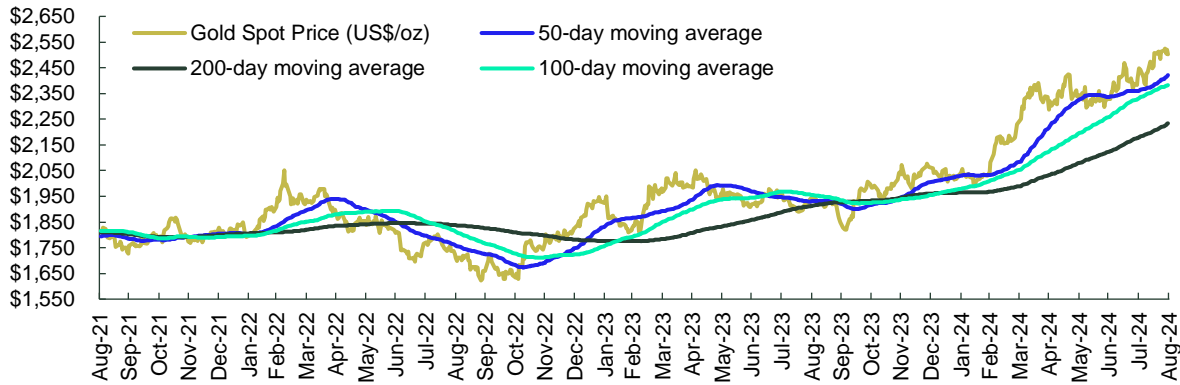
Figure 1: Gold Exhibiting a Negative Relationship with Real Yields



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 2000 – January 2024 **Past performance is not a reliable indicator of future performance.**

Gold Price Trends

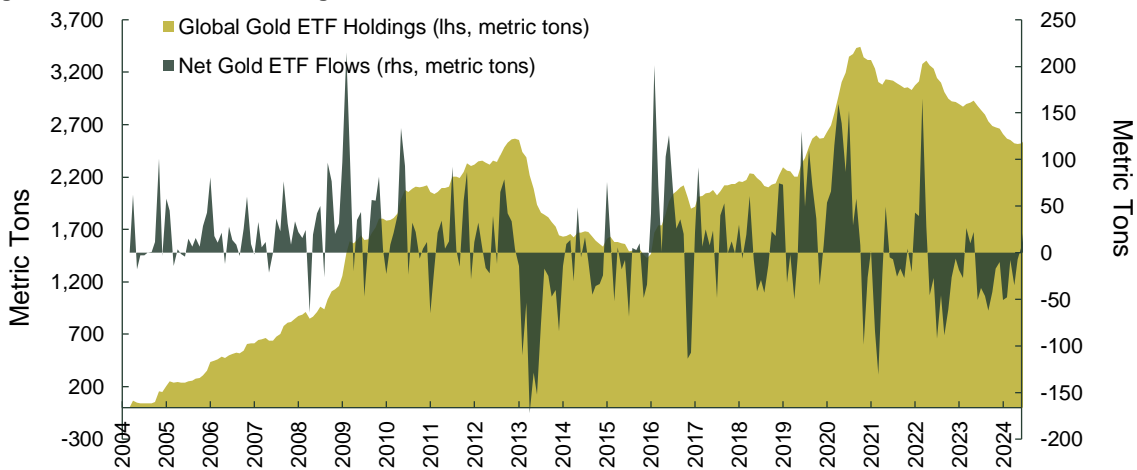
Figure 2: Trailing 3-year Gold Spot Price (US\$/oz) and Moving Averages



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from August 31, 2021– August 31, 2024. **Past performance is not a reliable indicator of future performance.**

Gold ETF Flows

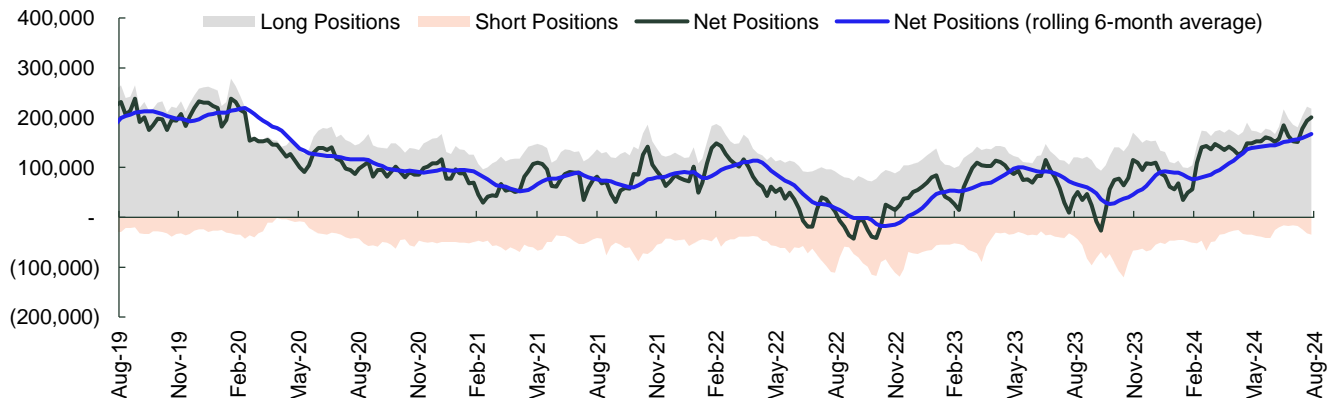
Figure 3: Global Gold ETF Holdings in Metric Tons



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 1, 2004 – August 31, 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 August 31, 2019 – August 31, 2024. **Past performance is not a reliable indicator of future performance.**

Footnotes

- 1 Bloomberg Finance L.P., State Street Global Advisors, as of August 31, 2024. Note: Gold is represented by LBMA Gold Price PM (US\$/oz).
- 2 Bloomberg Finance L.P., State Street Global Advisors, as of August 31, 2024.
- 3 Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council Bloomberg Finance L.P, as of August 31, 2024.
- 4 Bloomberg Finance L.P., State Street Global Advisors, as of August 31, 2024.
- 5 Bloomberg Finance L.P., State Street Global Advisors, as of August 31, 2024.
- 6 Bloomberg Finance L.P., State Street Global Advisors, as of August 31, 2024.
- 7 CME Fed Watch Tool as of August 31, 2024.

Glossary

Central Bank

A financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations.

COMEX

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

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 (US\$/oz)

IBA independently administers the price and provides the auction platform on which the LBMA Gold Price is calculated, while LBMA own the intellectual property rights. The platform is electronic, tradeable, auditable and in line with the IOSCO Principles for Financial Benchmarks.

Relative Strength Index (RSI)

A momentum indicator that measures the magnitude of recent price changes to analyze overbought or oversold conditions.

Troy ounce (oz)

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

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