

Equity Investment Advisers Gold Report



Tuesday, 25 June 2019

www.equity.co.nz E-mail: Info@equity.co.nz Tel: +64 (9)304 0145

Gold's Massive Rally Rooted In 'Massive Dent In Confidence Of The Fed' - ABC Bullion

A major shift in the market's global monetary policy sentiment will continue to drive new money into gold, boosting the current rally even further, according to Sydney-based ABC Bullion.

The Federal Reserve's decision to open a door to future rate cuts last week created a major shift in market sentiment globally, revealing a building distrust in the Fed and other central banks' abilities to handle rising risks, ABC Bullion business development manager John Feeney and Pallion senior precious metals project analyst Bron Suchecki said in the latest update.

"Gold's reaction to the latest FOMC statements is symbolic of a massive dent in the confidence of the Fed, and hence other Central Banks, as the initial plan of unwinding the easy monetary stimulus of the past decade is proving impossible," said Feeney and Suchecki. "There has been far too much debt build-up post-GFC for the Federal Reserve to successfully navigate a rate hike cycle without grinding the US economy into recession."

ABC Bullion went as far as to say that it looks like the Keynesian economics theory is being questioned.

"In a simple metaphorical description, the bus driver appears to be drunk at the wheel, and the passengers are starting to wake up and realize," Feeney and Suchecki pointed out.

Gold's rally to breach the \$1,400 level for the first time in six years is a very significant breakthrough for the yellow metal, ABC Bullion added.

"To put the move into perspective, not even the Brexit shock of 2016 or the surprise election of Donald Trump could see gold move above this level in USD terms," the Australian precious metals and bullion specialist highlighted.

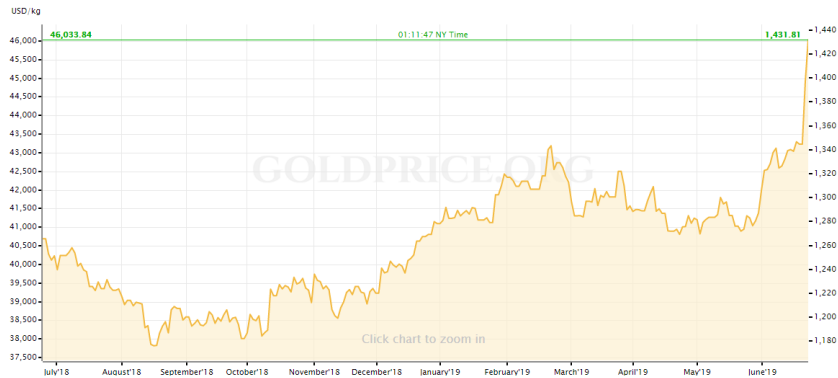
The rally is expected to continue, with new money boosting the safe-haven asset further, ABC Bullion said.

"The flood of money into gold is something we continue to expect moving forward, as investors are clearly anticipating a global shift in monetary policy towards lower interest rates and loosening financial conditions," Feeney and Suchecki wrote.

Gold's safe-haven role is back at the forefront of investors' minds after the U.S. Federal Reserve clearly signaled a dovish shift towards rate cuts following last year's tightening.

"As investors flee to safe-haven assets at a time when there is over US\$12 trillion in negatively yielding investment grade corporate and government bonds, it's no wonder that gold is seeming to attract a lot of attention as a potential better alternative," the update said.

Gold Price



Silver Price



Gold To Silver Price Ratio

1 Year Gold/Silver



Gold ETFs Break Out After Long Slumber

It's been a perfect storm for gold ETFs—a good kind of storm that sent gold ETF prices up 9% in the past month alone, piercing five-year highs last week.

Expectations that the Fed will begin cutting interest rates next month, combined with a weakening dollar—it hit a three-month low last week—and growing concerns about an economic slowdown were the perfect trifecta of good news for gold bulls.

The move was also helped by technical factors—spot gold prices broke through key resistance levels around \$1,350-\$1,400 last week, testing price levels that had been overhanging the market for the past five years or so.

As prices went up, so did investor appetite for exposure to the yellow metal. The SPDR Gold Trust (GLD) has picked up \$850 million in fresh net assets so far this month. Competing funds such as the iShares Gold Trust (IAU), the SPDR Gold MiniShares Trust (GLDM) and the GraniteShares Gold Fund (BAR) were also net gainers, among others.

The past month has been a boon for gold ETF investors, no doubt, but year-to-date asset flows are still all over the place. Remember that gold had struggled to find much upside for the past 3 1/2 years as the Fed steadily increased rates, and GLD had been bleeding more than \$1.5 billion this year until recent weeks. GLD, the largest gold ETF, with \$32 billion in total assets, is still a net loser of about \$950 million in 2019. The flip side of that is that competing gold ETFs have seen net inflows this year: IAU has picked \$400 million; GLDM picked up \$320 million and BAR has seen \$180 million in inflows.

Investors have shown strong preference for lower-cost ETFs in this space, especially long-term-minded investors who don't care too much about GLD's unparalleled liquidity.

The Quick Rundown: Will Silver Follow Gold's Lead?

- Gold prices have broken out of a massive multi-year consolidation pattern to the upside.
- The one glaring problem with the current setup in precious metals markets: silver hasn't yet confirmed gold's breakout.
- Silver needs to break above \$15.50, then \$16.00 (the last intermediate cycle high) in order to establish a bullish trend on par with gold's.
- The white metal's lagging price performance in recent months has resulted in it trading at its biggest discount to gold in three decades.
- Hardy silver bugs are excited at this rare opportunity to buy more ounces on the cheap. Others are understandably concerned that silver isn't showing any leadership during rallies in the metals sector.
- Silver, being a smaller and naturally more volatile market than gold, is supposed to amplify gold's moves on both the upside and downside. So why is silver instead acting like an anemic version of gold?

You may also be interested in:

<https://www.forbes.com/sites/greatspeculations/2019/06/24/gold-gets-a-boost-of-rocket-fuel-from-negative-bond-yields/#3f491c5f2805>

<https://www.bullionbypost.co.uk/gold-news/2019/june/20/gold-price-surges-dovish-fed-weakens-dollar/>

Disclaimer: The above information is provided on a best endeavours basis and Equity Investment Advisers Ltd does not accept any liability under any circumstances for errors or omissions. Parties should recheck the information before using it in any decision-making process. **Acknowledgements:** Equity Investment Advisers (EIA) sincerely expresses its gratitude to the following sources for the contribution of valuable information in the production of EIA gold reports: Kitco, BullionDesk, MoneyMetals, GoldSeek, Gold-Eagle, GoldSilver, MarketIndex, BullionVault, ANZ & BusinessDesk.

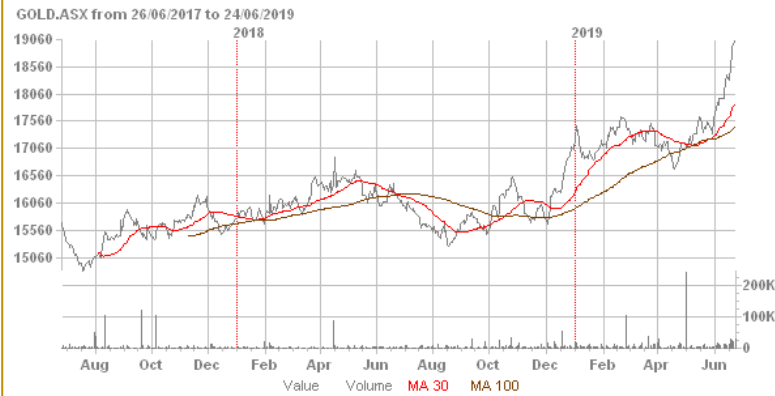
Interested in adding Precious Metals to your portfolio? Contact Equity Investment Advisors today.

E-mail: Info@equity.co.nz Tel: +64 (9)304 0145 / NZ: 0800 474 669

ETF – Betashares Gold



ETF – Physical Gold



ETF – Physical Silver



| Listing (ASX) | Points | Percent. | Price |
|------------------|--------|----------|-----------|
| Evolution Mining | 0.110 | 2.558% | \$4.410 |
| Newcrest Mining | 0.480 | 1.494% | \$32.600 |
| Northern Star | 0.050 | 0.430% | \$11.680 |
| Rio Tinto | 0.490 | 0.482% | \$102.220 |
| South32 | 0.015 | 0.463% | \$3.225 |

As at 5:00 pm NZT, 25 June