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BULLION

# MONTHLY MARKET UPDATE

December 2024

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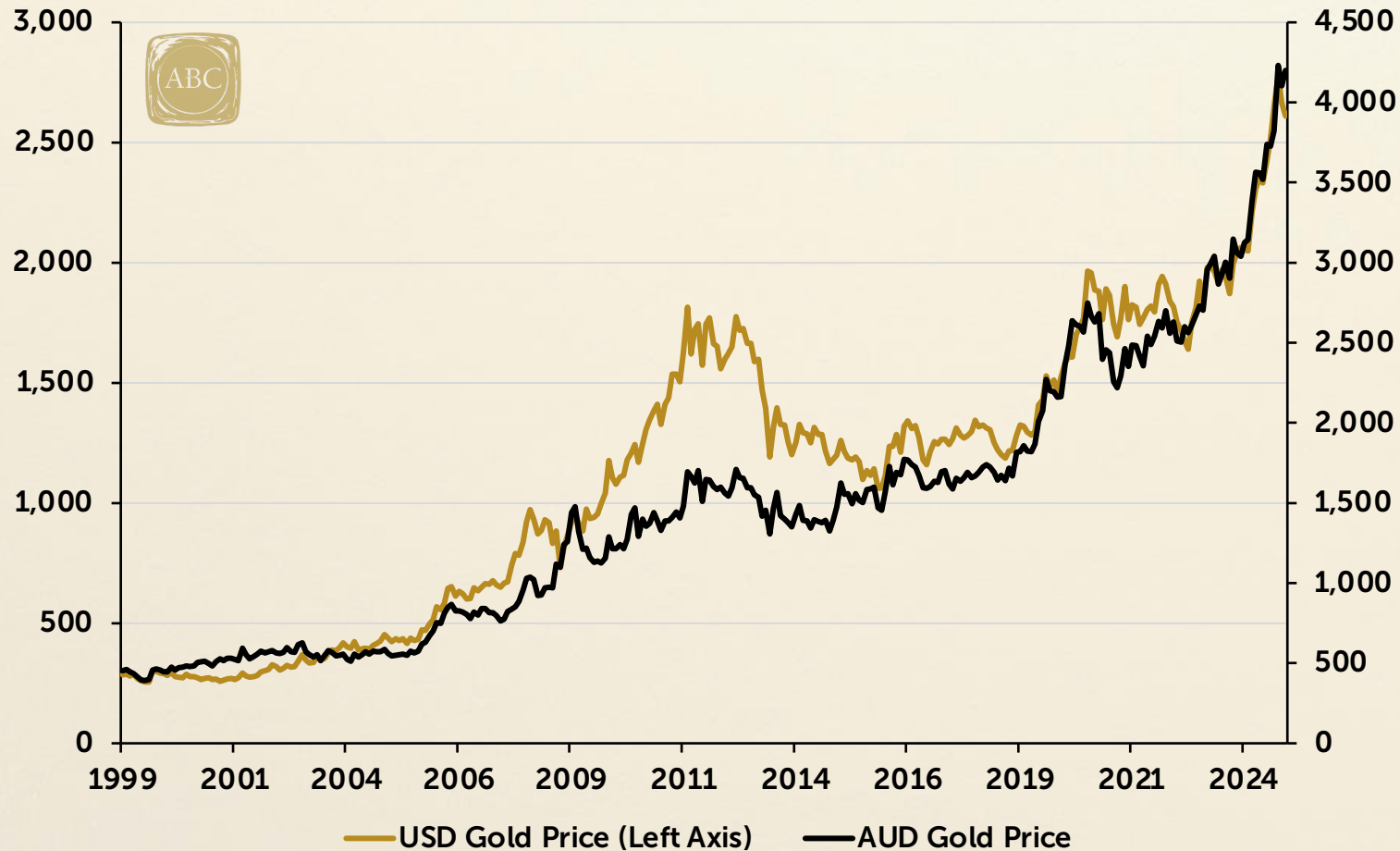
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# PRECIOUS METALS PERFORMANCE

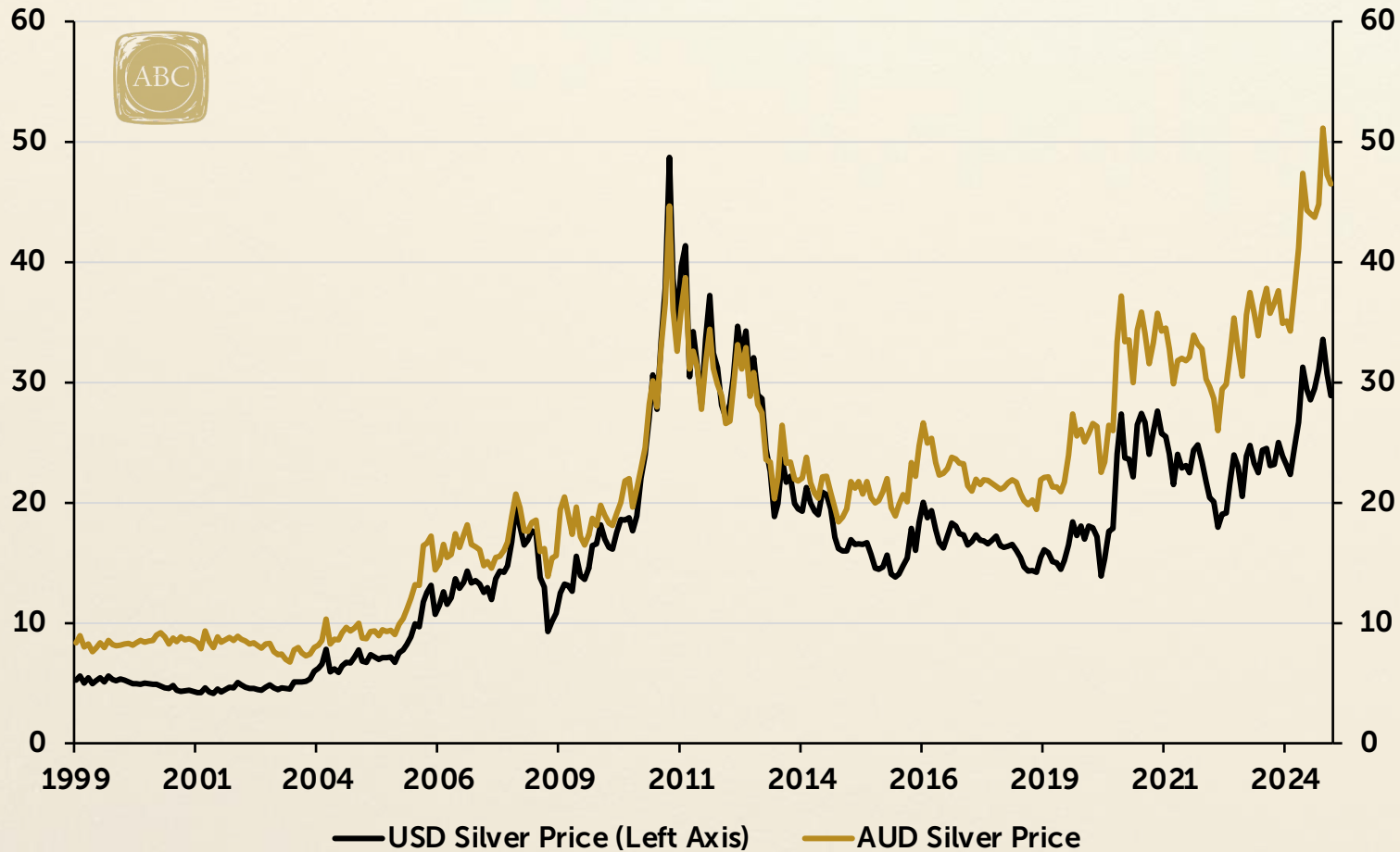


# Gold in USD & Gold in AUD (Jan 1999–Dec 2024)



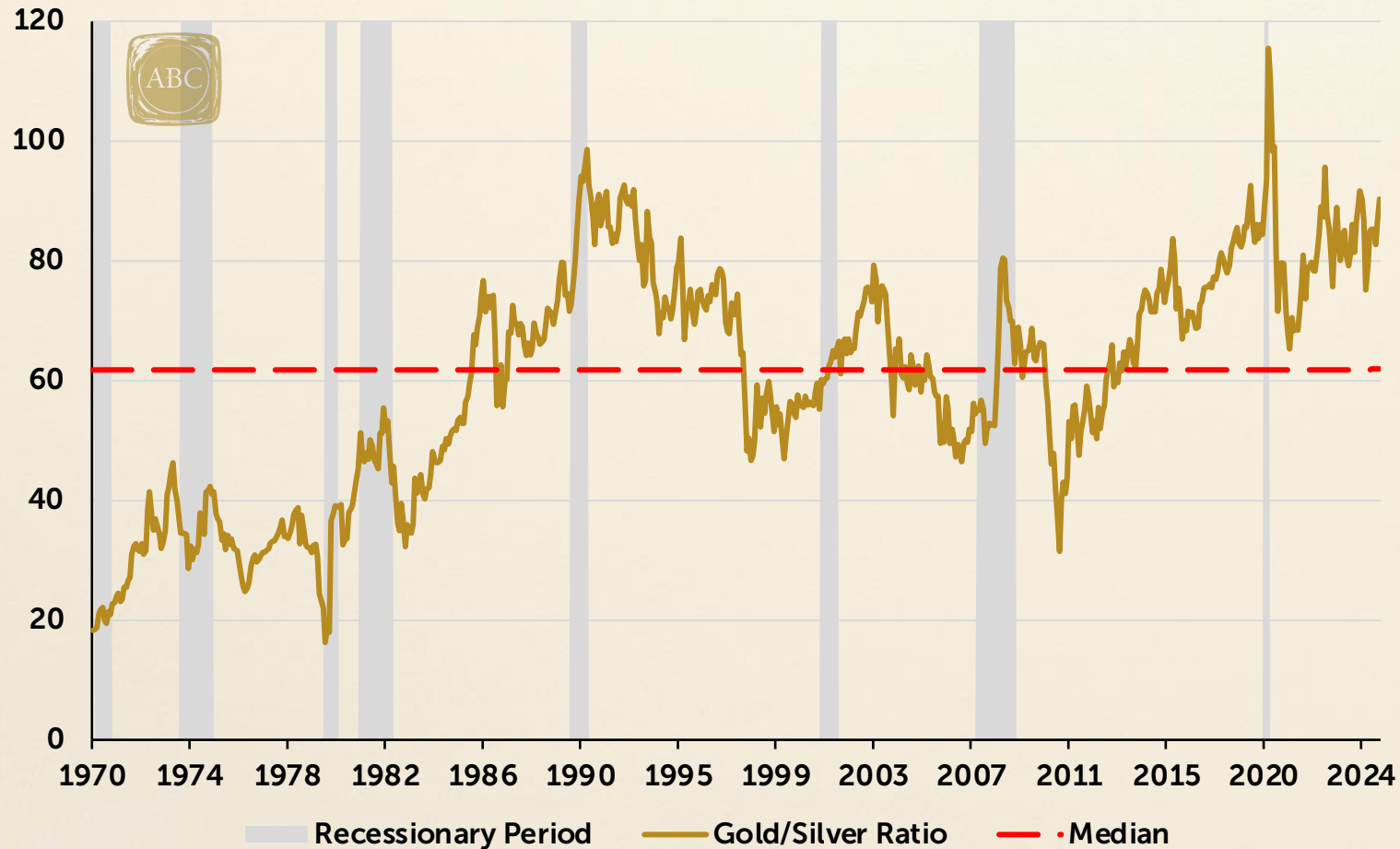
- Gold prices continued to consolidate in December, after a multi-month winning streak experienced for most of 2024.
- Across the course of the month, gold posted a 2% loss in USD terms, reaching a monthly low of USD \$2584 per troy ounce (oz) before closing the month just above USD \$2610oz.
- Australian dollar investors on the other hand experienced a small gain, with gold appreciating 2.3% in December.
- The price increased to a monthly high of AUD \$4291 per troy ounce (oz) before pulling back to AUD \$4200oz by month and year end.
- The weaker Australian dollar was responsible for gain in local currency terms, with the AUD depreciating by 4.2% to USD \$0.6217 by end December.
- Expectations of further interest rate cuts in the US continue to support gold prices moving into the new year. Goldman Sachs forecasts a 100-basis-point reduction in the Fed funds rate over 2025, which could provide substantial support for precious metal prices.

# Silver in USD & Silver in AUD (Jan 1999–Dec 2024)



- Silver continued to pullback in December, falling 5.9% in USD terms.
- The precious metal hit a monthly low of USD \$28.75 per troy ounce (oz) before stabilizing above key support at USD \$29oz by month-end.
- Australian dollar investors also saw a small loss on their silver positions, with prices in local terms depreciating 1.7%.
- Intra-month, silver hit lows of AUD \$45.95oz, before finishing December at AUD \$46.49oz.
- An ongoing economic slowdown in China combined with elevated US bond yields and a strong USD pose short to medium headwinds for silver.
- However, AI's growth also has the potential to boost silver's demand over the long term, driven by its role in microchips and solar energy solutions powering energy-intensive data centers.
- The metals haven status amid stubborn inflation and geopolitical tensions further supports its long-term bullish outlook.

# Gold/Silver Ratio in USD (Jan 1970–Dec 2024)



- With gold and silver testing key support levels at USD \$2600/oz and USD \$29/oz, the gold-silver ratio (GSR) ended 2024 near 90:1.
- Historically, the ratio has ranged from as low as 20:1 to over 110:1, with a median of 62:1 since 1969.
- The ratio continues to remain high relative to long-term history. This indicates silver remains underpriced compared to gold, and suggests it may strongly outperform in the period ahead.
- Silver continues to be driven by a combination of robust industrial demand and lagging mine output, imposing supply side constraints.
- Despite silver's positive long-term outlook, there is risk of a further upward move in the GSR, particularly if bond yields and the USD continue to appreciate.

# Gold Performance in Multiple Currencies (Jan 1999–Dec 2024)

Year	USD	AUD	EUR	GBP	JPY	INR	CNY	Developed Mk Avg	Developing Mk Avg
2015	-11.4%	-1.3%	-2.1%	-7.0%	-11.8%	-7.9%	-7.4%	-4.1%	-1.6%
2016	9.1%	9.3%	11.3%	28.9%	4.8%	10.9%	15.6%	12.3%	22.6%
2017	11.9%	4.2%	-1.0%	2.9%	8.8%	6.0%	4.5%	6.9%	6.0%
2018	-1.1%	9.6%	4.1%	5.2%	-3.5%	8.4%	3.3%	5.6%	4.1%
2019	18.8%	19.1%	20.6%	13.9%	17.3%	21.1%	20.5%	19.5%	15.4%
2020	24.2%	13.6%	14.3%	20.8%	18.4%	27.6%	17.2%	23.6%	27.6%
2021	-3.8%	1.3%	2.9%	-3.4%	6.7%	-2.7%	-6.3%	7.3%	-1.9%
2022	-0.4%	7.4%	6.9%	12.7%	16.0%	11.9%	10.2%	9.7%	10.8%
2023	13.8%	13.6%	10.5%	8.6%	21.6%	15.1%	15.6%	18.7%	22.7%
2024	26.6%	38.2%	33.8%	27.7%	40.7%	29.3%	31.7%	37.0%	41.5%
Average	8.8%	11.5%	10.1%	11.0%	11.9%	12.0%	10.5%	10.8%	10.8%
5 Year	12.0%	13.3%	13.1%	12.3%	19.4%	15.9%	12.6%	18.2%	18.4%
10 Year	8.6%	12.0%	10.4%	11.1%	11.8%	12.1%	9.9%	13.3%	13.7%
20 Year	9.6%	10.4%	10.6%	11.6%	11.5%	13.0%	8.9%	12.0%	13.3%
Since 1999	9.7%	9.5%	10.2%	10.9%	11.0%	12.9%	9.0%	11.9%	13.3%

- While gold experienced a modest correction in December in USD terms, it delivered exceptional performance in 2024, with gains of more than 26% across all major global currencies.
- Gold performance in AUD terms delivered gains of 38.2% last year, one of its strongest years on record.
- In a global context, gold performance was led by the Egyptian Pound (EGP) with gains of 112% followed by notable increases in TRY, RUB, KRW and JPY terms accordingly.
- 2024 calendar year returns for gold across major currencies far surpassed annual averages since 2015, which are closer to 10% per annum.
- Gold prices in developing market currencies outperformed throughout 2024 due to a strengthening of the USD.

# Silver Performance in Multiple Currencies (Jan 1999–Dec 2024)

Year	USD	AUD	EUR	GBP	JPY	INR	CNY	Developed Mk Avg	Developing Mk Avg
2015	-13.5%	-2.8%	-4.3%	-9.2%	-13.8%	-10.0%	-9.6%	-5.2%	-3.9%
2016	17.5%	18.6%	19.9%	38.9%	12.9%	19.4%	24.5%	20.7%	32.1%
2017	3.8%	-3.7%	-8.1%	-4.5%	1.0%	-1.6%	-3.0%	-0.7%	-1.5%
2018	-8.3%	1.3%	-3.5%	-2.4%	-10.5%	0.5%	-4.2%	-1.5%	-3.5%
2019	16.7%	17.5%	18.4%	11.8%	15.2%	18.9%	18.4%	17.0%	13.3%
2020	46.8%	33.5%	35.1%	42.8%	39.9%	50.8%	38.6%	46.2%	50.8%
2021	-12.8%	-7.5%	-6.8%	-12.6%	-3.4%	-11.9%	-15.1%	-2.6%	-11.1%
2022	3.7%	11.1%	11.4%	17.4%	20.9%	16.6%	14.8%	15.1%	15.5%
2023	-0.3%	-1.2%	-3.1%	-4.9%	6.6%	0.8%	1.3%	3.9%	7.5%
2024 YTD	21.0%	33.2%	27.9%	22.1%	34.5%	23.6%	25.9%	31.6%	35.3%
Average	7.5%	10.0%	8.7%	9.9%	10.3%	10.7%	9.2%	9.5%	9.5%
5 Year	11.2%	12.6%	12.3%	11.5%	18.5%	15.1%	11.8%	17.6%	17.5%
10 Year	6.6%	9.9%	8.4%	9.0%	9.7%	10.0%	7.8%	11.4%	11.6%
20 Year	7.6%	8.3%	8.5%	9.5%	9.4%	10.9%	6.9%	10.2%	11.1%
Since 1999	7.9%	7.6%	8.3%	9.0%	9.1%	11.0%	7.1%	10.3%	11.4%

- Silver performance in USD terms delivered gains of 21% for 2024, it's second-best calendar year in the last decade
- In AUD terms results were even better, with the metal rising by 33.2% in 2024.
- Silver performance in 2024 was led by the Egyptian Pound (EGP) with gains of 103% and significant increases in TRY, RUB, KRW and JPY terms.
- Gains throughout 2024 for silver across developed market currencies have topped yearly averages since 2015, led by a 33.2% increase in AUD terms.



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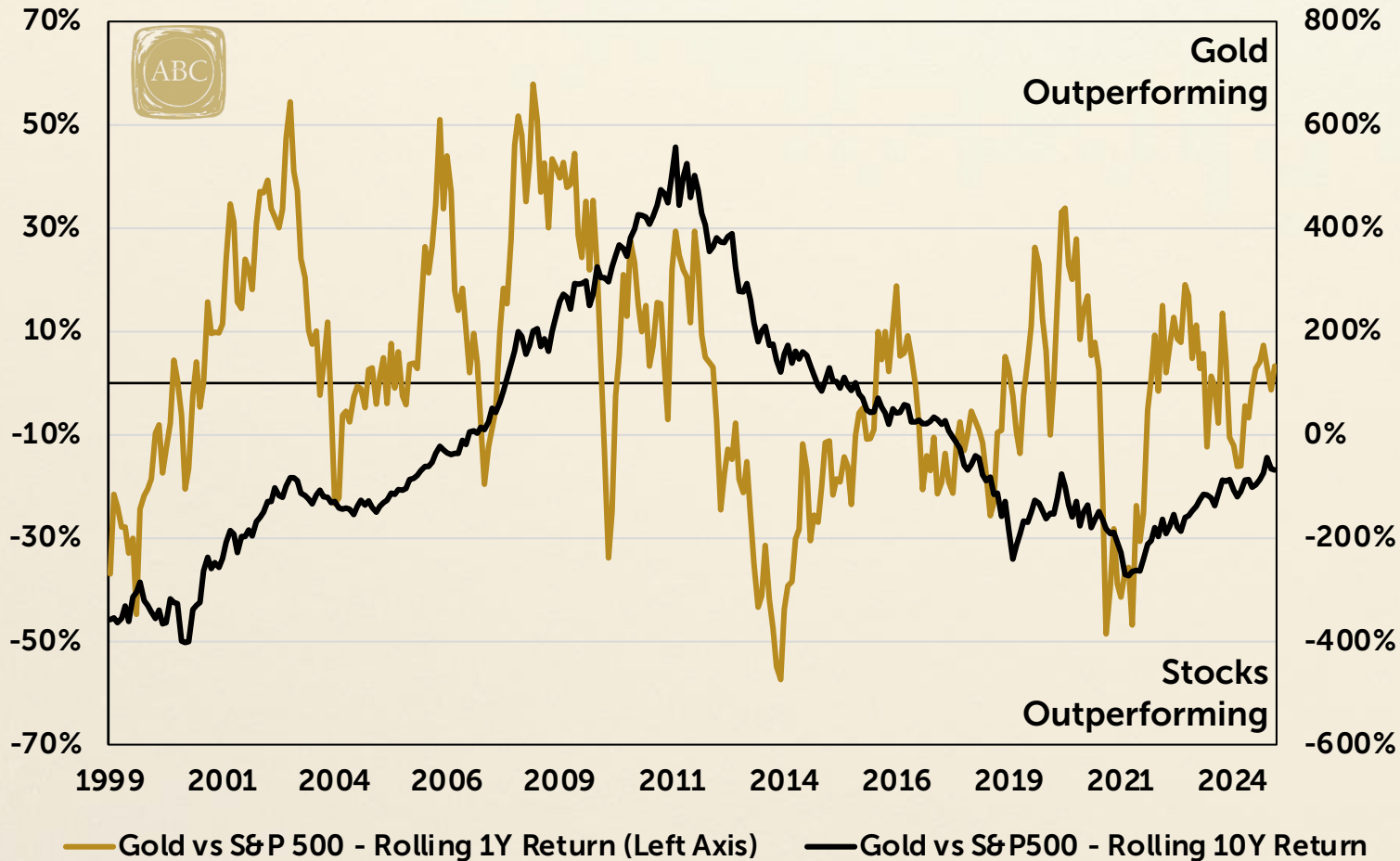


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# PRECIOUS METALS vs. THE MARKET

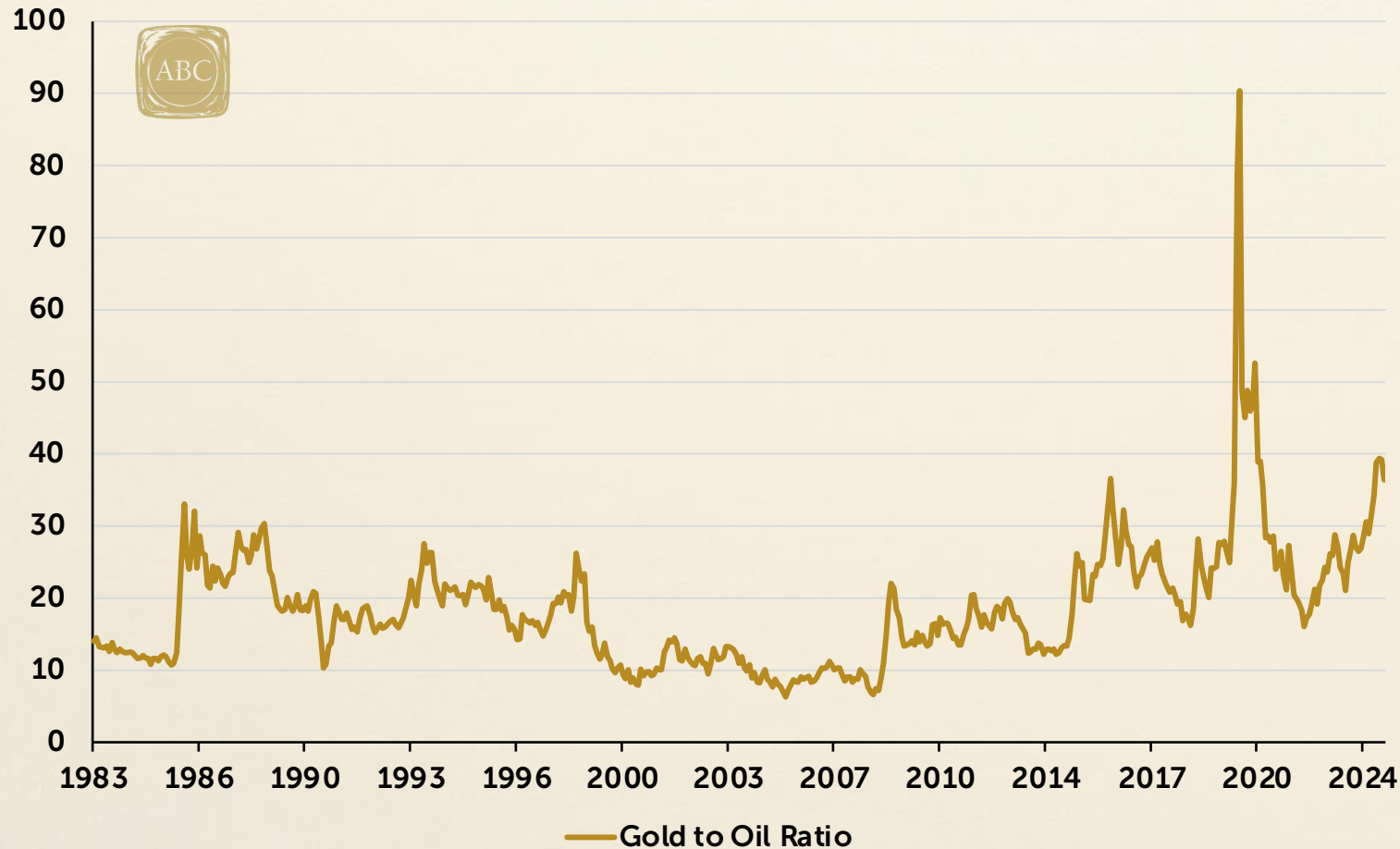


# Gold & S&P 500 in USD – Rolling 1Y/10Y (Jan 1999–Dec 2024)



- Both gold and equities performed strongly across 2024. Gold (+26.6%) finished the year ahead relative to the S&P 500 (+23.3%), though the gap narrowed throughout November/December as equities surged and gold consolidated.
- Expectations for further rate cuts from the US Federal Reserve throughout 2025, and market positivity regarding an incoming Trump administration are currently outweighing geopolitical risks in the Middle East, the potential for a trade war with China and higher bond yields, which could result in equities continuing to outperform gold in the short term.
- Gold still lags the S&P 500 by a significant margin on a rolling 10-year performance basis.
- This backdrop helps explain why we remain of the view gold will outperform equities in the medium term, especially given the stretched valuations and excessive speculation in equity markets today, as well as the many tailwinds that are likely to support bullion going forward.

# Gold/Oil Ratio in USD (Jan 1999–Dec 2024)



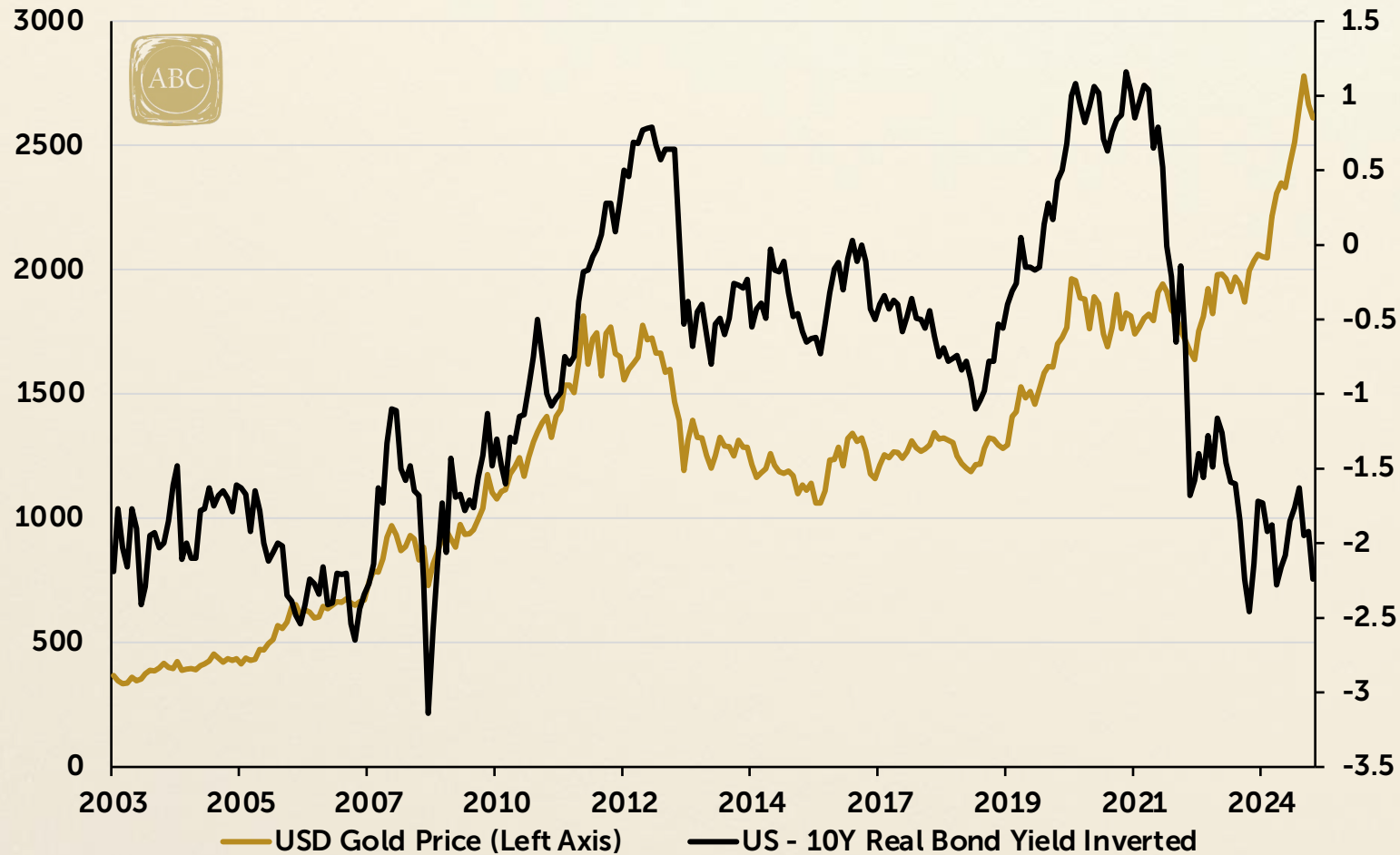
- The gold to oil ratio ended December at 36.4.
- The number is approximately double the long-term average (dating back to 1983) of 18.5.
- The ratio peaked at almost 90 during COVID, when gold first spiked toward USD \$2,000/oz and oil prices cratered, before falling back toward the long-term average in 2021.
- The ratio increase over 2024 has been driven by both the gold rally and a 5% fall in crude oil prices.
- The ratio has begun to decline due to a 5.5% increase in oil prices between November and December and may continue to fall in the short-term due to the ongoing geopolitical tensions, posing as an upside risk to oil prices.
- Longer-term we are more confident in the outlook for bullion (which suggests the ratio will remain relevant) with a recent Commodity Markets Outlook published by the World Bank suggesting oil prices are expected to fall over the medium term by 5.1% (2025) due to surplus supply.

# Gold/Bloomberg Commodities Index (BCOM) in USD (Dec 1969–Dec 2024)



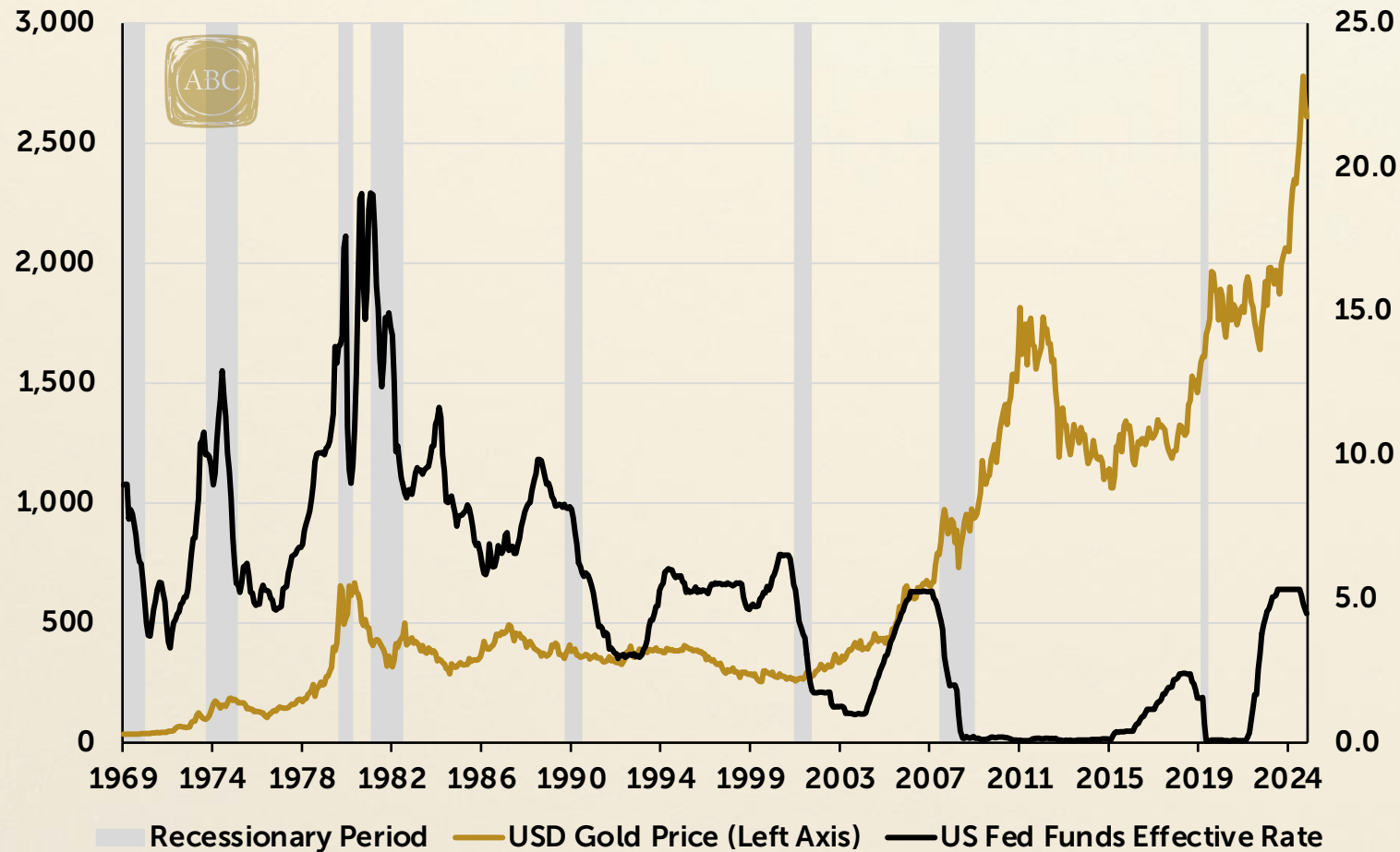
- The gold to Bloomberg commodity total return (BCOM) index ratio fell 2.6% on a month-to-month basis, finishing December at 26.4.
- The December move was driven by a 2% pullback in gold and a small 0.6% increase in the BCOM index, to 98.14.
- Despite the recent decline, as the chart makes clear, this ratio remains near all-time highs, with the long-term average just 6.7.
- Looking ahead, a projected global slowdown from US imposed tariffs, growing fiscal deficits and reduced immigration into the US could stifle growth, which is a bearish outlook for broader commodity price trends, that is only reinforced by a strengthening USD.
- That is likely to be more bullish for gold (as a monetary asset and a defensive portfolio asset) vs a basket of commodities. Given this backdrop, it would not surprise to see this ratio remain at elevated levels throughout 2025.
- Markets will also be monitoring for additional China stimulus in 2025, anticipating it could drive a recovery in commodities demand driven by the second largest economy.

# Gold in USD & US 10Y Real Bond Yield Inverted (Jan 2003–Dec 2024)



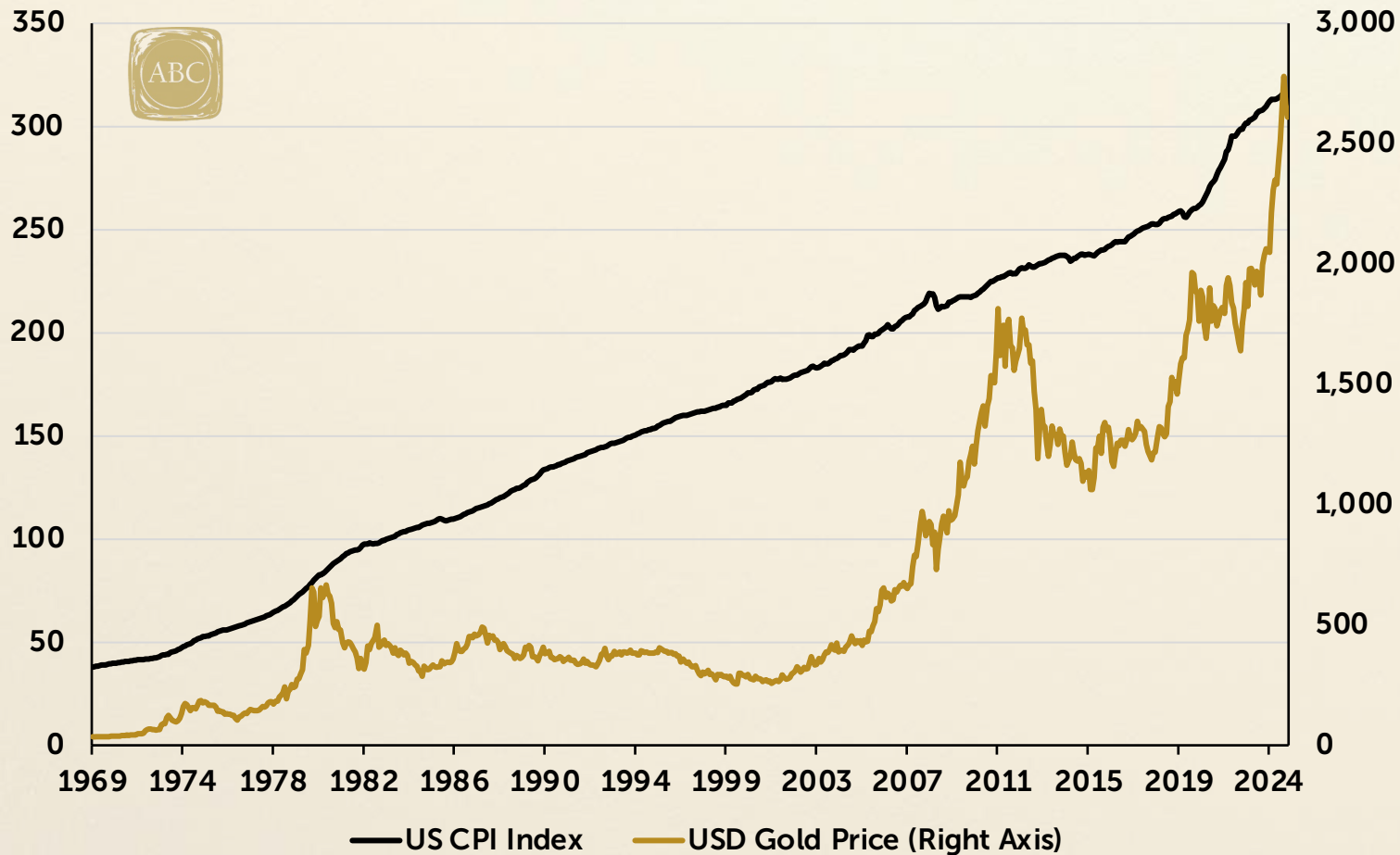
- Historically, U.S real yields and gold prices have exhibited a negative correlation. However, this relationship ended (for now at least) in early 2022, when both yields and gold began to increase in unison.
- After peaking in late 2023, U.S real yields began to fall in 2024, as markets price in a sustained period of monetary easing from the US Federal Reserve and other central banks.
- In recent months though yields have again begun to increase, especially at the longer-end, as excessive deficit spending and concerns over the proposed Trumps administration policies raised the inflation premium markets are demanding from the United States Treasury.
- Watching how this relationship unfolds will be fascinating to watch in 2025, as markets will continue to pressure the Fed to cut, potentially creating even larger yield differentials between shorter and longer duration securities, which is often seen as a recession indicator.

# Gold in USD & US Fed Funds Effective Rate (Dec 1969–Dec 2024)



- An interest rate cutting cycle continues to play out across most developed markets, as central banks' attempt to ensure a soft landing.
- Moderating levels of inflation over recent months encouraged the policy shift with the US Fed cutting rates for the first time in 4.5 years by 50 basis points in September. Since then, the US have cut interest rates an additional 50 basis points despite inflation remaining above the Fed's 2% target, bringing the rate down to 4.5% to end 2024.
- Further rate cuts are expected in 2025, with forecasts typically suggesting we will see another 50 to 100 basis points of easing. This will act as a strong tailwind for the precious metals sector, with gold rallying substantially in the rate cutting cycles this century.
- In Australia, headline inflationary pressures fell to 2.8% in September, driven by government spending on cost-of-living relief. Underlying inflation came in at 3.5%, remaining well above the RBA's 2-3% target range. Expectations are that the RBA will not cut rates until early to Mid 2025, despite the obvious slowdown in economic activity observed domestically.

# Gold in USD & US CPI Index (Dec 1969–Dec 2024)



- While inflation continues to decline from its 2022 peak of 9.1% after the COVID period (it was just 2.7% y.o.y at end October), it remains above the Federal Reserve's 2% target.
- Median, mean and core inflation ended November at 3.9%, 3.2% and 3.3% respectively, with mean inflation marginally rising on an annualized basis.
- Turning to output and the U.S economy achieved a 3.1% annualized GDP growth rate for Q3, primarily driven by strong consumer and federal government spending.
- Despite this, a slowdown in the US economy is predicted by Bloomberg in 2025, with GDP growth expected to ease to 1.9% and unemployment anticipated to increase to 4.5%.
- Challenges on the inflation front, which may potentially stem from Trumps economic policies, has the potential to complicate the Feds desire to implement rate cuts moving into 2025, or the speed in which they can deliver them.



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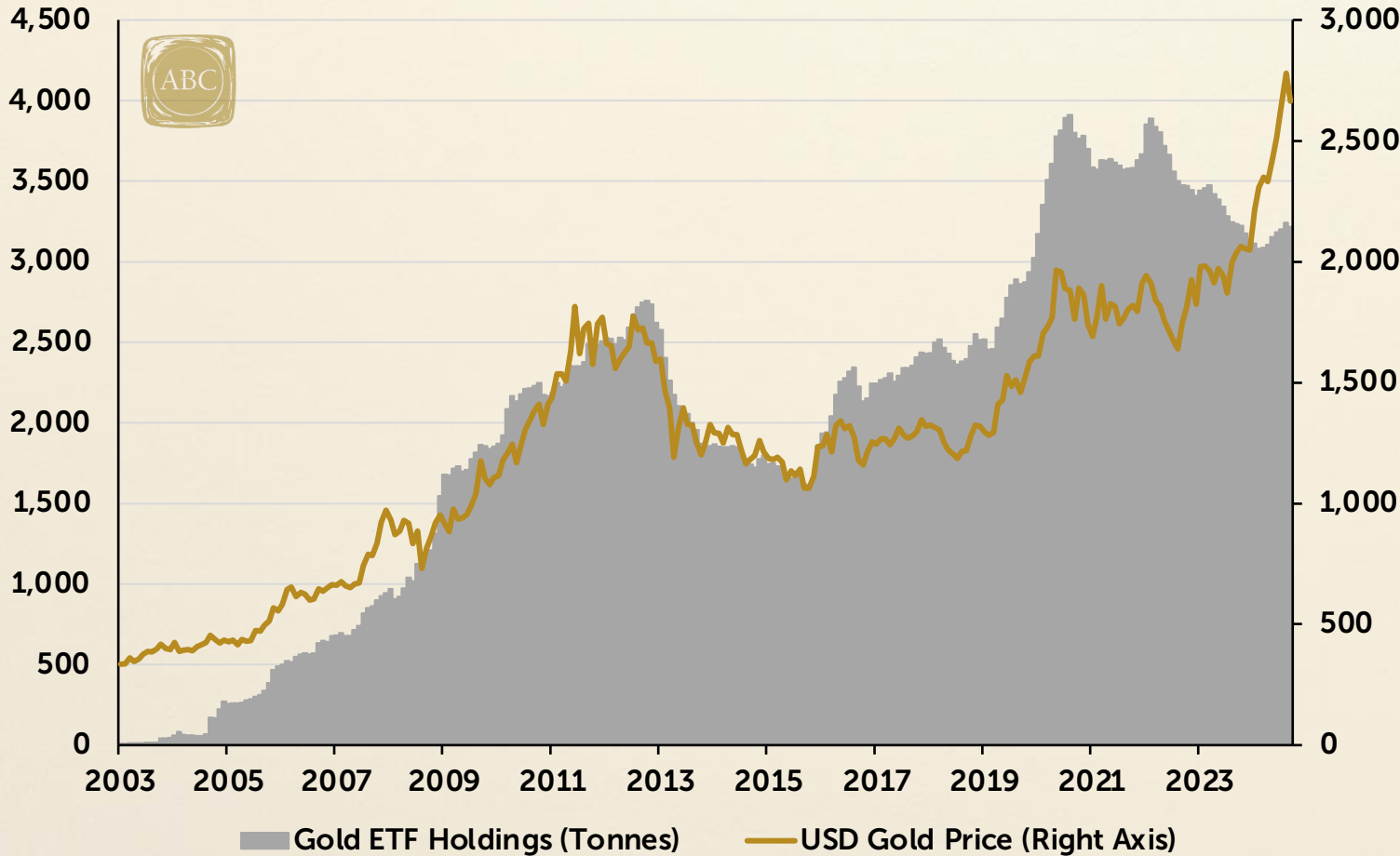


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# PRECIOUS METALS POSITIONING



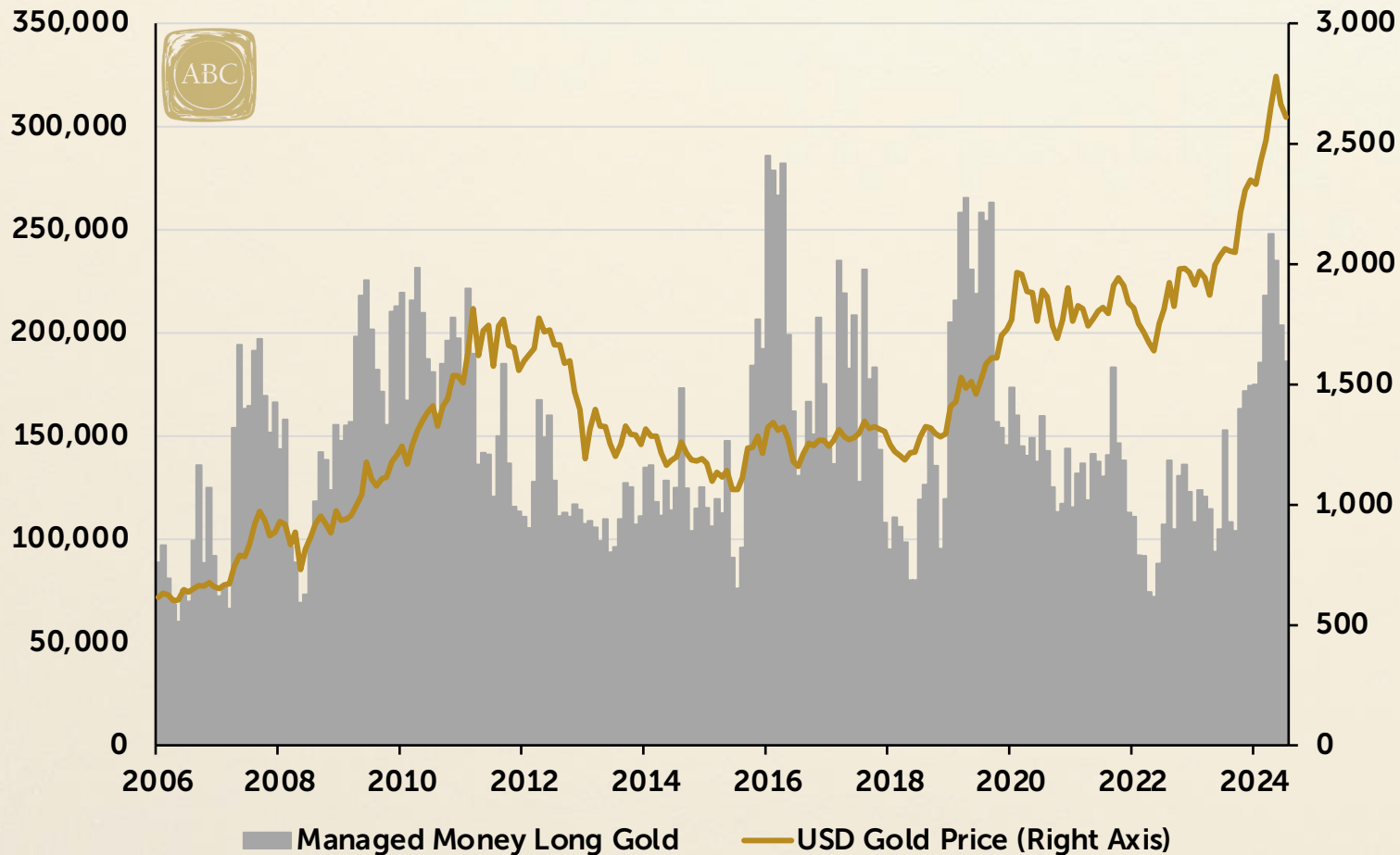
# Gold in USD & Gold ETF Holdings (Mar 2003–Nov 2024)



- Gold ETF holdings rose modestly in December, with total tonnage held across all products globally increasing by 3 tonnes to 3218.8 tonnes (USD \$270bn).
- While total holdings increased last month, the market remains in consolidation mode, after a more than 6 month winning streak between April and November 2024 during which more than over 160 tonnes flow into products globally.
- For calendar year 2024 as a whole, the ETF market again saw net outflows from products, driven by major outflows at the start of the year.
- Inflows are expected to increase moving into the new year, with a recent publication by Goldman Sachs suggesting gold holdings in ETFs are expected to progressively increase in as investors position for multiple rate cuts from the US Federal Reserve in 2025.

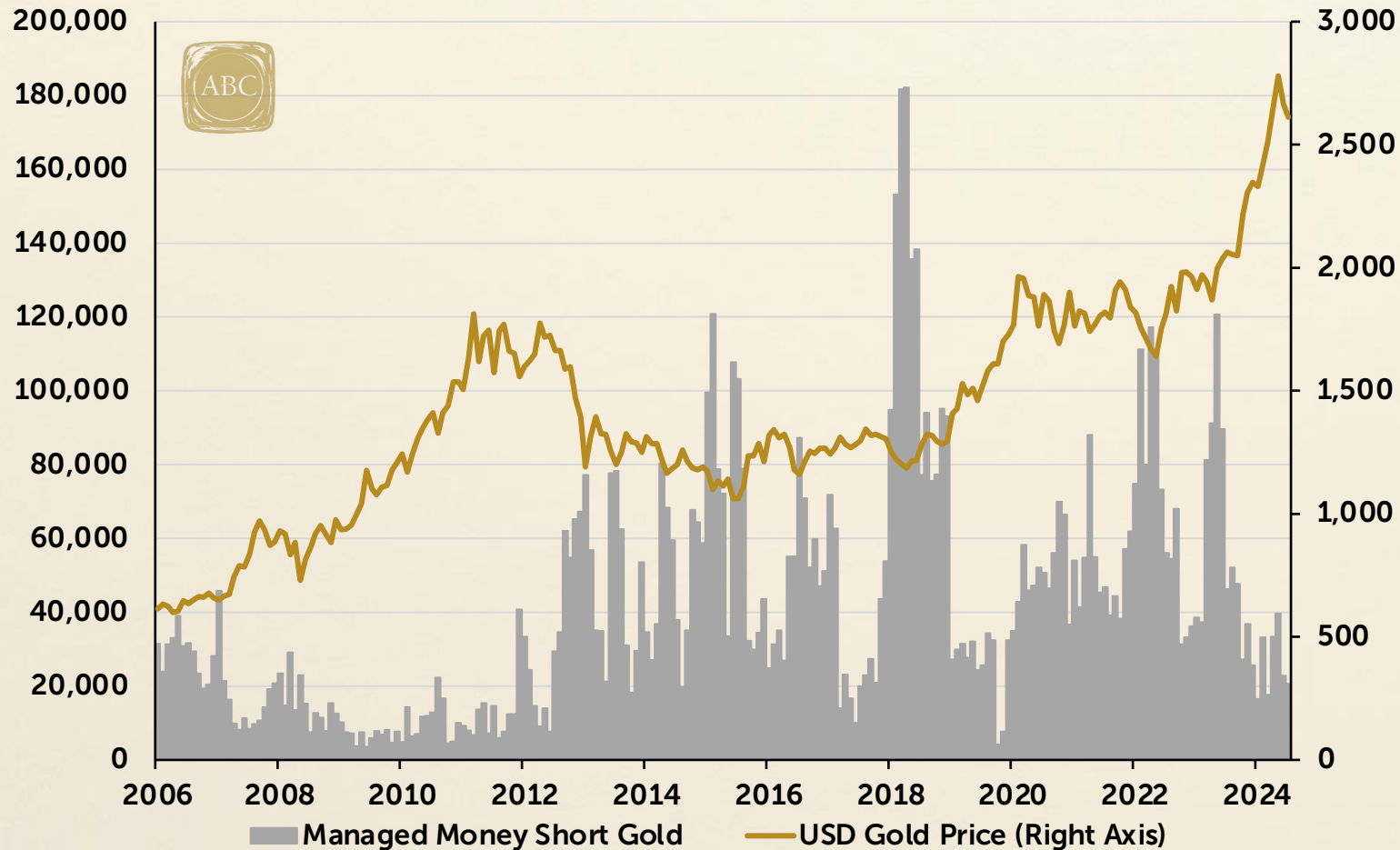
Source: LBMA, World Gold Council – ETF Holdings subject to revision, ETF data 1 month lag

# Gold in USD & Managed Money Long Gold (Jun 2006–Dec 2024)



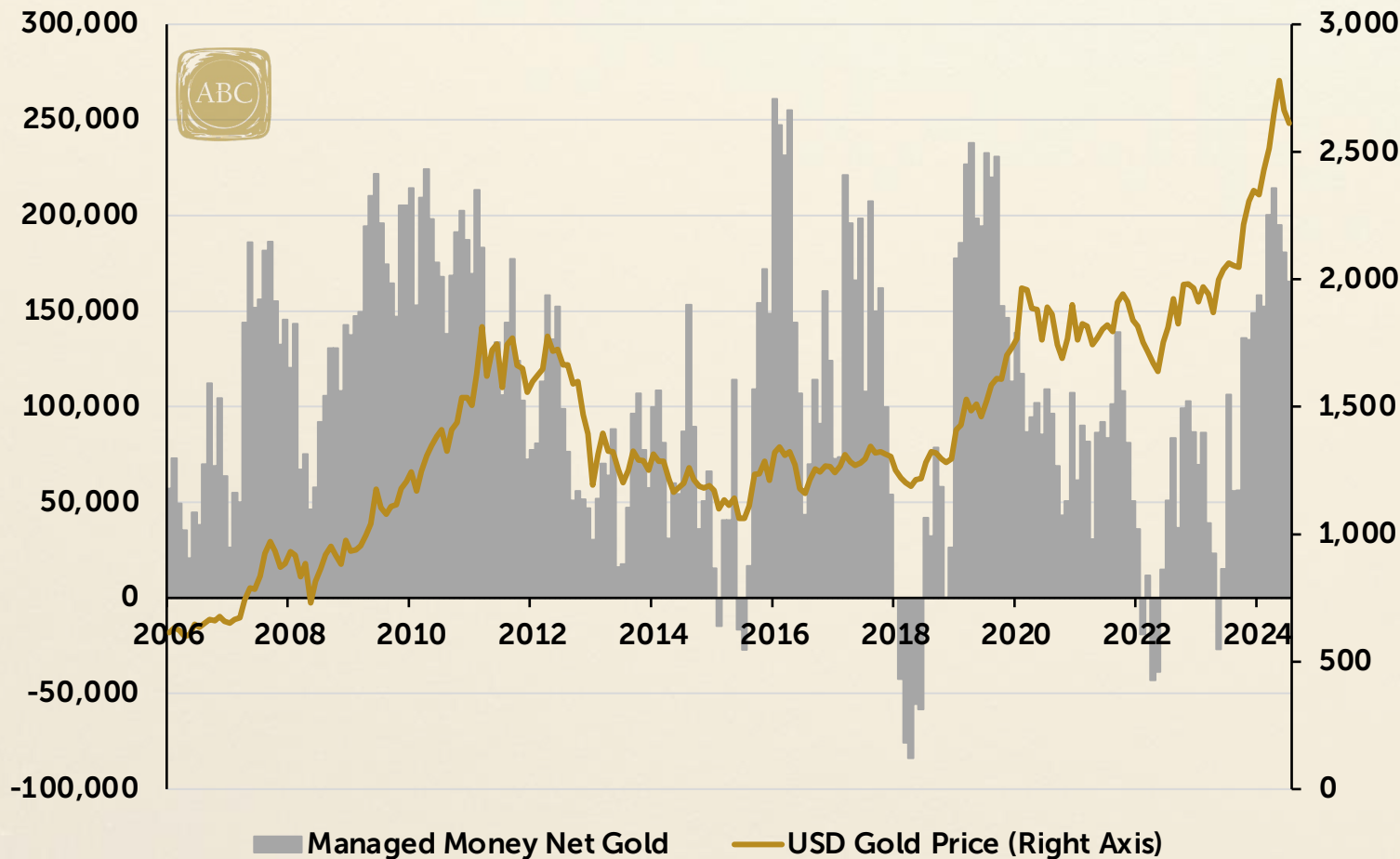
- Gross long positioning continued to pullback in December, continuing the trend reversal that began in September, closing the month with a +186,099-contract position.
- The current position represents an 9% decrease vs the prior month and a 25% decrease compared to September highs.
- The decline in gross long positioning reflects multiple factors, including profit-taking after extended price gains leading up to the recent Presidential election.
- Donald Trump's victory spurred a surge in equity markets and a shift toward higher-risk investor positioning.
- Despite the recent pullback in positioning, gross longs remain 22% higher than at the end of 2023, highlighting the continued interest in gold and reflective of the strong price growth that characterized 2024 as a whole.

# Gold in USD & Managed Money Short Gold (Jun 2006–Dec 2024)



- Managed money short positioning has remained relatively stable throughout 2024, contrasting with the major fluctuations observed from 2018 to 2023.
- Relative to the beginning of the year, the current gross short position has fallen by almost 55% and currently sits at +20,602 contracts.
- December recorded a modest month-on-month decrease of 10% in gross short positioning.
- This continued decline in short positioning observed throughout 2024 was understandable given substantial price gains seen across the year.
- Paired with a supportive monetary and geopolitical backdrop that has exacerbated market fears of being short gold in recent times, it is unlikely short-positioning will meaningfully rise in 2025, absent a major retreat in prices.

# Gold in USD & Managed Money Net Gold (Jun 2006–Dec 2024)



- The Managed Money Net Position ended December at +165,497 contracts.
- That position represents an 8.4% decrease relative to the prior month, and a 23% decline relative to where the market sat at end September, when net positioning was as risk on as it had been all year.
- Although net positioning declined month on month, it remains 195% higher than it was in early 2024.
- Recent movements underscore the view that market participants continue to see gold as a safe-haven asset amid broader macroeconomic uncertainties, even if the speculative froth seen in recent months has dissipated.
- Supported by strong investor demand and a continued shift toward risk-averse strategies in the face of potentially volatile market conditions, we see room for net positioning to expand in 2025.

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