



# MONTHLY MARKET UPDATE

October 2024

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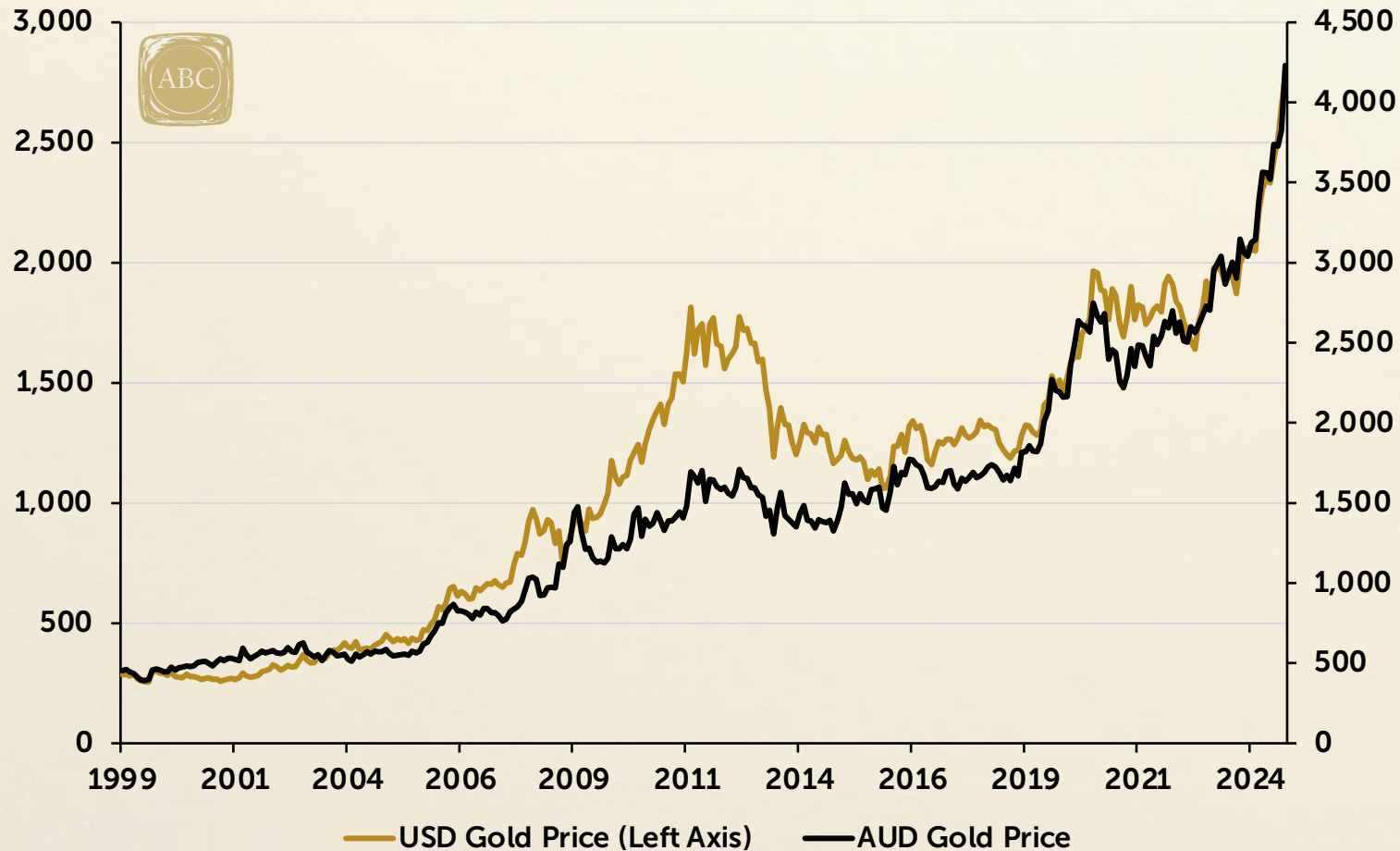
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# PRECIOUS METALS PERFORMANCE

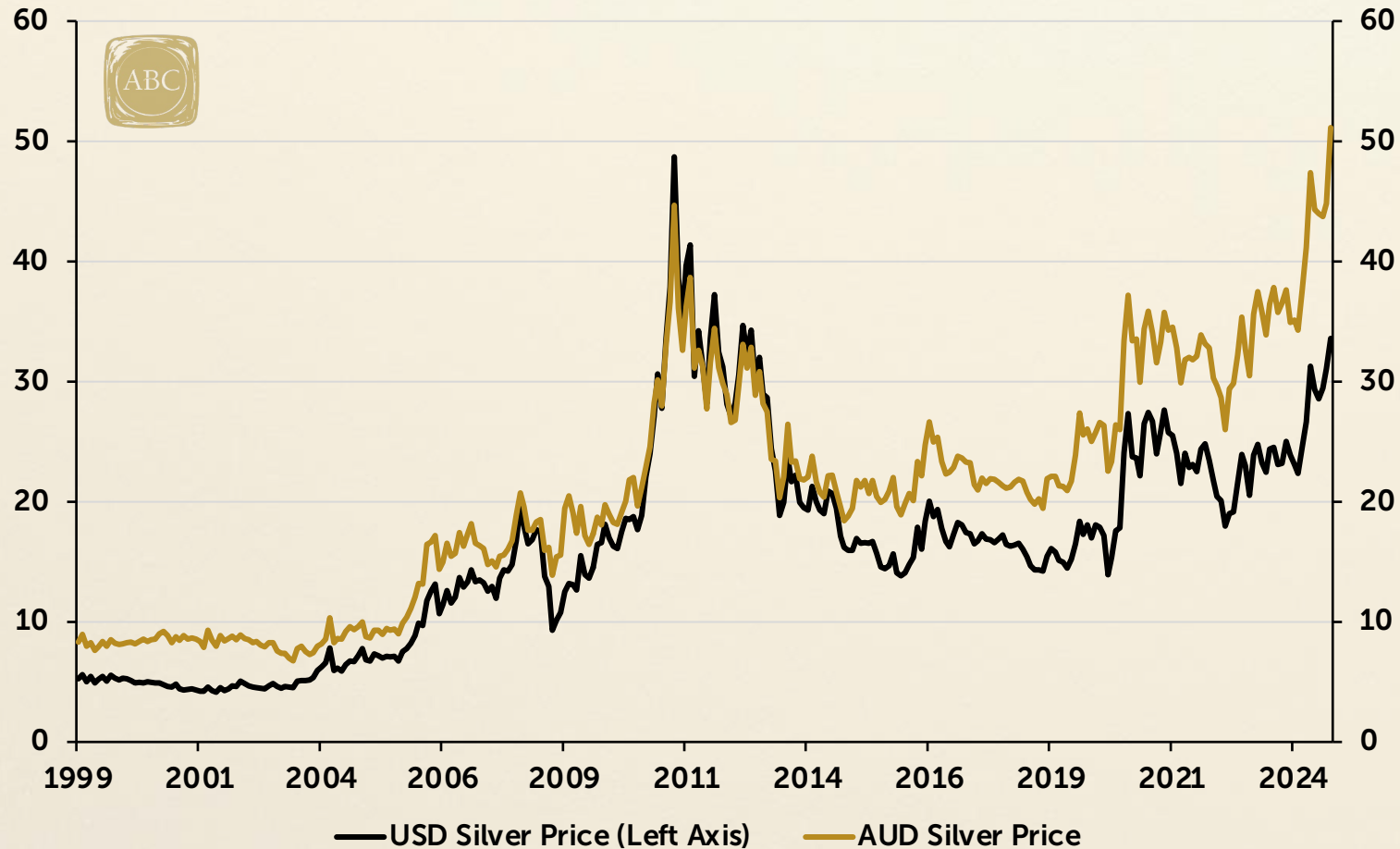


# Gold in USD & Gold in AUD (Jan 1999–Oct 2024)



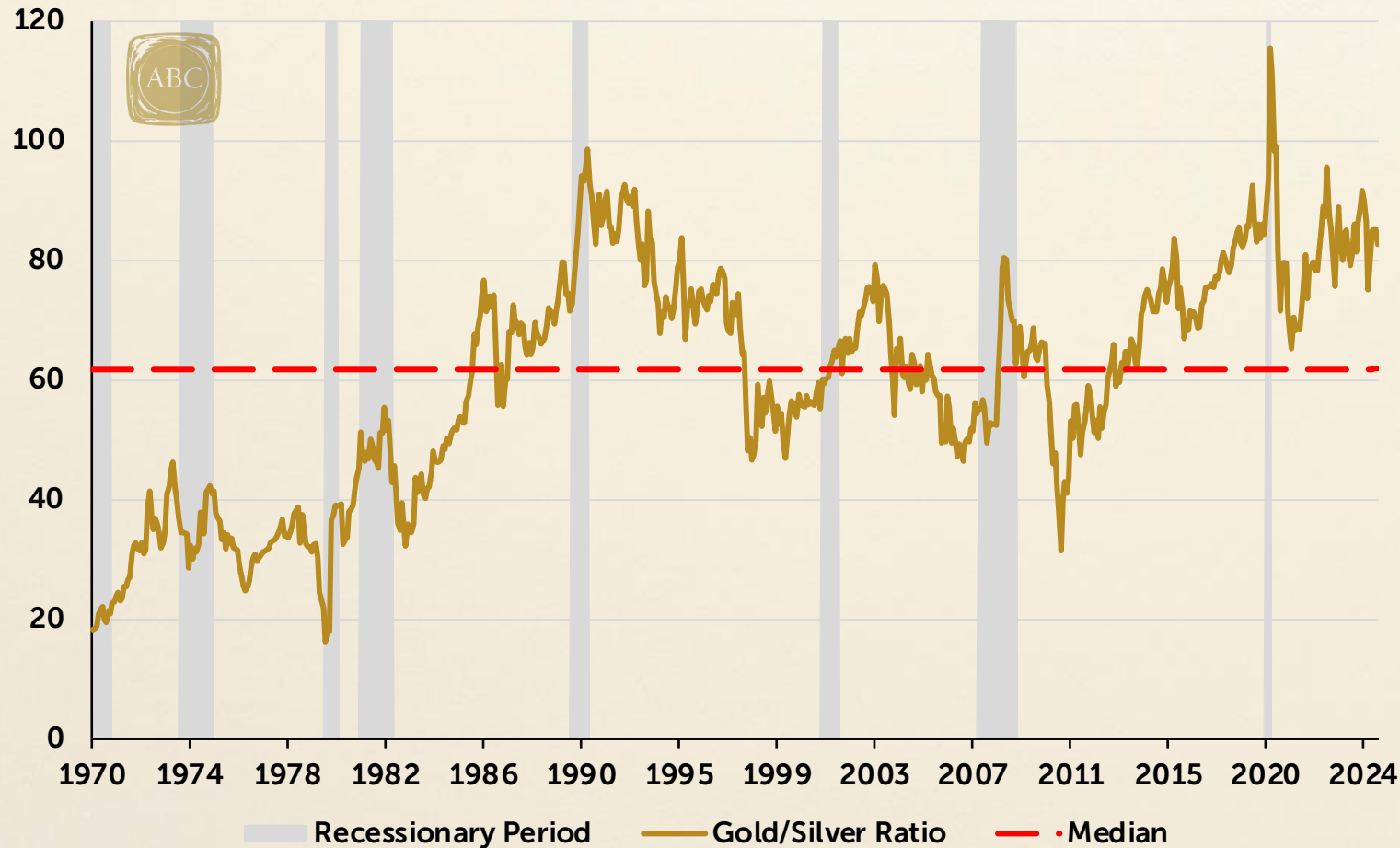
- Gold prices maintained their upward trajectory throughout October, posting a strong 4.9% gain in USD terms, reaching an all-time high of USD \$2779 per troy ounce (oz) by month-end.
- Australian dollar investors saw even greater gains, with gold rising 10.67%, peaking at AUD \$4244 per troy ounce (oz) before pulling back to AUD \$4231oz by month-end.
- A weaker Australian dollar improved gains in local terms on a month-to-month basis. As the AUD depreciated by 5.2% to USD \$0.6569 by the end of October.

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



- Silver continued to parallel golds upward momentum and further outperform, climbing 8.1% month-on-month in USD terms. Reaching a monthly high of USD \$34.85 per troy ounce (oz) before subsiding to USD \$32.60oz by month-end.
- Australian dollar investors experienced even stronger returns, with silver prices rising 14.1% month-on-month. Reaching all-time highs of AUD \$52.60oz, before finishing October at AUD \$51.13oz.
- The anticipation of a further 0.25% rate cut in the United States and the expectation of increased industrial demand over Q4 will likely continue to provide support for the metal. With these economic tailwinds expected to increase consumption and infrastructure investments across global markets, indirectly supporting silver prices in the near term.

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



- With gold and silver testing key support levels at USD \$2750oz and USD \$32.80oz, the gold-silver ratio (GSR) currently hovers around 83:1.
- Historically, the ratio has ranged from as low as 20:1 to over 110:1, with a median of 62:1 since 1969.
- Whilst falling, the ratio remains historically high. Indicating silver remains underpriced compared to gold, illustrative of potential silver outperformance within the coming months. Silver continues to be driven by a combination of robust industrial demand and lagging mine output, imposing supply side constraints.
- Despite the positive long-term outlook for silver, there is risk of an upward move in the GSR, especially if precious metal pullback after their recent surge, with silver typically underperforming in such periods.

# Gold Performance in Multiple Currencies (Jan 1999–Oct 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 YTD	34.8%	39.2%	34.1%	30.3%	41.8%	33.0%	34.3%	39.0%	43.8%
Average	9.6%	11.6%	10.2%	11.3%	12.0%	12.3%	10.8%	11.1%	11.1%
5 Year	11.6%	11.0%	11.5%	9.6%	18.5%	15.3%	12.0%	17.1%	17.1%
10 Year	7.5%	10.8%	9.4%	9.9%	11.0%	11.1%	8.9%	12.4%	12.8%
20 Year	9.8%	9.9%	10.3%	11.5%	11.3%	13.1%	9.0%	12.0%	13.3%
Since 1999	9.7%	9.1%	9.9%	10.7%	10.8%	12.9%	8.9%	11.7%	13.1%

- Gold continues to extend its incredibly strong performance year to date, with gains of more than 30% across all major global currencies.
- Gold performance has been led by the Egyptian Pound (EGP) with gains of 113% followed by notable increases in TRY, RUB, KRW and JPY terms accordingly.
- Year to date (YTD) gains for gold across major currencies have far surpassed yearly averages since 2015, and long-term annualized returns, which are closer to 10% per annum.
- Gold prices in developing market currencies continue to outperform throughout 2024 due to a strengthening of the USD, notably the EGP, RUB and VND.

# Silver Performance in Multiple Currencies (Jan 1999–Oct 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	40.7%	46.5%	40.0%	36.0%	47.9%	38.8%	40.1%	45.3%	50.0%
Average	9.4%	11.3%	9.9%	11.3%	11.7%	12.2%	10.6%	10.9%	10.9%
5 Year	11.1%	10.4%	10.9%	9.1%	17.9%	14.8%	11.4%	16.6%	16.5%
10 Year	4.8%	8.0%	6.6%	7.1%	8.2%	8.3%	6.1%	9.8%	10.0%
20 Year	7.9%	8.0%	8.4%	9.6%	9.4%	11.2%	7.2%	10.3%	11.3%
Since 1999	7.9%	7.4%	8.2%	8.9%	9.0%	11.0%	7.1%	10.2%	11.3%

- Silver performance year to date (YTD) has been led by the Egyptian Pound (EGP) with gains of 123% and significant increases in RUB, KRW, JPY and AUD terms.
- YTD gains for silver across major currencies have topped yearly averages since 2015, led by a 47.9% increase in JPY terms.
- Silver's performance in developing markets has continued to be even stronger relative to developed markets in 2024 so far, with an average gain of 50% to end October.



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# PRECIOUS METALS vs. THE MARKET

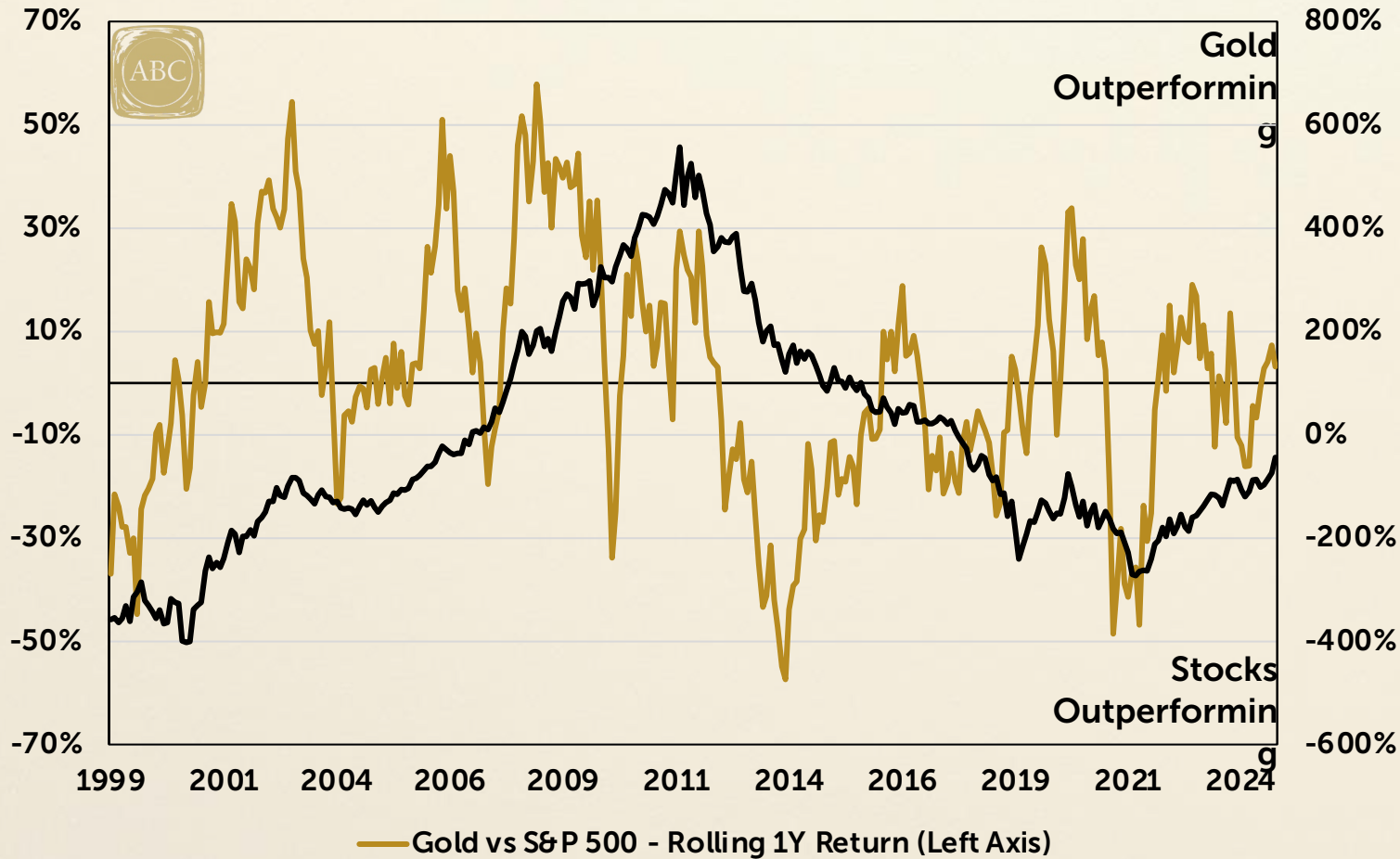


# U.S Presidential Election 2024 - Trump won the race. Does it matter?



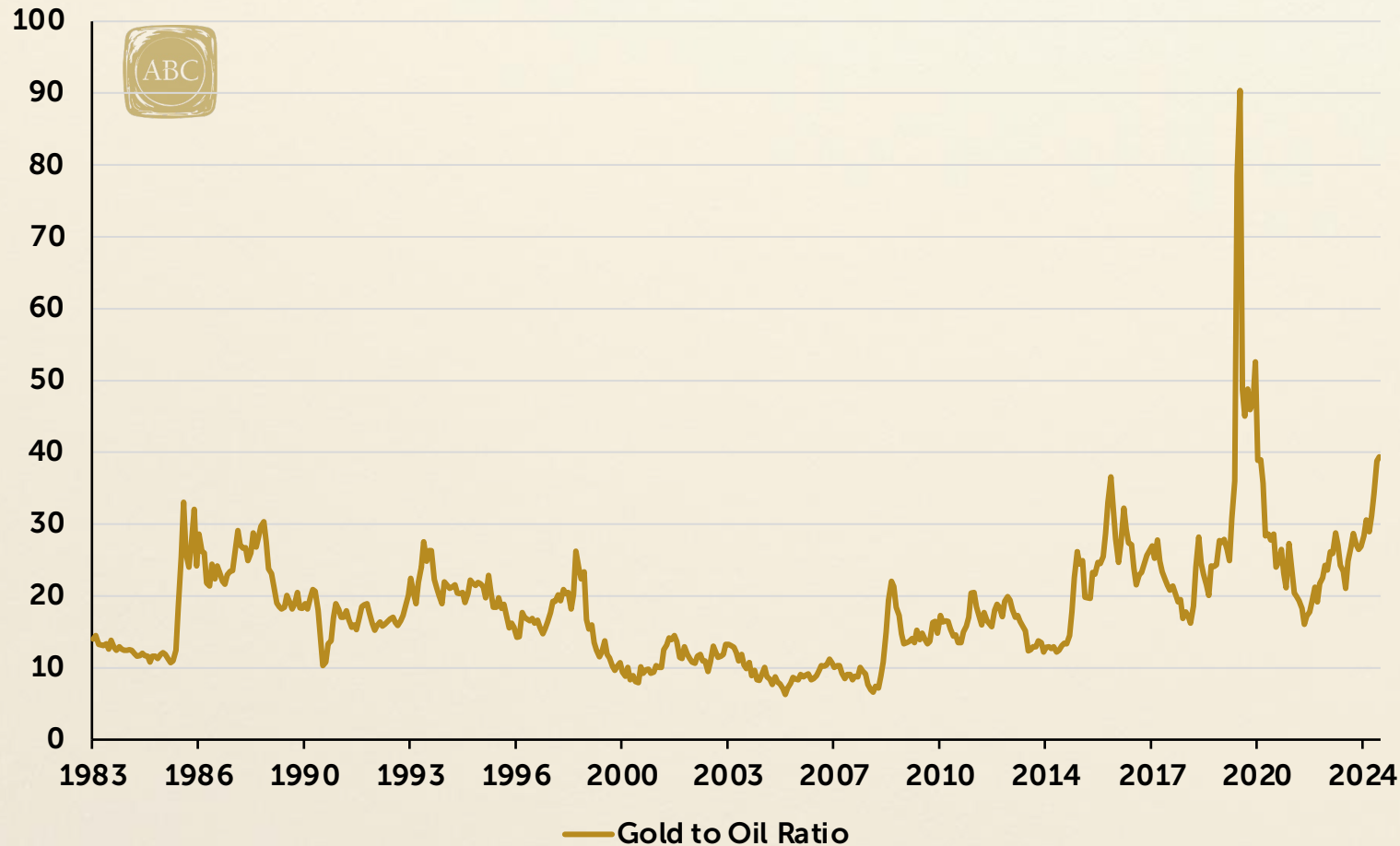
- Historically, gold often sees a spike during US elections due to anticipated economic uncertainty, but this trend typically stabilizes swiftly post election.
- Following Trump's recent re-election, precious metal prices fell overnight with gold and silver dropping 3% and 5% respectively in USD terms.
- Trump's return has raised expectations of a more aggressive Federal Reserve stance, which could lead to higher interest rates and reduced demand for non-yielding assets like gold and silver. The anticipated strengthening of the U.S. dollar and a positive stock market response to Trump's pro-business policies have quickly shifted investor interest from precious metals to equities. As investor confidence grows, the appeal of riskier assets (i.e., equities) rises, further dampening demand for defensive assets like gold and silver.
- However, while existing volatility stemming from the election currently exists, the ongoing normalization of interest rates in the United States, additional Chinese fiscal stimulus and ongoing geopolitical tensions, provide fundamental tailwinds for precious metal prices regardless of the election outcome.

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



- Moderate central bank purchases led by Poland and Hungary throughout Q3, combined with investors seeking safe-haven assets amid uncertainties surrounding the outcome of the US presidential election continue to fuel the gold market.
- Both gold and equities have been strong YTD. However, gold has continued to extend its outperformance relative to the S&P 500. With gold +35.4% in USD terms and the S&P 500 +17.7% respectively.
- Expectations for further rate cuts from the US Federal Reserve and ongoing geopolitical risks within the Middle East, continue to fuel demand for precious metals and help explain its recent outperformance relative to the S&P 500.
- Despite gold's recent price strength, it still lags the S&P 500 by a significant margin on a rolling 10-year performance basis. There is a good chance this gap will narrow in the years ahead, especially given the many tailwinds that are likely to support bullion going forward.

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



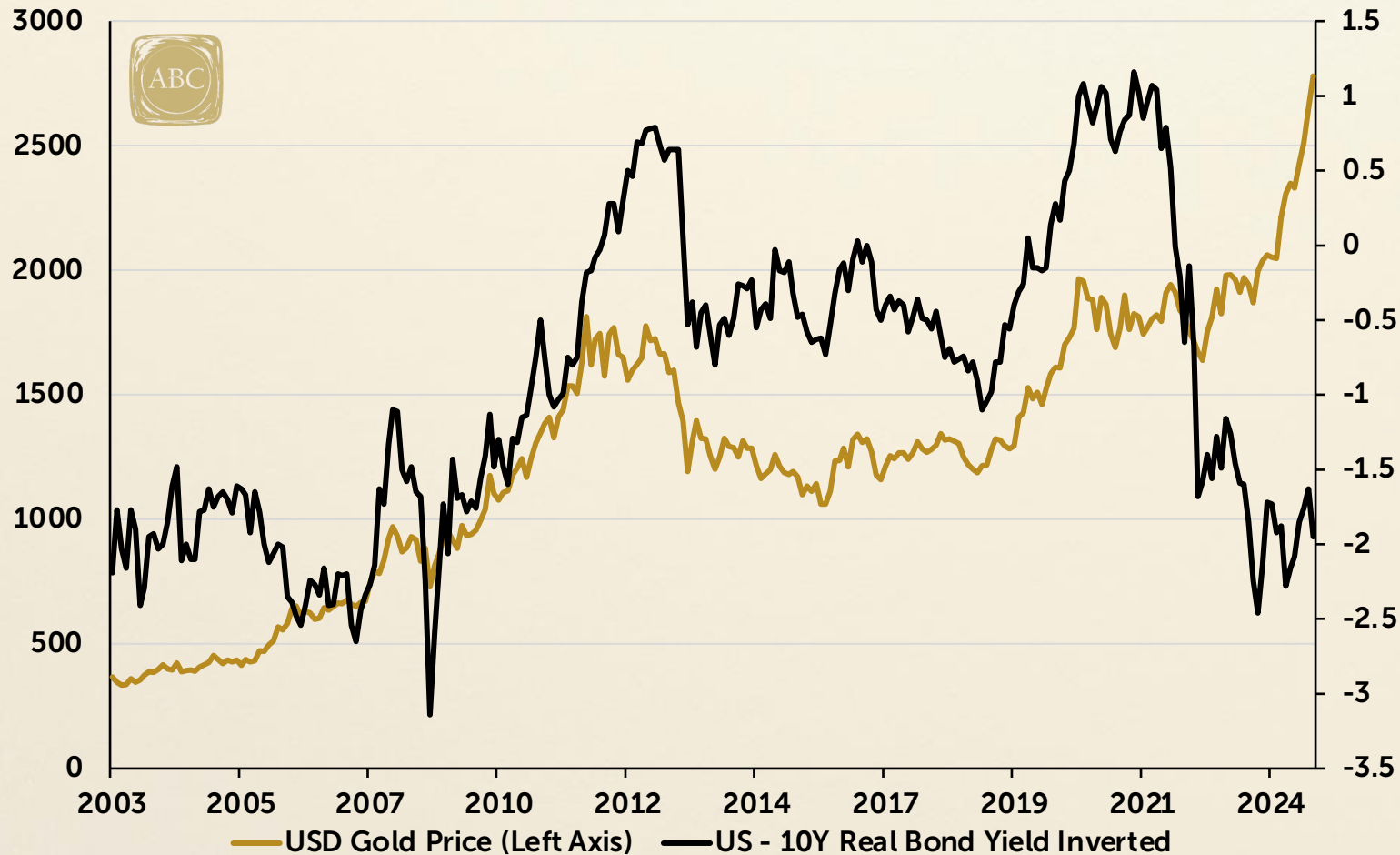
- The gold to oil ratio ended October at 39.4.
- The number is more than double the long-term average (dating back to 1983) of 18.5.
- The ratio peaked at almost 90 during COVID, when gold first spiked toward USD \$2,000/oz and oil tanked, before falling back toward the long-term average in 2021.
- The ratio increase year to date has been driven by both the gold rally and a 7% fall in crude oil prices.
- Over the short term, this ratio may stabilize or even decline (even with gold expected to rally) due to the ongoing geopolitical tensions, posing as an upside risk to oil prices.
- However, according to a recent Commodity Markets Outlook published by the World Bank, oil prices are expected to fall over the medium term by 5.1% (2025) to US \$73 per barrel, due to surplus supply that is expected to be large enough to offset price effects of an escalation within the Middle East.

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



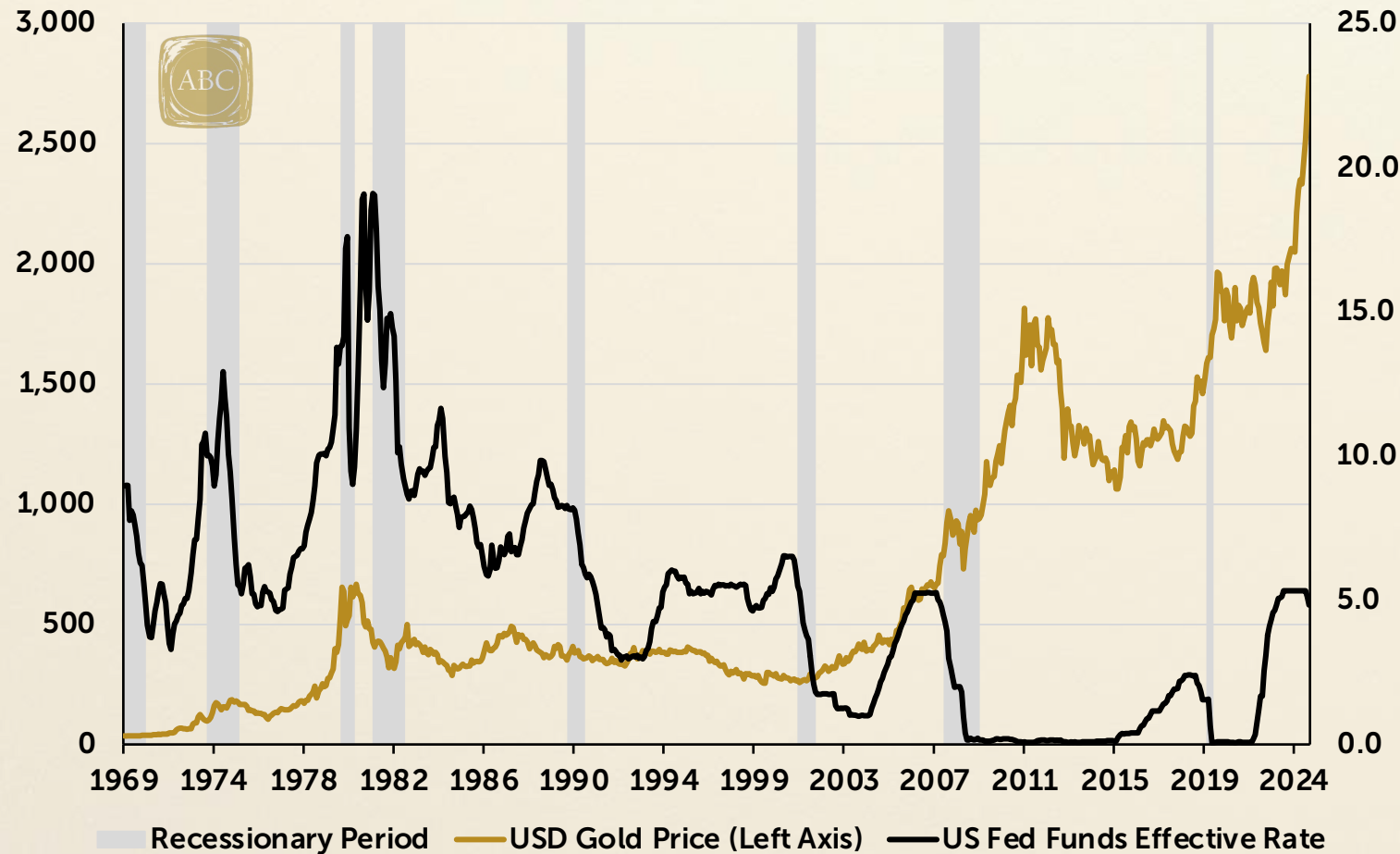
- The gold to Bloomberg commodity total return (BCOM) index ratio remained just below all-time highs at the end of October, finishing the month above 28, vs a long-term average of 6.7.
- This resulted from a 0.5% pullback in commodity prices throughout October, with the BCOM index ending the month just above 98.
- The commodities sector has experienced broad losses since the middle of last year, with oil and natural gas leading the decline, slumping -7% and -10% respectively over October.
- Demand has shifted towards USD, gaining momentum recently as traders price in the recent 'red sweep' outcome from the US election. A result that may lead to excessive government spending, pushing the debt-to-GDP ratio higher, fueling inflation fears. Potentially further slowing the pace of expected rate cuts, thereby making the greenback relatively more attractive from a rate differential perspective.

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



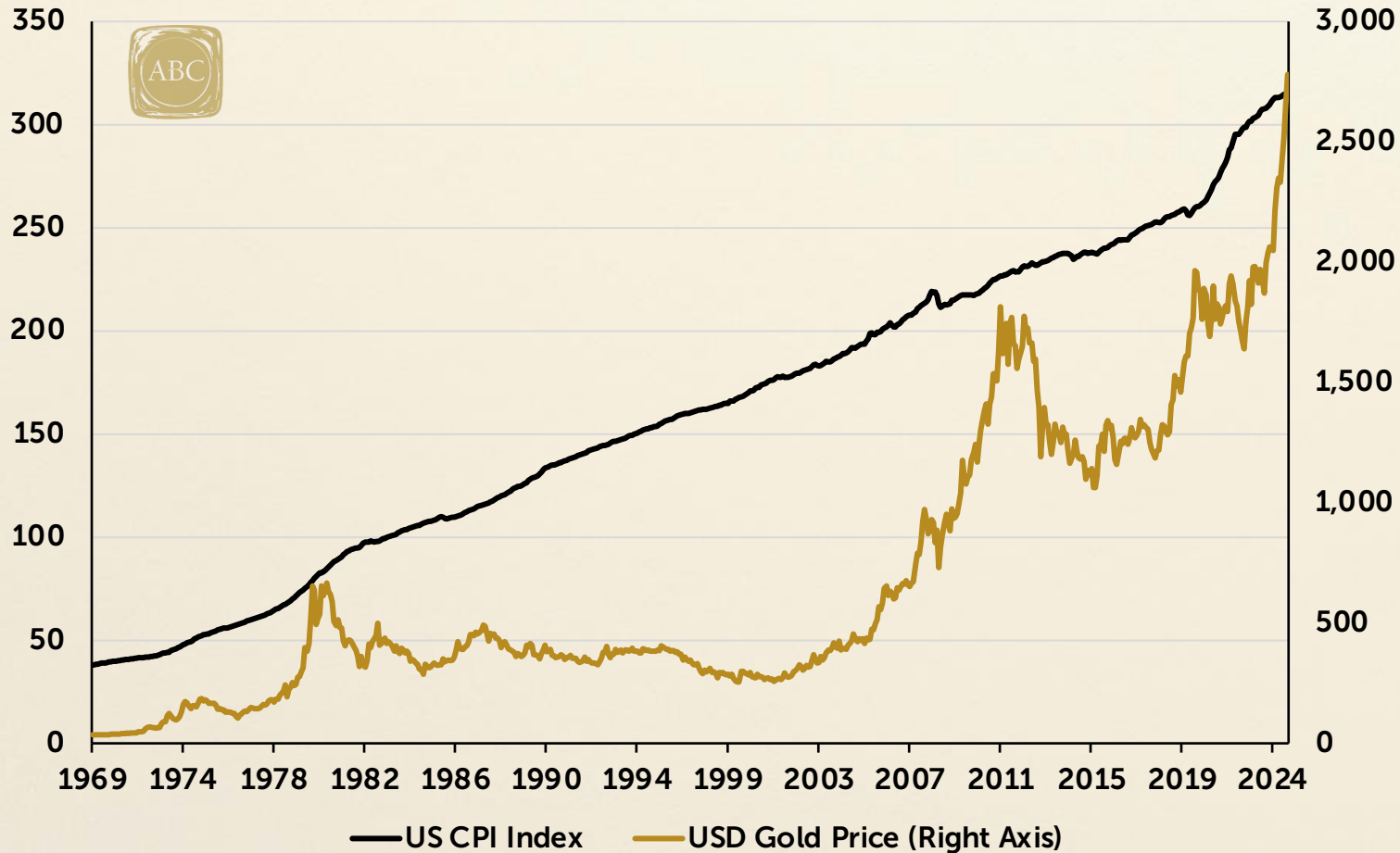
- Historically, U.S real yields and gold prices have exhibited a negative correlation. However, this relationship reversed in early 2022, with rising yields coinciding with an increase in gold prices in USD terms.
- After peaking in late 2023, U.S real yields are beginning to fall, as markets price in a sustained period of monetary easing from the US Federal Reserve and other central banks. However, based on the outcome of the recent US election, this trend could potentially see a reversal due to Trumps proposed inflationary policies.
- Long-term real yields in the U.S continue to face upward pressure resulting from excessive deficit spending and inflationary concerns.

# Gold in USD & US Fed Funds Effective Rate (Dec 1969–Oct 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.
- U.S markets have priced in an additional 25 basis point cut in November and December respectively despite inflation remaining above the Fed's 2% target, potentially bringing the rate down to 4.5% by the end of 2024. This is expected to act as a strong tailwind for the precious metals sector, with gold rallying substantially in the rate cutting cycles this century.
- In Australia, whilst headline inflationary pressures fell to 2.8% in September, driven by artificial government spending on cost-of-living relief. Underlying inflation came in at 3.5%, remaining above the RBA's 2-3% target range. Expectations are that the RBA will not cut rates until Feb 2025 with the 'big four' banks expecting rate cuts of 0.25%, bringing the cash rate down to 4.1%.

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

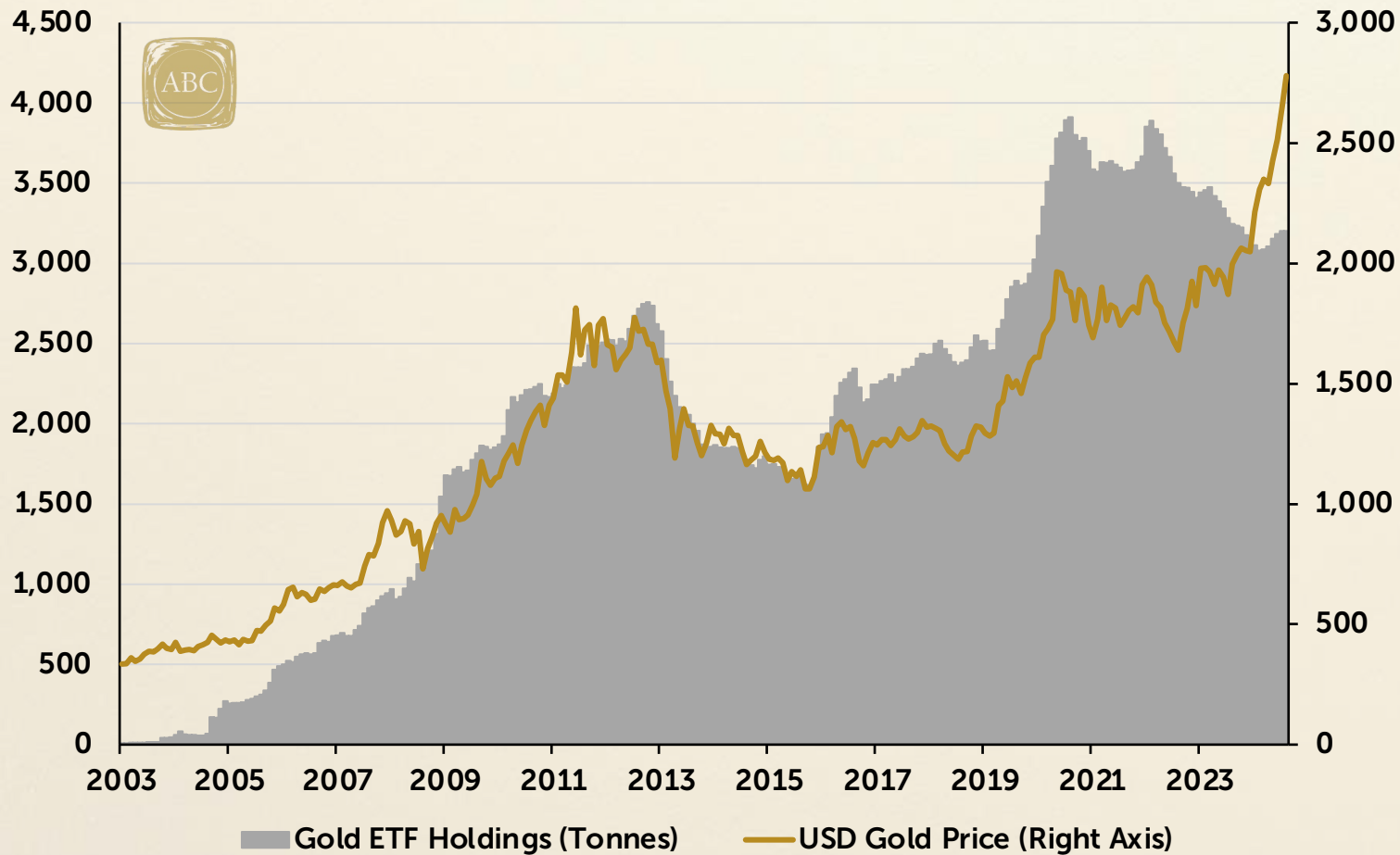


- The U.S economy achieved a 2.8% annualized GDP growth rate as of the end of Q3, primarily driven by strong consumer and federal government spending.
- Despite this, a slowdown in the US economy is predicted in 2025, with GDP growth expected to ease to 1.9% and unemployment anticipated to increase to 4.5%. However, it should be noted the outcome of the U.S election generates abnormal uncertainty around these estimates.
- While inflation continues to decline from its 2022 peak of 9.1% after the COVID period, it remains above the Federal Reserve's 2% target, with median, mean and core inflation at 4.1%, 2.4% and 3.3% respectively.
- Challenges on the inflation front, which may potentially stem from Trump's re-election, poses the potential to complicate the Fed's desire to implement rate cuts moving into 2025, or the speed in which they can deliver them.

# PRECIOUS METALS POSITIONING

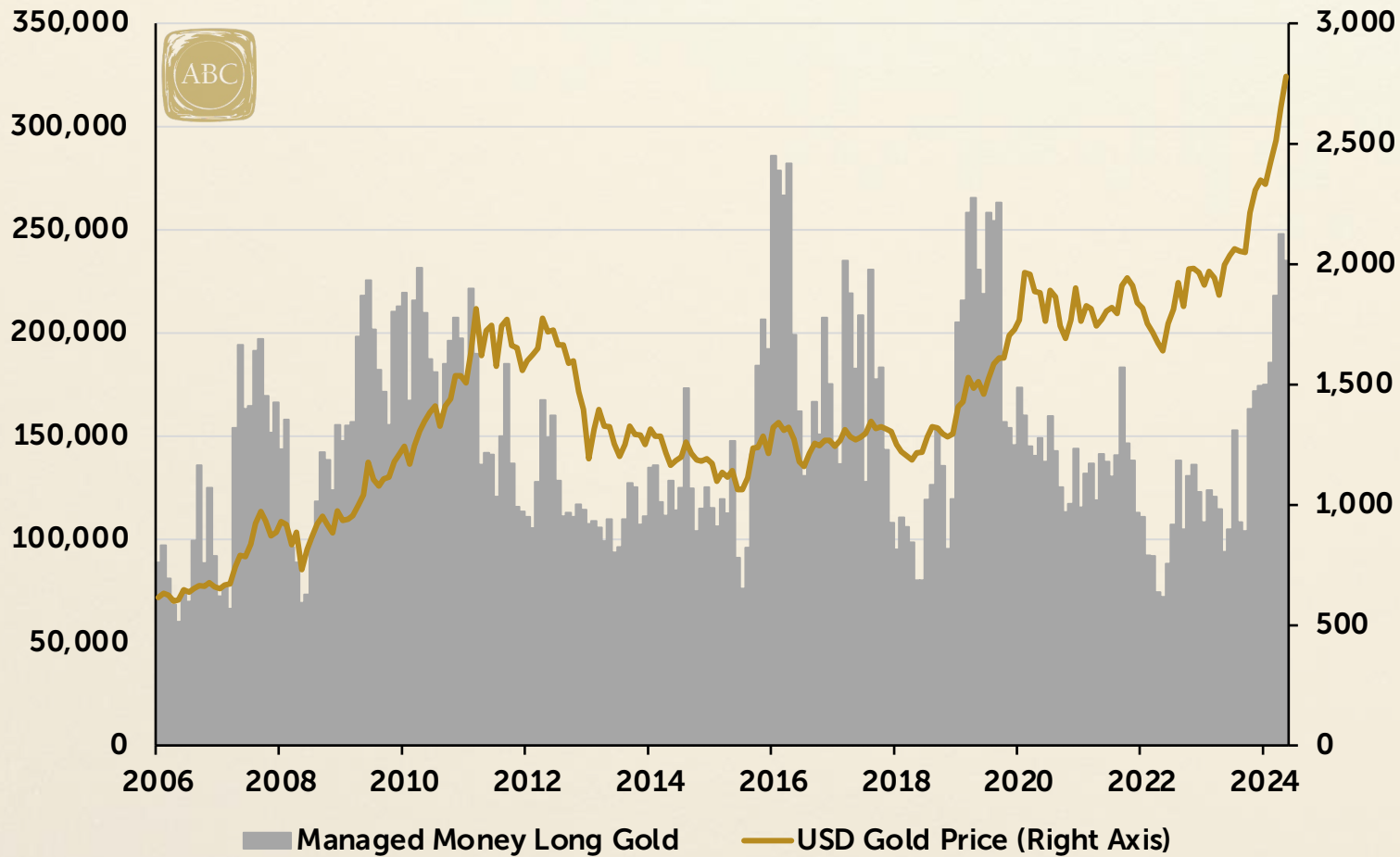


# Gold in USD & Gold ETF Holdings (Mar 2003–Oct 2024)



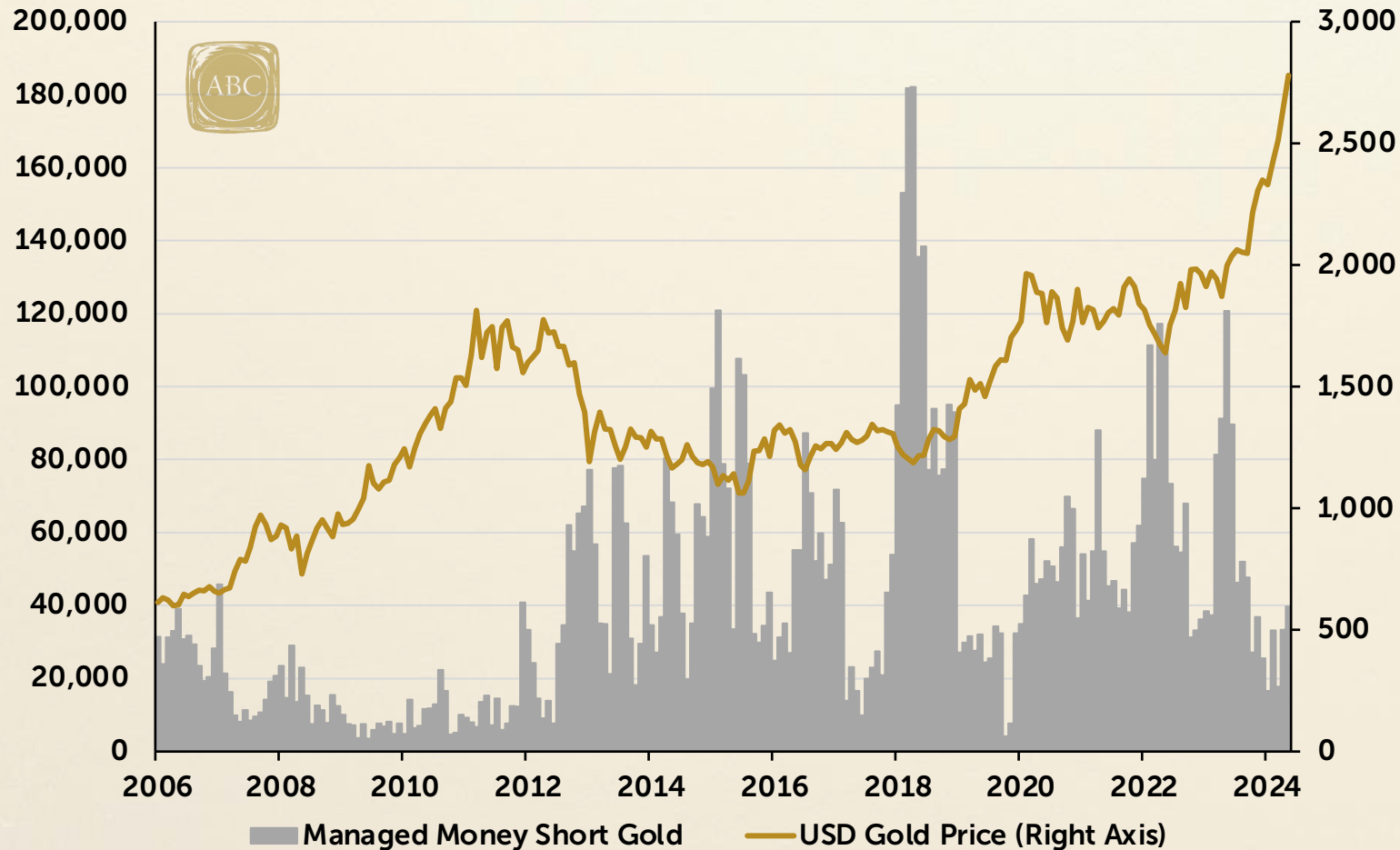
- Gold ETF holdings rose modestly in September, with total tonnage held across all products globally increasing by 18.4 tonnes (USD \$1.6bn).
- In line with recent months, the modest inflows continue a period of stabilization for gold ETF holdings, which have hovered around the 3,000-3,200 tonne mark throughout 2024.
- This follows a near four-year period in which gold ETF investors substantially reduced their exposure, with total tonnes held in these products falling by approximately 700 tonnes (18%) from their prior peak in 2020 to date.
- However, a recent publication by Goldman Sachs, stated that they anticipate a reversal of this trend over the coming years. Their report suggests gold holdings in Western ETFs expected to progressively increase as interest rates fall, in line with their historical relationship.

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



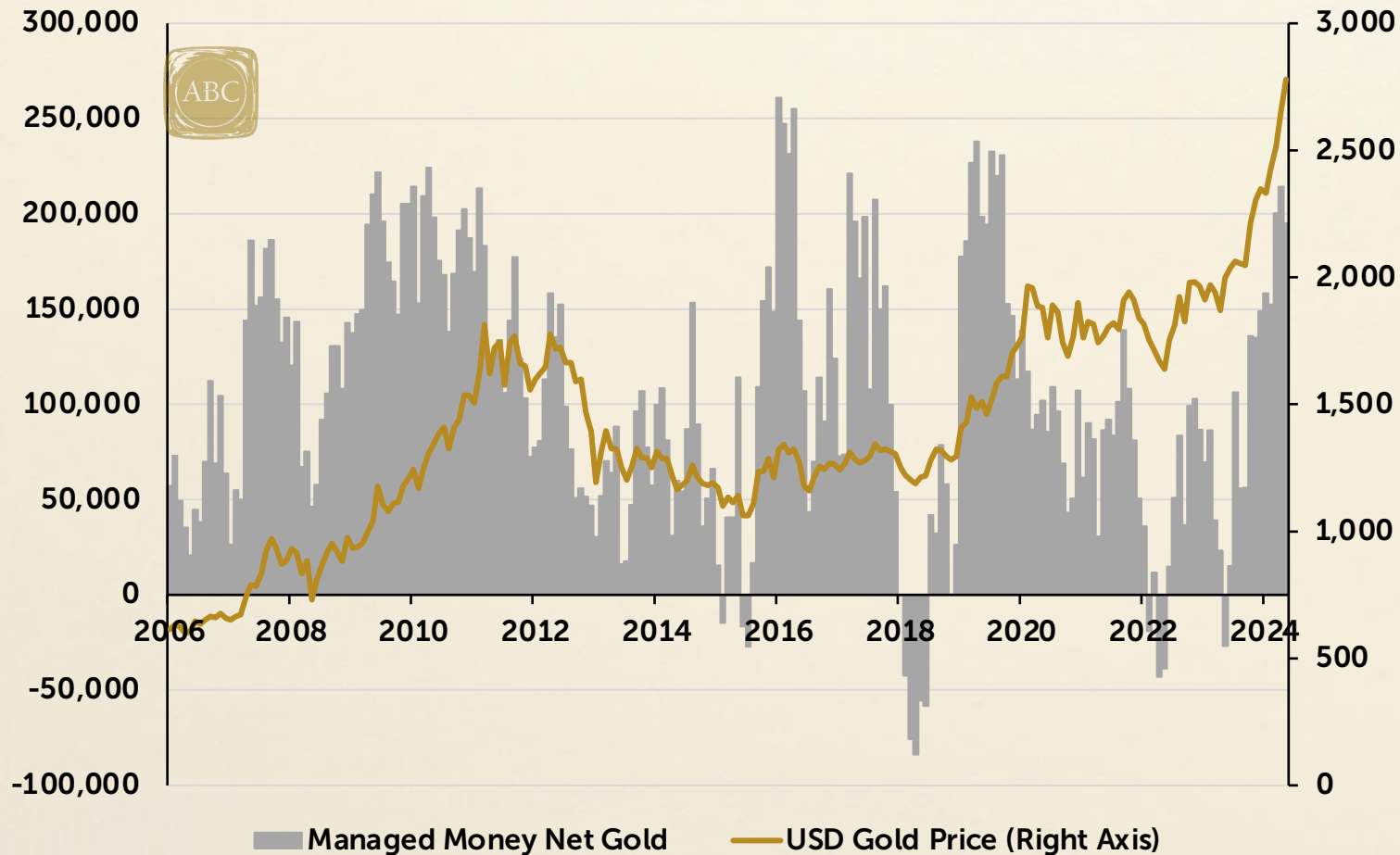
- Gross long positioning although surged in recent months experienced a moderate pullback, with the market ending the month with a +234,856-contract position.
- The current position represents a 5% decrease vs the prior month, a 34% increase compared to June end and a 54% increase relative to the end of 2023.
- This month-on-month decrease can be attributed to uncertainty surrounding the US election and potential ripple effects from the Republican party's policies. However, long positions remain robust, fueled by recent shifts in monetary policy and ongoing geopolitical tensions.
- Gross long positioning remain at levels seen in 2011, 2016 and 2020, all periods that coincided with a rally in the gold price.

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



- Managed money short positioning has stabilized throughout 2024 in comparison to major fluctuations experienced over 2023 and 2022. A month-on-month increase (19%) in short positions was experienced over October.
- Although, relative to the beginning of the year, the current gross short position has fallen by almost 24% and currently sits at +39,683 contracts.
- This decline in short positioning throughout 2024 is understandable given recent price momentum, central bank purchases and declining treasury yields, with gold surging to all-time highs this month.

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



- The Managed Money Net Position ended October at +195,173 contracts, a 9% decrease relative to the prior month.
- Although a monthly decline was experienced, positioning remains 23% higher than it was at end June, and 83% higher than it was at the start of 2024.
- Current net positioning, while of some concern (for those that are long) is not yet at extreme levels as previously experienced in 2011, 2016 and 2020.
- That said, any pullback in precious metals will likely coincide with a large reduction in net positioning, which can be expected to exacerbate volatility in the short-term.

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