

In Gold We Trust[®]
Report
May 15, 2025



The Big Long



incrementum

Ronald-Peter Stöferle
& Mark J. Valek

Contents

Introduction: The Big Long	6
A new secular bull market is forming. The <i>golden decade</i> we announced in our <i>In Gold We Trust</i> report 2020 is well underway. <i>The Big Long</i> is our renewed call to allocate a significant portion of your portfolio to gold.	
The Status Quo of Gold	30
We look at the gold price performance over the past year and previously from various angles. We also analyze the exchange rate performance of the US dollar.	
The Status Quo of Gold Relative to Stocks, Bonds, and Commodities	39
In recent quarters, gold has not only reached numerous all-time highs in absolute terms, but has also made several technical breakouts relative to other assets.	
The Status Quo of Debt Dynamics	50
The sovereign debt problem is no longer confined to the periphery but is increasingly affecting leading industrialized countries such as the US, Japan, France, and Italy.	
The Status Quo of the Inflation Trend	70
As we expected last year, inflation, especially core inflation, has remained stubbornly above 2% so far. Persistently high inflation volatility is likely, and a second wave of inflation cannot be ruled out.	
The Status Quo of Gold Demand and Gold Supply	93
Gold demand reached almost 5,000 t in 2024, with central banks providing important support with net purchases of more than 1,000 t for the third year in a row. On the supply side, gold production and recycling reached new highs.	
Status Quo – Conclusion	106
Summary thoughts at the end of our golden tour d’horizon are rounded off by a look at the four <i>In Gold We Trust</i> ratios – Oktoberfest beer, iPhone, ski pass, and gasoline.	
1970s, 2000s, 2020s...: Déjà Vu in Two Acts – Act Two	120
We update our <i>Incrementum Gold Price Model</i> and analyze the key drivers of the gold price as well as other <i>Big Long</i> candidates such as silver, mining stocks, and commodities in light of previous bull markets.	

GOLD AND GEOPOLITICS

Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order	148
With Donald Trump’s return to the presidency, the process of de-dollarization, which has been ongoing for many years, could take on a new dynamic and direction.	
From Trade Restructuring to Monetary Reset? – Luke Gromen Debates Louis-Vincent Gave	174
The two renowned analysts discuss the profound changes that the restructuring of the global economy could bring about as a result of Trump’s tariff policy.	
BRICS and the Battle for a New Global Order – Geopolitical Shifts in 2025	189
The geopolitical realignment is in full swing. The BRICS countries are consolidating and expanding, but with the new/old US President Donald Trump, the realignment could take on a new dynamic.	
Focus on System Rivalry: Where Is China Heading?	208
We take a multifaceted deep dive into the Middle Kingdom at a time of economic and demographic upheaval and an increasingly unstable geopolitical situation.	
Saudi Arabia: Gold Mining’s New Frontier	229
Following last year’s focus on the UAE, this year we turn our attention to Saudi Arabia, in particular its grand ambitions in the (gold) mining sector.	
Bringing it Home: Central Bank Gold Repatriation	243
Central banks are not only significantly increasing their gold reserves. For several years now, central banks have been shifting their gold reserves back to their home countries on an ever-larger scale – or at least trying to.	

GOLD PANORAMA

Urban Mining for Gold and Silver	262
Gold is a green metal because it can be recycled over and over again. Around a quarter of the gold supply stems from recycling, the many facets of which we explore in this chapter.	
Demystifying the Value of Gold	281
The gold price trend is no mystery, as it can be calculated using the same two drivers that determine stock market performance: liquidity and investor confidence.	
To ESG or Not to ESG?	297
Even if the ESG hype is coming to an end, key concerns addressed by ESG remain relevant. This is also confirmed by the practical examples provided by our Premium Partners.	

PERFORMANCE GOLD

Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?	314
We take a closer look at six leading gold mining companies and analyze the prospects for future price increases, using classic financial indicators.	
Performance Gold – Is It Time for Mining Stocks?	324
The mining sector was slow to follow the rapid rise in gold prices. However, the outlook for mining companies, which have been struggling for a long time, remains positive.	
Searching for the Silver Bullet: An Analysis of Silver Price Catalysts	344
Our annual deep dive into silver, gold's little brother. Demand triggered by the green transformation continues to shape the silver market, which is already in its fourth consecutive year of supply deficit.	
A Monetary Turning Point: Bitcoin's Ascent as a Strategic Reserve Asset	365
With the Trump administration's announcement that it will establish a Strategic Bitcoin Reserve, the adoption of Bitcoin by nation states has reached a new level. This should give Bitcoin a further boost.	
Calendar Anomalies and the Gold Market pt. II	384
As in the <i>In Gold We Trust</i> report 2024, "The New Gold Playbook," we highlight some calendar anomalies in the gold market and how they can be exploited for profit.	
Technical Analysis	396
We conduct our technical analysis of gold and silver prices using a potpourri of indicators and key figures, ranging from analyst consensus, to the Optix sentiment indicator, to seasonality, to the Midas Touch Gold Model.	

OUTLOOK

Quo Vadis, Aurum?	410
Our comprehensive analyses indicate that the gold bull market still has considerable upside potential. By the end of the decade, our base scenario calculates a gold price of USD 4,800, or even USD 8,900 in the event of strong inflation.	

ABOUT US & PREMIUM PARTNER

About Us	433
Our Premium Partners	436

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Introduction: The Big Long

“There is no fever like gold fever.”

Richard Russell

- A new, secular bull market is forming. The golden decade we announced in our In Gold We Trust report 2020, when gold was trading at only USD 1,500, is in full swing. The Big Long is our renewed call to question the generally low gold allocation among investors and to weight safe-haven gold and performance gold to a considerable extent.
- The US's much-discussed customs and trade policy is just one aspect of a comprehensive realignment. With Liberation Day, Donald Trump has triggered a systemic quake that could result in a reorganization of the monetary architecture.
- The Triffin dilemma is once again taking center stage in the currency debate: A sustainable solution can only be found via a neutral reserve asset such as gold or Bitcoin.
- Drawdowns are an integral part of secular bull markets. Sensible diversification and an active investment approach are particularly advantageous for performance gold. Corrections are opportunities, not threats, for patient investors.
- The “New Gold Playbook” presented in the In Gold We Trust report 2024 remains intact. Asia is becoming increasingly important for the gold price. Western financial investors are now – finally – beginning to rediscover their penchant for gold.
- The softening of the debt brake and the adoption of special debts euphemistically referred to as special assets have heralded the end of fiscal virtue in Germany. However, the euro area's big problem child remains France.

*Here was a strange but true fact:
The closer you were to the
market, the harder it was to
perceive its folly.*

Michael Lewis

*More people believe Elvis is still
alive than own gold in the US.*

Gerald McMillan

*People want an authority to tell
them how to value things, but
they choose this authority not
based on facts or results. They
choose it because it seems
authoritative and familiar.*

Michael Burry

“The truth is like poetry – and most people hate poetry.” This is how a bartender in the movie *“The Big Short”* formulates the unflattering insight that “If you tell the truth, you need a fast horse.” Until recently, gold had a similar fate, especially in the Western financial industry. As a safe haven – i.e. *safe-haven gold* – it was long considered antiquated. As a yielding asset, i.e. as *performance gold*, it was dismissed as a pipe dream.

At its core, *The Big Short* – originally a book by Michael Lewis – is about detecting and profiting from economic misallocations. *The Big Short* illustrates how a combination of low interest rates, lax credit ratings, and excessive leverage created a dangerous euphoria amplified by seemingly infallible financial innovations and embellished ratings from credit rating agencies. Some saw what all could have seen – but few dared to go against the market and take on *The Big Short*.

In a deeper sense, *The Big Short* is about philosophical opposites: contrarians versus the mainstream, Main Street versus Wall Street, critics versus believers in the system. Just as outsiders positioned themselves around the investors Michael Burry and Steve Eisman, the situation on the capital market has come to a head in recent months. **Investors are currently confronted with the following questions:**

- Are government bonds, even US and German benchmark bonds, still safe havens?
- Has the era of US dominance come to an end? Is the US dollar at the beginning of a bear market? Were the interim valuations of the MAG 7 ultimately hopelessly exaggerated?
- Is gold now too expensive?

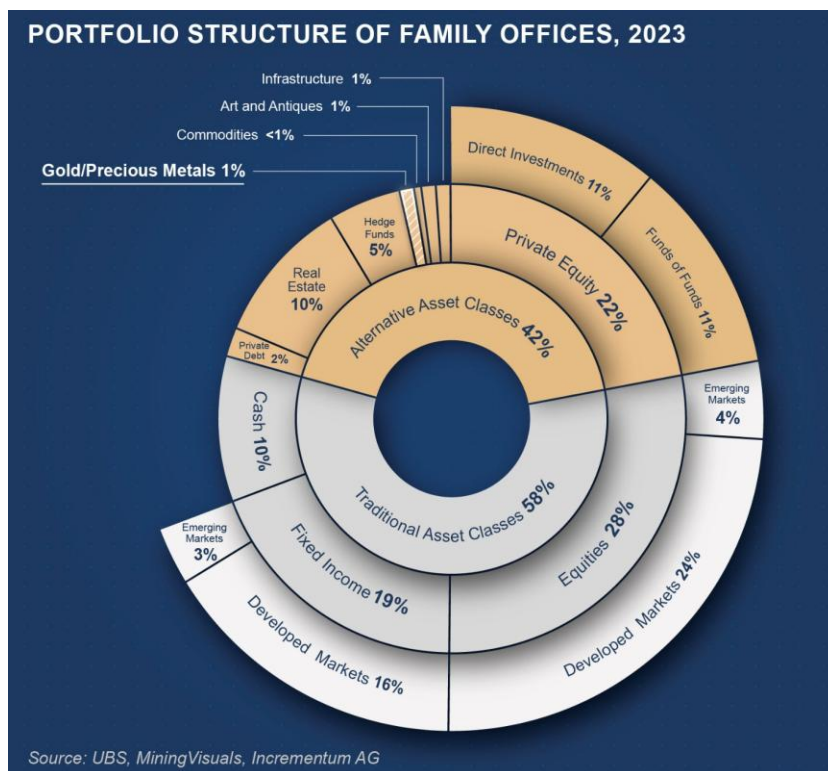
The conventional answer to the last question is that it is too late to get into gold. The gold price is already too high, so further price potential is limited at best.

The Golden Decade: The Beginning of the 2nd Half



However, we are convinced that this widespread assessment is incorrect. Being strategically clever means acting unconventionally, especially when it comes to investing. Our core thesis is that the gold bull market of recent quarters manifests a long-term upward movement that we forecasted in the *In Gold We Trust* report 2020, “*The Dawning of a Golden Decade*”. Back then, we were met with skepticism and sometimes even malice from the mainstream, like some of the protagonists in *The Big Short* in the mid-2000s. But the figures speak for themselves. **Since we proclaimed the golden decade, the gold price in US dollars has risen by 92%, and the US dollar has depreciated by almost 50% against gold.**

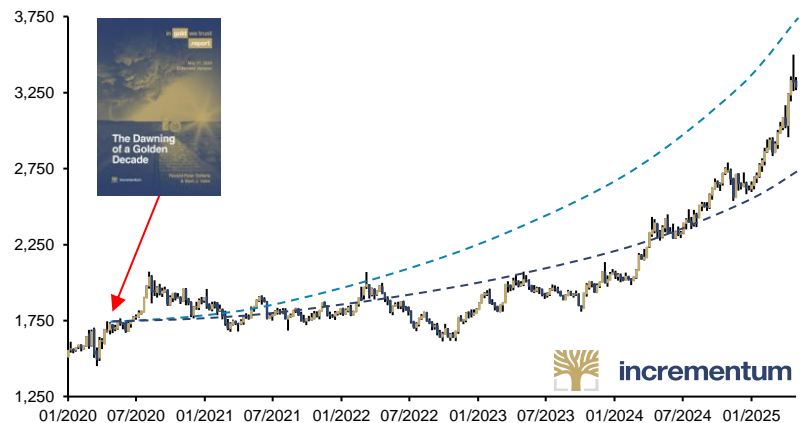
Despite growing interest in gold as a strategic asset, institutional allocations remain strikingly low. As shown in the chart below, family offices allocate just 1% of their portfolios to gold and precious metals – placing it on par with art and antiques, as well as infrastructure, and well below allocations to private equity, real estate, or even cash.



Based on our *Incrementum Gold Price Model*,¹ introduced in the *In Gold We Trust* report 2020, we presented the following gold price projections – a base case scenario and an inflationary scenario – in 2020. Since the beginning of the year, the impulsive bull market has already pushed the gold price closer to the inflationary scenario's projection path than to that of the base scenario.

¹ See "Quo vadis, aurum?," In Gold We Trust report 2020; we provide a comprehensive update of the Incrementum Gold Price Model in the chapter "1970s, 2000s, 2020s...: A déjà vu in two acts – Act Two" in this In Gold We Trust report.

Gold, in USD, 01/2020–04/2025



Source: LSEG, Incrementum AG

Evidently, in May 2020, when the first Covid-19 lockdowns had just ended, it was impossible to predict how turbulent the first five years of this decade would be. However, our analyses of the changes in the thinking and actions of political and economic players, both before 2020 and in the years thereafter,² clearly showed that the course was set for gold.



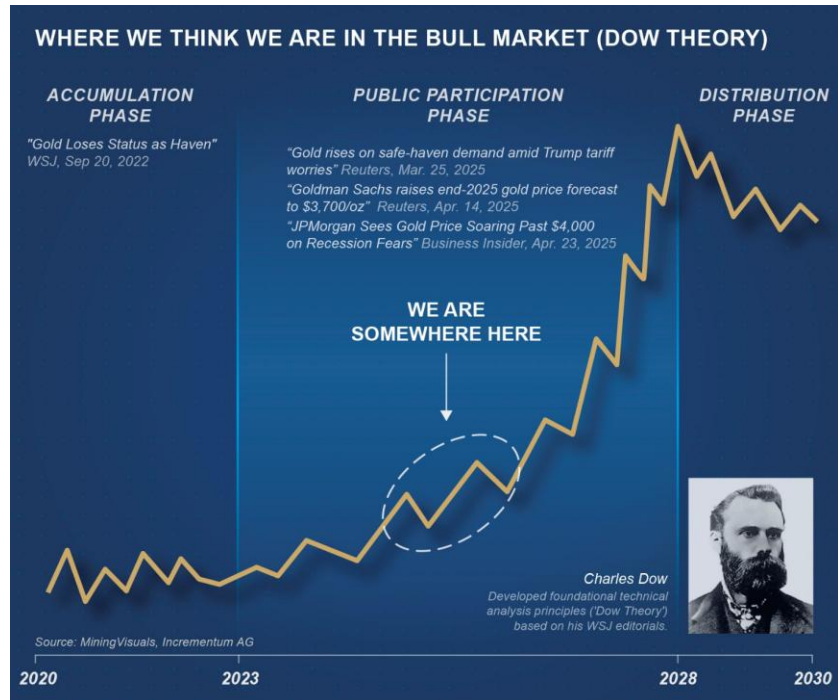
There is no reason to deviate from this conviction halfway through the decade. Gold is the Ronald Koeman of asset allocation: defensively reliable, strategically astute, and at the same time equipped with offensive potential. Koeman, the highest-goal-scoring defender in soccer history, exemplifies this dual function. **Gold also fulfills both roles – it acts as defensive cover and opens up opportunities on the offensive.**

*The market is not a crystal ball,
but a barometer.*

Charles Dow

We are now witnessing how a secular bull market is slowly becoming mainstream. The *public participation phase* – also known as the *big move phase* – is the second of three phases in a bull market according to **Dow Theory**. This longest and most dynamic bull market stage is characterized by increasingly optimistic media coverage. At the same time, speculative interest and trading volumes rise, new financial products are launched, and analysts adjust their price targets upwards. **In our opinion, we are currently in the midst of this phase, which will ultimately lead to a final mania phase.**

² All previous 18 issues of the In Gold We Trust report can be found in our [archive](#).



The momentum of the gold price is impressive. Gold reached 43 new all-time highs in US dollars last year, the second-highest number after 1979 with 57, closely followed by 1972 and 2011 with 38 each. Since the beginning of the year, gold has recorded 22 new all-time highs as of 30 April.

Gold, in USD, and New ATH Closes, 01/1970–04/2025

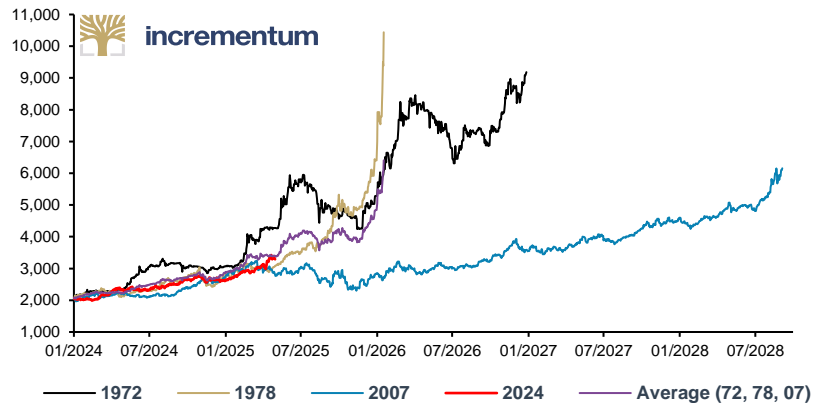


Source: 3Fourteen Research, World Gold Council, LSEG, Incrementum AG

If in doubt, flat out.
Colin McRae

Even if it may not seem so at first glance, given several all-time highs and the rapid breakthrough of the USD 3,000 mark, the current gold rally has been comparatively moderate by historical standards.

Historical Gold Breakouts (Start Price = 01/01/2024), in USD, 01/2024–09/2028

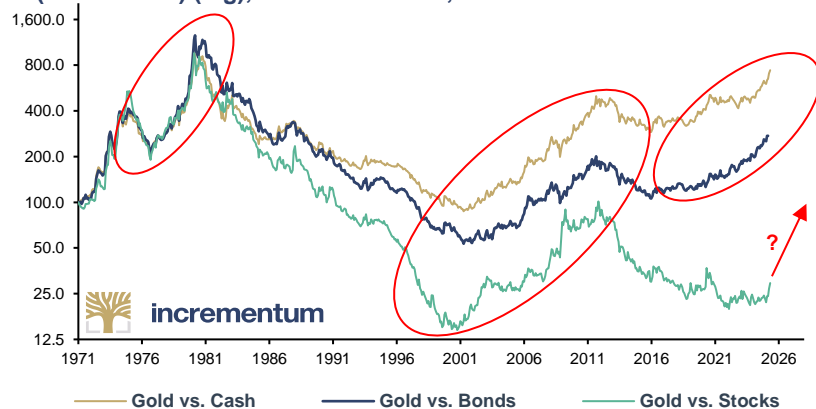


The essence of investment management is the management of risks, not the management of returns.

Benjamin Graham

In recent months, gold has increasingly become the focus of public attention as it has reached numerous new all-time highs on an absolute basis and thus entered *terra incognita*. In our view, however, another aspect deserves even greater attention: **Anyone looking “under the hood” of the market will recognize that gold is also recording technical breakouts on a relative basis.** In particular, the relative strength now emerging against equities points to the start of a new trend phase.

Gold vs. Cash (US 3M TR), Bonds (US 10Y TR), and Stocks (S&P 500 TR) (log), 100 = 31/12/1970, 01/1971–04/2025



When gold goes, it really goes.

Jim Sinclair

In this context, *The Big Long* means one thing above all: holding remains the strategically sensible option for those already invested in gold. However, for newcomers, too, an entry remains attractive. The ideal portfolio weighting of gold is a matter of debate. However, the investment mainstream usually only recommends and implements gold allocations in the low single-digit percentage range, if at all. This reluctance stems from the fact that gold, being a nonproductive asset, does not pay dividends. However, historical observation shows: Gold outperformed yield-generating assets such as equities and bonds, particularly during market-critical phases. **Investors should certainly consider this in their strategic asset allocation.**³

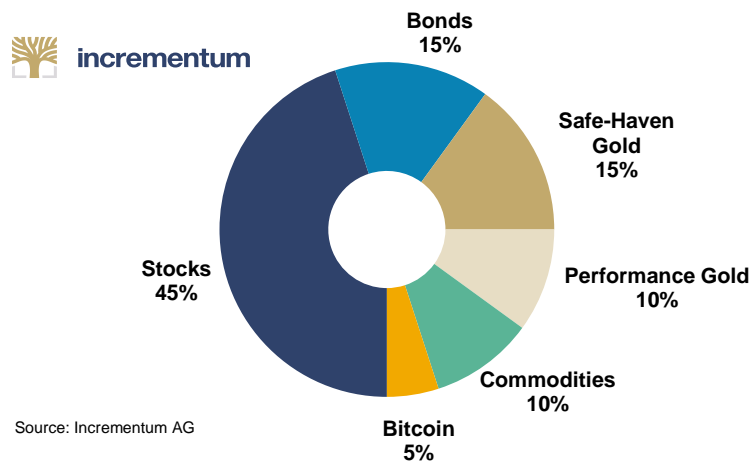
³ Our thoughts on the optimal gold allocation can be found in “The Optimal Gold Allocation – How Much Gold Does Your Portfolio Need?”, In Gold We Trust Special, August 2024.

Do You Have Enough Non-Debt Money?

Ray Dalio

When dealing with the specific level of gold allocation, it is advisable to differentiate between *safe-haven gold* and *performance gold*. *The Big Long* emphasizes the potential of *performance gold* in the coming years: In our view, silver, mining stocks, but also commodities are among the promising portfolio components of *The Big Long*, which we presented in detail as part of our new 60/40 portfolio in “*The New Gold Playbook*” last year.

The New 60/40 Portfolio: Subcategories

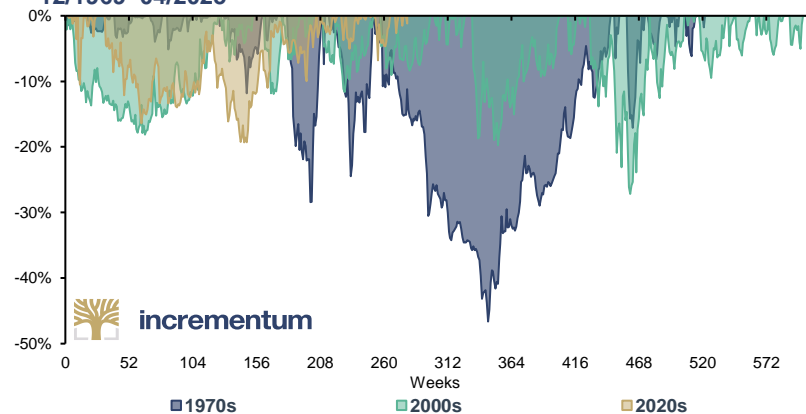


Volatility is the price you pay for performance. Corrections are not a failure of the system – they’re part of it.

Howard Marks

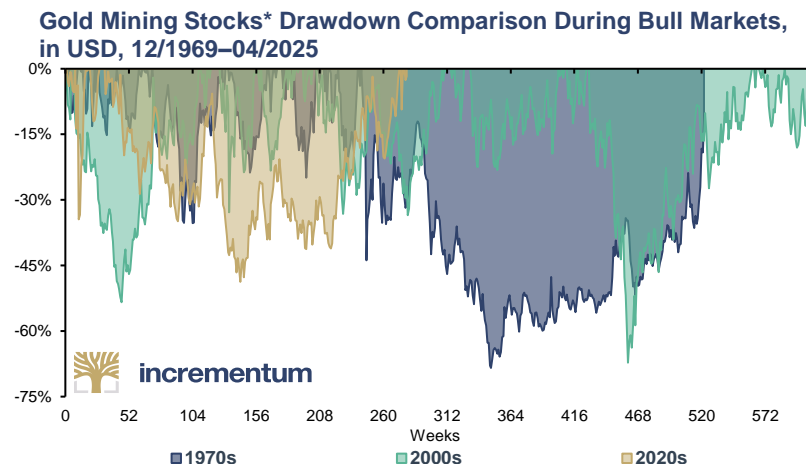
Despite our confidence, we would like to emphasize that a secular bull market is never without setbacks. Corrections of 20, 30, and even up to 40% have been observed several times in previous bull markets. The price turbulence following *Liberation Day* on April 2 was a reminder of this, even if gold recovered quickly and marked further all-time highs in US dollars a few days later.

Gold Drawdown Comparison During Bull Markets, in USD, 12/1969–04/2025



In the case of *performance gold*, such as silver or mining shares, corrections are usually even more pronounced, as the following chart shows. Consistent risk management is therefore essential.⁴

⁴ See chapter “*Performance Gold – Is It Time for Mining Stocks?*” in this In Gold We Trust report, presenting the Incrementum Active Arium Signal. This proprietary signal supports the weightings of the Incrementum Active Gold Fund.



The Trump Shock: The Economic and Political Realignment of the US

Within a few weeks, Donald Trump has created a bear market in credibility and trust. With Trump's return to the White House, a profound realignment of the US and thus the global economy, and possibly even the global (monetary) order, has been initiated. Even if the consequences of Trump's many, sometimes seemingly chaotic measures are not entirely foreseeable, they significantly contribute to a positive environment for gold and *The Big Long*.

I have a feeling in a few years people are going to be doing what they always do when the economy tanks. They will be blaming immigrants and poor people.

Steve Eisman

Trump's intention to fundamentally reform the US economy is of imminent importance for the global economy. The sweeping election victory, with majorities in the Senate and House of Representatives and a Republican-dominated Supreme Court, gives Trump enormous political power. Despite all the difficulties in interpreting his strategy, three fundamental trends can be identified that are to be halted or reversed:

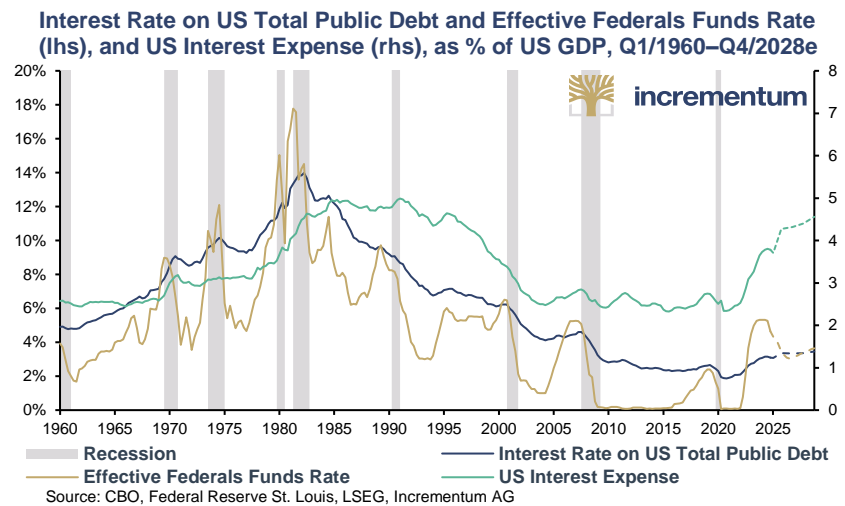
- the steadily increasing government overindebtedness
- the chronic trade deficits and the associated de-industrialization of the US
- the threat to the reserve currency status of the US dollar posed by de-dollarization

Deficits, DOGE & detox: The US on an austerity course?

Trump may be one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretences.

Henry Kissinger

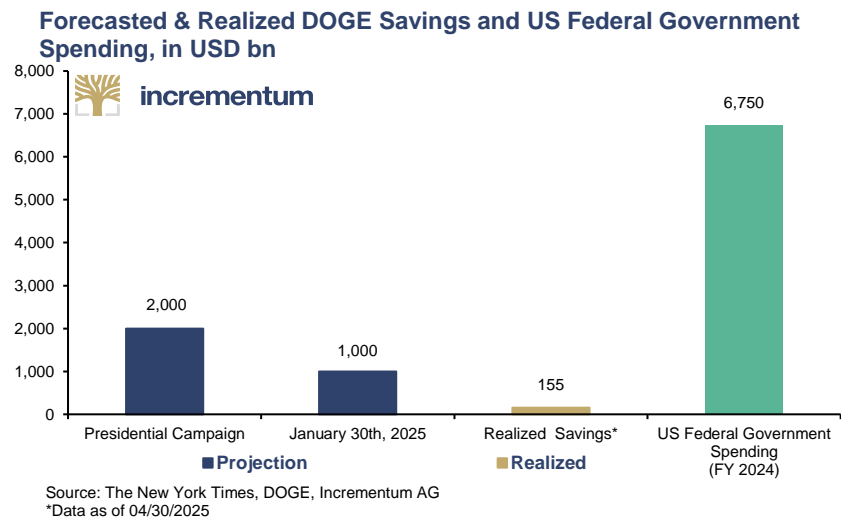
The self-proclaimed *king of debt* has – at least verbally – abdicated. The stability-threatening dynamics of government debt, which we have regularly highlighted in previous *In Gold We Trust* reports, have entered the mainstream and are now the focus of the Trump administration. Few things illustrate this debt situation better than that, at over USD 1trn a year, the US now has to pay more interest on its national debt than it spends on its generous defense budget.



The moment your interest payments exceed tax revenue, your country officially becomes a Ponzi scheme.

Michael Burry

Part of the attempt to get a grip on overindebtedness is identifying bureaucratic inefficiencies. *DOGE* initially hoped to achieve annual savings of USD 1trn, corresponding to around 15% of Washington's expenditure. This would roughly halve the deficit and bring it almost below the 3% target set out in the *3-3-3 plan*. Musk has recently rowed back considerably and now mentions a savings potential of USD 155bn. It currently seems doubtful that *DOGE* activities will stop the spiral of overindebtedness in the long term.



Don't make the mistake of thinking that what's now happening is mostly about tariffs.

Ray Dalio

There are indications that Trump and his team are willing to send the US economy into a *detox recession*. Conceptually, the idea is reminiscent of the teachings of the Austrian School, whose advocates emphasize that real value is created in the private sector. Shrinking the bloated state apparatus is intended to free up resources for entrepreneurship, comparable to a fasting process in which the organism is purged to become more resilient and efficient in the long term.

I've been on a diet for two weeks now – and the only thing I've lost is two weeks.

Groucho Marx

But as with fasting, detoxes are rarely pleasant. Pain, dizziness, psychological irritation, and ravenous appetite are all part of it, as is the temptation to break off the program early. The crucial question is: Will the government stick to the detox course – or will it revert to the sweet poison of debt-

It is tough for anyone to jump into Donald Trump's head, but if he is at all consistent it is in his inconsistency.

Dave Rosenberg

If we had a Fed Chairman who understood what he was doing, interest rates would be coming down.... Powell's termination cannot come fast enough.

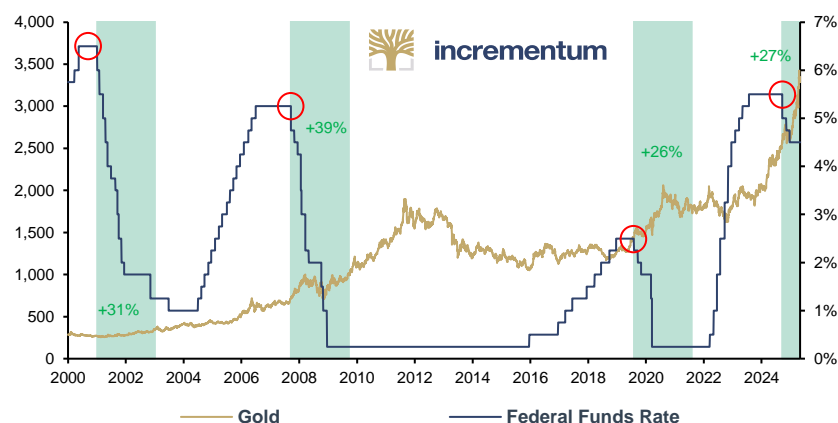
Donald Trump

financed spending at the first sign of a marked economic downturn, severe market turbulence, or the threat of election defeats?

According to [GDPNow](#), the detox recession is already taking hold in the US. Even if high import figures distort the GDP figures due to strong gold imports on the one hand and early imports in the run-up to *Liberation Day* on the other, the indicator adjusted for special effects has now slipped into the red. As negative as a recession is, the gold price tends to receive a tailwind from a recession in the US, as our analyses have shown in recent years.⁵

If this trend continues, the pressure on the Federal Reserve to loosen monetary policy more aggressively will increase considerably. We therefore expect interest rate cuts beyond what is currently priced in. The following chart shows that in the 24 months following the first interest rate cut, the gold price generally experienced a strong tailwind. Interest rate cuts in quick succession or significant interest rate hikes of 50 basis points or more benefit the gold price.

Gold, in USD (lhs), and Federal Funds Rate (rhs), 01/2000–04/2025



President Trump has made it clear that he will no longer stand for other nations free-riding on our blood, sweat, and tears, whether in national security or trade.

Stephen Miran

When you're out of carrots, reach for the stick.

Grant Williams

To reduce the debt burden, the US would like to use unconventional methods in addition to operational savings. Possible playbooks have been formulated by the two thought leaders, Zoltan Pozsar⁶ and Stephen Miran. The latter has explained in "[A User's Guide to Restructuring the Global Trading System](#)" how allies of the US should be persuaded to subscribe to ultra-long-term bonds with a maturity of 50 or even 100 years, while the Federal Reserve provides USD swap lines to secure liquidity in the eurodollar system.^{7,8}

In addition, duty-free access to the US market and protection by US military power would become dependent on the willingness to guarantee Washington's long-term financing needs. The result? An acceleration of dollarization, combined with the integration of other countries into the US geopolitical sphere of power.

⁵ See the Incrementum Recession Phase Model in "[The Showdown in Monetary Policy](#)," In Gold We Trust report 2023 and "[Portfolio Characteristics: Gold as Equity Diversifier in Recessions](#)," In Gold We Trust report 2019

⁶ See "[Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order](#)," In Gold We Trust report 2023

⁷ See "[How Bankers Turned Money into 'Σ 0 ∞ € ¥'](#)," In Gold We Trust report 2021

⁸ See Stöferle, Ronald (@RonStoeflerle): "[THREAD: A User's Guide to Restructuring the Global Trading System](#)" is probably the most important paper you've never heard of!...", X, March 2025

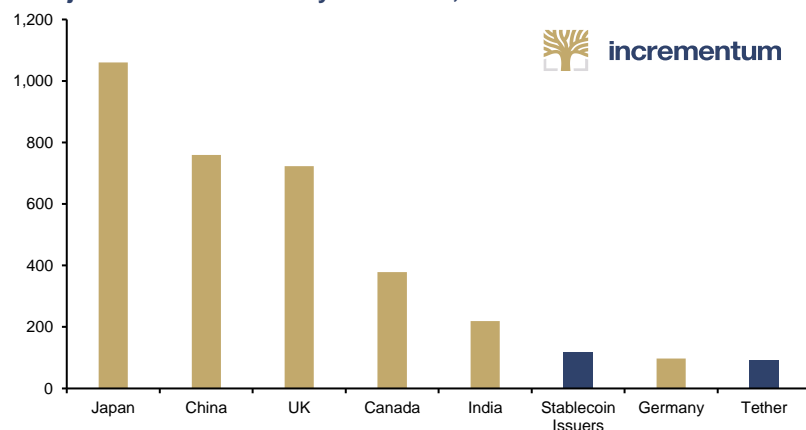
Stablecoins could represent hundreds of billions, if not trillions, of natural demand for US government debt.

Nic Carter

The Trump administration has also positioned itself against introducing a central bank digital currency (CBDC). *Executive Order 14178* stopped any government initiative establishing a central bank digital currency in the US. Instead, the government promotes private-sector innovations in digital financial technology, above all US-dollar-based stablecoins.

This strategy is not only ideologically based but also follows a financial strategy: Stablecoin issuers such as Tether and Circle are now among the largest buyers of US government bonds. In total, stablecoin issuers have over USD 120 billion in US Treasuries on their books, and the trend is rising sharply.

Major Holders of Treasury Securities, 12/2024



Industrial policy through trade policy: The return of the US as an industrial location?

Another element of the economic realignment is the reform of trade relations. For President Trump, the high structural current account deficit is evidence of the US being exploited by the rest of the world. He staged *Liberation Day* on April 2, when the US's new tariff policy was announced. *According to initial calculations*, the average US tariff reached almost 30%, significantly higher than in the interwar period at just under 20% due to the *Smoot-Hawley Tariff Act*.

The Trump administration's stance has evolved from an all-out trade war against everyone, to a concentrated trade war against China.

Louis-Vincent Gave

The global response at that time was a wave of retaliatory tariffs, which crippled international trade and deepened the crisis triggered by the 1929 stock market crash. Between 1929 and 1933, US imports plummeted by 66% and exports by 61%, demonstrating how protectionism can magnify economic collapse. Today, the risks are even greater: Global supply chains are exponentially more integrated, rendering tariffs far more damaging than protective. Modern manufacturing relies on cross-border flows of components, machinery, and semi-finished goods, meaning trade barriers now undermine the very industries they aim to shield. **In the US, for example, over two-thirds of manufacturing firms depend on imports, leaving them exposed to cost surges and supply chain disruptions when tariffs strike.** Unlike the 1930s, today's interconnected economy means protectionist measures don't just distort trade—they risk cascading failures across production networks worldwide.

If you sit by the river long enough, the bodies of your enemies will float by.

Lao Tzu

We are going to require a commitment from these seemingly hostile countries that they will neither create a new BRICS Currency, nor back any other Currency to replace the mighty U.S. Dollar or, they will face 100% Tariffs.

Donald Trump

The trade conflict with China escalated sharply in the meantime, but in mid-May tensions eased, with a 90-day reduction in tariffs while further negotiations continue. A 90-day “ceasefire” with a base tariff of 10% has been in place for some time with other countries, which is also to be used for negotiations. Whether dozens of trade agreements can be negotiated in 90 days is unlikely, given **the average negotiation period of 18 months for trade agreements to date.**

OECD data shows that the United States is about three times more dependent on Chinese inputs than China is on American ones, a fitting fact considering that China’s manufacturing base is also three times larger. **Against this backdrop, it appears that China holds the better cards in this conflict.**

All these measures will harm US GDP growth in the short and medium term. President Trump hopes that these initiatives will accelerate the reindustrialization of the US. A devaluation of the US dollar should make a significant contribution to this. At the same time, however, the US dollar’s position as the undisputed global reserve, trading and reserve currency is to be secured. Trump has repeatedly threatened countries that want to replace the US dollar as a trading currency with drastic tariffs of 100%.

This combination of a weak US dollar and retention of reserve currency status sounds like the proverbial wish for “warm ice lollies”, or like squaring the circle. However, the economic omens at the time of his second victory in the presidential election were significantly worse for Donald Trump than they had been when he first won.

US Macro and Market Environment at the Start of Trump I vs. Trump II

	Macro	Trump I (Nov. 2016)	Trump II (Nov. 2024)
US Output Gap		Negative	Positive
Primary Balance, % of GDP		-0.9	-3.3
Budget Balance, % of GDP		-2.7	-6.4
Core PCE		1.7	2.7
Net International Investment Position, % of GDP		-44%	-80%
Markets			
DXY		97.86	103.42
Gold, in USD		1,275.64	2,743.60
S&P 500		2,139.60	5,782.80
S&P 500 Forward PE Ratio		17x	22x
S&P 500 vs. 200 Week Moving Average		8% Above	27% Above
Investment Grade Corporate Bond Spread		135bps	82bps
10 Year TIPS Yield		0%	2%
Bond/Equity Correlation		Negative	Positive

Source: Ruffer, LSEG, Incrementum AG

Re-dollarization or de-dollarization?

As far as plans for the future significance of the US dollar are concerned, much is still uncertain. Based on the two currency agreements in the 1980s,⁹ the plan to significantly devalue the US dollar against other leading

⁹ See “History Does (Not) Repeat Itself – Plaza Accord 2.0?,” In Gold We Trust report 2019

Because of the self-confidence with which he had spoken, no one could tell whether what he said was very clever or very stupid.

Leo Tolstoy

The world's monetary system is built on a contradiction, exposed by Triffin, that will ultimately lead to collapse unless reformed.

Jacques Rueff

Capital export is the result of differences in time preference between nations.

Eugen von Böhm-Bawerk

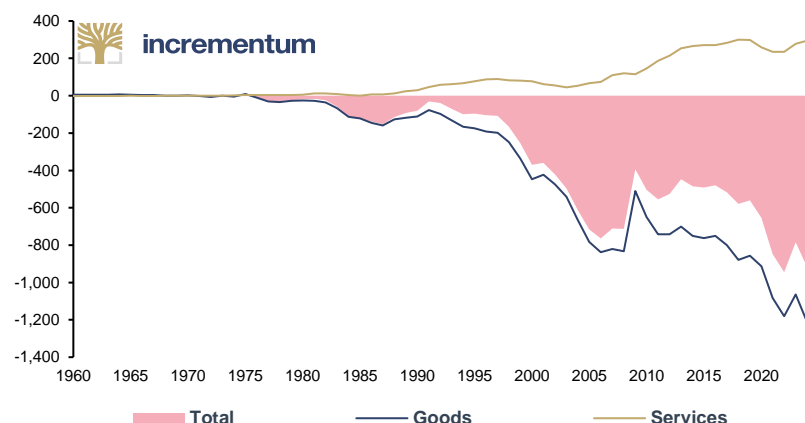
currencies is circulating under the term *Mar-a-Lago Accord*. Trump and his team are of the – economically debatable – opinion that the overvalued US dollar is a major reason for the deindustrialization of the US.

At the heart of this discussion is a structural dilemma. In the 1960s, economist Robert Triffin, who worked at the Federal Reserve and the International Monetary Fund (IMF), noted that a nation issuing a global reserve currency faces a conflict of objectives between its short-term national interests and long-term international objectives. The following two characteristics of an ideal reserve currency are therefore incompatible and form the *Triffin dilemma*:

- **Stability:** A currency is only stable if the issuer has a balanced current account.
- **Sufficient international supply of the reserve currency:** In order to meet the international demand for the reserve currency, the issuing nation must have a current account deficit.

In the long term, the reserve currency status is both a blessing and a curse – a blessing because it allows the US to consume more than it produces and to export monetary inflation abroad.

US Current Account, in USD bn, 1960–2024



Source: Bureau of Economic Analysis, Incrementum AG

This status is a curse because a permanent current account deficit encourages deindustrialization and undermines confidence in the reserve currency in the long term. The global financial system demands more and more US dollar liquidity, while at the same time, the basis for its stability is eroding.

What options are there for solving the Triffin dilemma?

- **Multipolar reserve system (euro, yuan, etc.):** This approach does not solve the paradox but distributes the pressure across several currencies. Furthermore, it would be necessary for several countries to have chronic current account deficits to avoid an appreciation of their currencies.
- **Supranational reserve currency (special drawing rights):** John M. Keynes already proposed this during the reorganization of the global monetary

order at the end of World War 2, under the name *bancor*. This approach makes the supply of international liquidity independent of the country's current account deficit with the world's reserve currency. Its implementation requires close global cooperation.

- **Neutral reserve asset:** The paradox can only be resolved sustainably by using neutral reserve assets such as gold or Bitcoin. It is crucial that the assets are non-inflationary, have no counterparty risk, and exhibit corresponding market depth. This currently only applies to gold.

We must emphasize that the debate surrounding the Triffin dilemma is highly controversial. Skeptics argue that a current account deficit is not necessarily negative, as it can also signify high foreign confidence in the domestic location. **Eugen von Böhm-Bawerk once even emphasized that the capital account commands the current account.** A high current account deficit would therefore result from strong capital inflows and evidence of the attractiveness of a jurisdiction.

Any country issuing the global reserve currency must run a deficit. That's the price of power. The world needs more dollars than the US can earn from exports alone, so the US prints them, and voilà, its biggest export isn't tech or oil, but money itself.

The Macro Butler

There are also objections to the thesis that a country that issues the world's reserve currency must necessarily have a current account deficit. The issuer of the world reserve currency is not dependent on using the additional money supply put into circulation primarily to import goods; instead, foreign securities could just as easily be purchased, or its currency could be significantly revalued. In the former D-Mark bloc, the currency's strength was seen as a prerequisite for economic success because it continuously "forced" productivity increases and innovations to compensate for the impending loss of competitiveness due to revaluations.

Classical-liberal economic critics of Trump's tariff policy argue that the massively increased budget deficit is the real cause of the economic imbalances. Tariffs are merely a way of combating symptoms, with potentially serious adverse side effects. **There seems to be a consensus that there are structural distortions, which raises the question of resetting the global monetary order.**¹⁰

I always say 'tariffs' is the most beautiful word to me in the dictionary.

Donald Trump

A further, possibly even rapid devaluation of the US dollar could initiate the next push in this gold bull market. A comparison of various key figures at the time of the last two secular all-time highs in 1980 and 2011 with the current situation confirms our *Big Long* thesis: **The gold price still has room to rise. The currently notably higher US Dollar Index seems particularly important to us – at around 99.3 points, it is well above the values during gold's last secular highs.**

¹⁰ See chapter "Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order" in this In Gold We Trust report

Comparison of various Macro- and Market Key Figures at Gold ATH in 1980, 2011 and Current

	1980	2011	Current	Δ vs 1980 (%)		Δ vs 2011 (%)	
Gold Price in USD	835	1,900	3,288	2,453	(294%)	1,388	(73%)
Monetary Base in USD bn	157	2,637	5,775	5,618	(3,578%)	3,138	(119%)
M2 Supply in USD bn	1,483	9,526	21,763	20,280	(1,367%)	12,237	(128%)
US Federal Debt in USD bn	863	14,790	36,215	35,352	(4,096%)	21,425	(145%)
GDP per Capita	12,303	50,056	87,759	75,456	(613%)	37,703	(75%)
US Median House Price in USD	63,700	228,100	416,900	353,200	(554%)	188,800	(83%)
S&P 500	111	1,174	5,569	5,458	(4,917%)	4,395	(374%)
USD Index	86.1	75.2	99.3	13.2	(15%)	24.1	(32%)

Source: treasury.gov, Federal Reserve St. Louis, LSEG (as of 04/30/2024), Incrementum AG

The next 1971 is coming.

Charlie Morris

My philosophy, Mr. President, is that all foreigners are out to screw us and it's our job to screw them first.

Treasury Secretary John Connally to Richard Nixon

One thing is sure to us: A controlled and significant devaluation of the US dollar is one of Donald Trump's central concerns. However, artificially weakening the US dollar to promote reindustrialization would be a grave mistake. Currency devaluations do not solve structural problems. They generate inflation, make imports more expensive, reduce the purchasing power of wages and savings, which are the backbone of the US economy.

In addition, a strong currency is an expression of international trustworthiness. Those who deliberately devalue the US dollar are scaring away capital urgently needed to modernize infrastructure and production capacities, as well as to secure technological leadership. Instead of relying on the deceptive advantages of a weaker US dollar, US economic policy should focus on fiscal discipline, a streamlined bureaucracy, and targeted promotion of innovation to attract new industries and strengthen existing ones – without devaluing the assets of citizens, including foreign citizens who hold bonds denominated in US dollars, and without gambling away prosperity in a devaluation race. **To put it bluntly, if a soft-currency policy were the key to economic success, Zimbabwe would top the list of the most successful countries, not Switzerland.**

DXY, 01/2000–04/2025

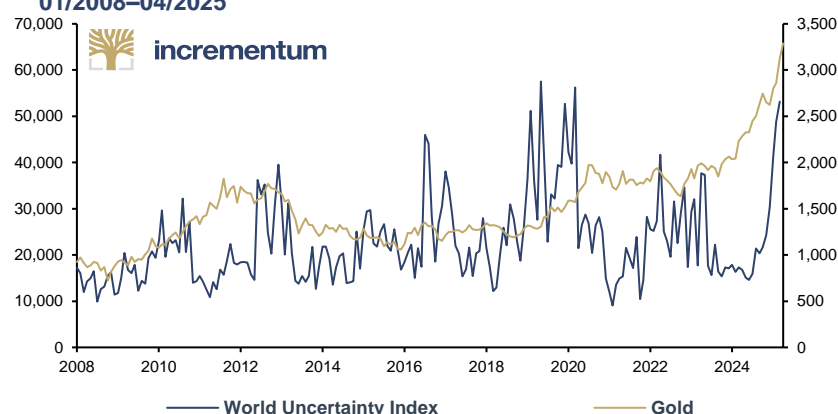


Neronulus Trump succeeded in doing something no world event, no tension, no pandemic, no risk managed to do since Bretton Woods: the replacement of the dollar as reserve currency with GOLD.

Nassim Taleb

These developments – from the unclear direction of the US dollar strategy to the unresolved Triffin paradox and possible currency devaluations – are causing considerable uncertainty. This is another parallel to the Nixon shock of 1971, when an existing global monetary system became history from one moment to the next and it took years for the new system of flexible exchange rates to establish itself. Trust is the central currency in (international) economic transactions and is decisive for the success of a country's location policy. The costs of an erosion of confidence cannot be overestimated.¹¹ In spring 2025, gold proved itself – once again – to be a reliable hedge against geopolitical and economic upheaval. **Gold remains what it has always been: a stable anchor.**

World Uncertainty Index (lhs), and Gold (rhs), in USD, 01/2008–04/2025



Source: LSEG, Incrementum AG

Especially as traditional safe havens such as US or German government bonds lose trust and dilute their stability function, gold is now moving back into the center of long-term investment strategies.

Meanwhile in Europe: Monetary Climate Change Is Accelerating

We are surrounded by reality.

Robert Habeck

While unfamiliar words of fiscal common sense can be heard from Washington, Friedrich Merz (CDU), Germany's new chancellor, has made a 180-degree turnaround under the magic formula "**Whatever it takes!**" in what many see as a voter deception. Merz has proposed that defense spending above 1% of GDP be exempt from the fiscal brake debt rule. In addition, a debt-financed program – euphemistically referred to as "special assets" – amounting to EUR 500bn is to be created for infrastructure and climate protection. Forecasts assume that German national debt will rise from 60% of GDP to 90%.

If truth is the first casualty in wars, bonds usually come a close second.

Luke Gromen

This marks a historic moment for Germany: Under the leadership of the conservative CDU/CSU, the official renunciation of fiscal conservatism has now been completed. What had already been foreshadowed in the wake of the Covid-19 pandemic – and which we described as *monetary climate change* in the 2021 *In Gold We Trust* report – has now reached a new level. With Germany breaking

¹¹ See "Gold in the age of trust erosion", In Gold We Trust report 2019

away from its role as a model of fiscal discipline, it is likely that the euro countries with a greater propensity to spend – we are looking in particular at Paris – will interpret the new fiscal generosity as a free pass.

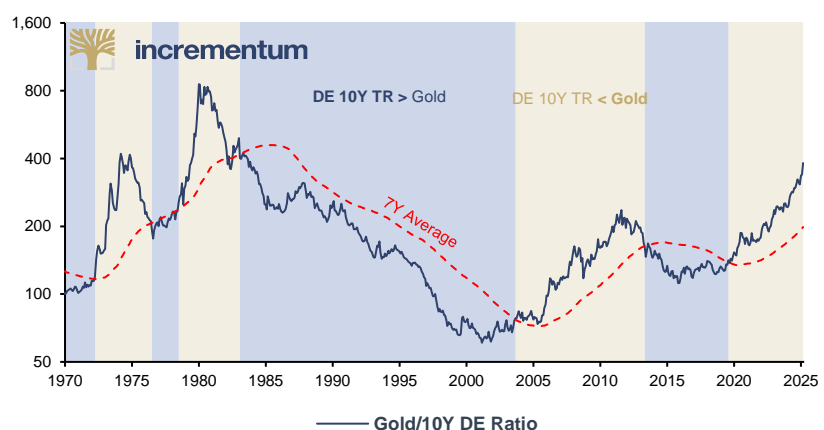
German government bonds, which are considered the ultimate “risk-free investment” in the eurozone, reacted noticeably to the turnaround. The yields on Bunds recorded their largest daily movement in 35 years following the announcement. A problem for many countries with significantly higher debt levels, such as France and Italy, is that their bond yields have also risen substantially.

Sugar highs fade. Eventually, people will scrutinize the results and question these countries’ repayment ability. With German exceptionalism gone, no euro area nation is big enough to shoulder the burden.

Fabian Wintersberger

For more than half a century, international market participants were certain that German Bunds had de facto no counterparty risk. Especially during the *Great Moderation*, Bunds outperformed gold. This ratio began to change gradually in 2002. Since 2020, the trend has strengthened in favor of gold. **In addition to the existing risk of a renewed wave of inflation, another issue is coming to the fore with the demise of the Swabian housewife: counterparty risk.** In the medium term, this could – for the first time in a long time – once again be perceived as a risk factor in government bond valuations.

Gold/DE 10Y TR Ratio, 01/1970–04/2025



Source: Gavekal Research, LSEG, Incrementum AG

I once cried because I had no shoes to play football with my friends, but one day I met a man who had no feet.

Zinedine Zidane

Louis-Vincent Gave argues that German and US government bonds have been the all-star asset class for a generation, but their golden era appears to be coming to an end. Many portfolios now find themselves in a situation akin to the French national football team after the retirement of Zinedine Zidane—missing a central figure to build around. A new difference-maker is needed. Gold, already warming up on the sidelines, could be ready to step into that role, much like a young Kylian Mbappé, poised to take the field and change the game.

The New Gold Playbook – Bolstered by the Trump Shock

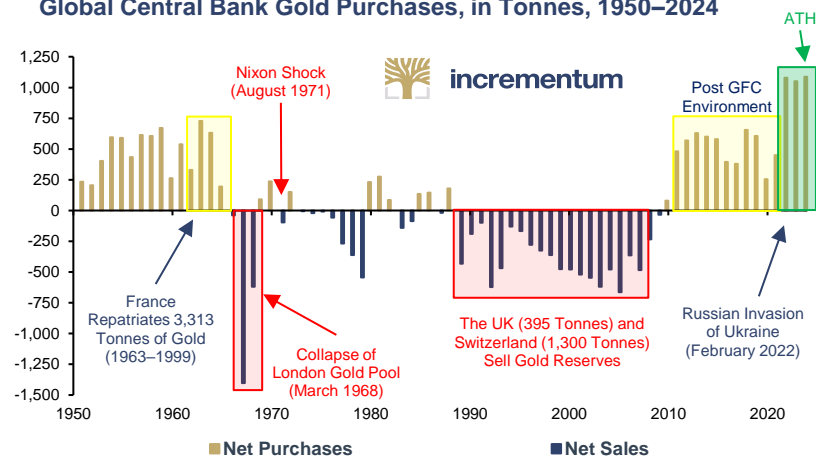
Our central thesis in the *In Gold We Trust* report 2024, “**The New Gold Playbook**”, was that the investment environment for gold has fundamentally changed. Developments over the past 12 months confirm this change.

Scoring three goals is just Zlatan being Zlatan.

Zlatan Ibrahimovic

A key cornerstone of *The Big Long* is the strong physical demand from central banks. They have been net buyers on the gold market since 2009. This trend has accelerated significantly since the confiscation of Russian currency reserves at the end of February 2022. For three years in a row, central banks increased their gold reserves by more than 1,000 t each year, achieving a special kind of hat-trick.

Global Central Bank Gold Purchases, in Tonnes, 1950–2024



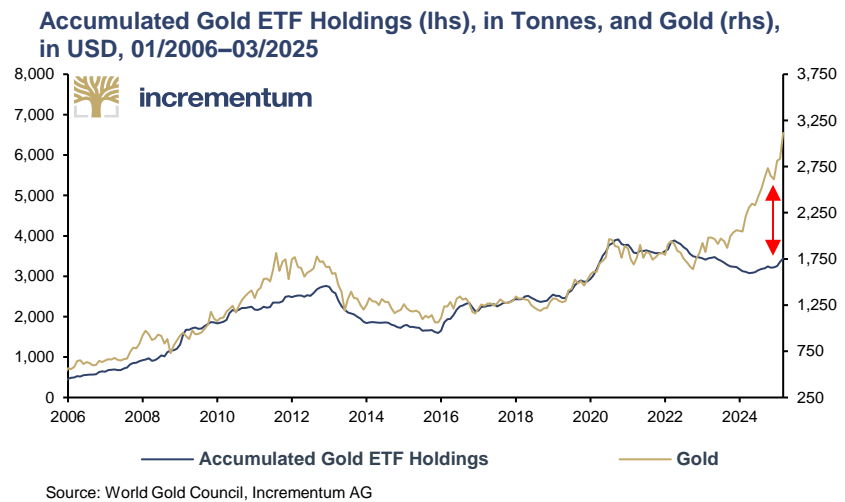
Source: World Gold Council, Incrementum AG

Poland has been the most heroic country in the world, with the worst luck.

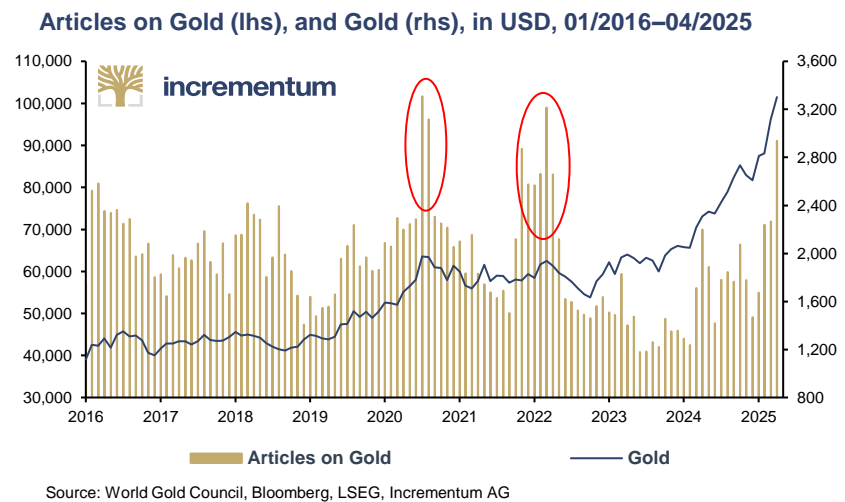
Winston Churchill

Asian central banks again made the lion's share of these purchases. It is worth noting, however, that Poland took the top spot in 2024. This geopolitically motivated reallocation towards gold exemplifies a growing mistrust of the existing Western financial system and the gradual increase in the economic importance of the emerging markets.

And it is no longer just central banks that are backing gold, but also Western financial investors, who are increasingly seeking investment opportunities in the precious metals sector after a prolonged period of inactivity. In 2024, ETF demand picked up over the year, except for Europe, which only returned to the buying side in Q1/2025. The strong inflows in North America show the first signs of a *gold FOMO*. Investment demand from gold ETFs could be a key driver for the continuation of the gold bull market.



The general media enthusiasm for gold in the West is not as pronounced today as it was in 2020, for example, when gold reached its first new all-time high in nearly a decade. **This suggests that, despite the record run in the past few quarters, the gold market is not yet in an overly euphoric state.**

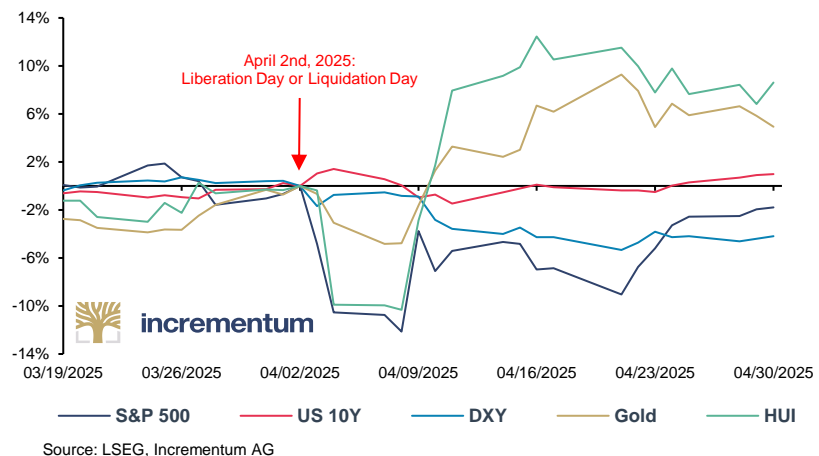


A haven for pirates is but a trap for the unwary.

William Dampier, pirate

Our Big Long thesis receives additional support from the capital market reactions after *Liberation Day*. It is unusual for the US dollar to fall during a volatile risk-off phase. Even rarer is a simultaneous slump in bonds *and* equities. Such constellations are typical for emerging markets, but not for the most important haven of the global capital market. Instead of finding refuge in the safe haven, many investors, especially international investors, have fled. **How likely is it that they will return voluntarily after such a shock?**

Various Assets, in USD, 100 = 04/02/2024, 03/2025–04/2025

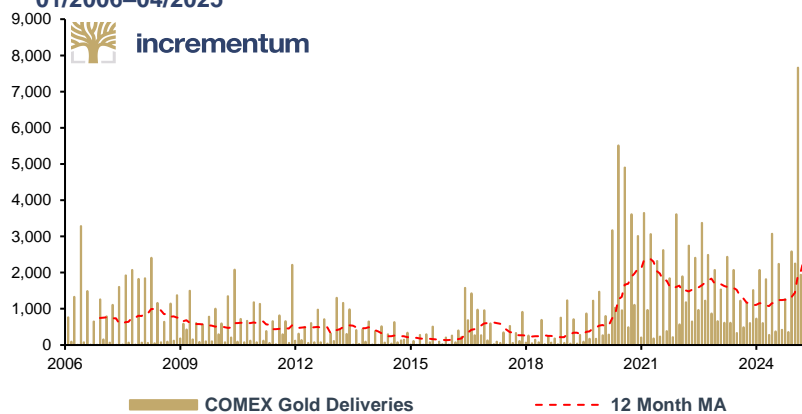


Harmony is built on trust, and occasional disagreements can only be resolved peacefully provided there is trust. But when trust is gone, everything is gone.
Zoltan Pozsar

Let's get physical: safe-haven gold on the way from London to New York

Another clear sign of waning confidence is the rising demand for **physical gold, especially among long-term investors looking for *safe-haven gold***. Physical deliveries from futures exchanges have increased since 2020, presumably driven by family offices, wealthy private investors, and state actors. These buyers are less price-critical than system-critical: They prefer real physical gold over "paper gold".

COMEX Gold Deliveries, in Thousands of Troy Ounces, 01/2006–04/2025



The Golden Rule of Negotiating and Success: He who has the Gold makes the rules. Thank You!
Donald Trump

Before *Liberation Day*, huge quantities of gold were transferred from London to New York, amounting to over 2,000 tons, according to Philip Smith, CEO of StoneX. This was triggered by an unusually high premium of up to USD 68 between the COMEX price and the LBMA spot price. This forced bullion banks to make extraordinary physical deliveries. At the same time, LBMA gold inventories shrank by 8.6 million ounces (Moz) between October 2024 and the end of March, while COMEX inventories reached a new record high of 45 Moz at the beginning of April.

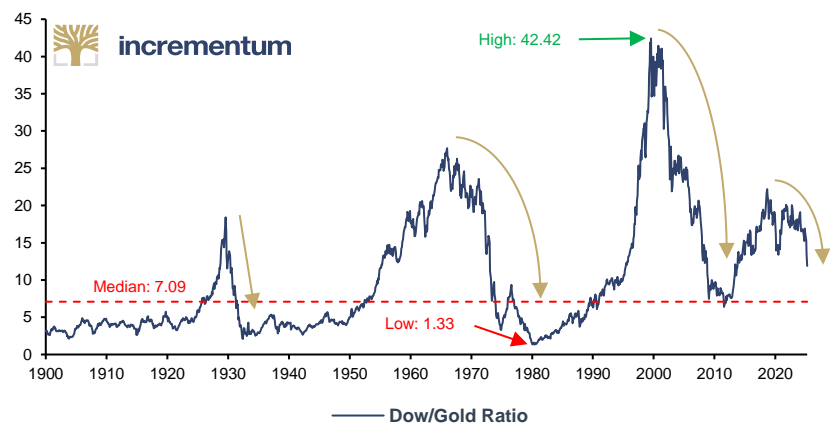
Gold, the New Outperformer in the Portfolio?

*Don't argue with the tape.
Relative strength is the market's
voice—it always knows best.*

Martin Pring

The relative strength of gold against bonds – and now also against stocks – is likely to attract increased investor interest. Now that gold has recently gained strength against equities, it is worth examining the long-term trend of the Dow/gold ratio. In the past three major downward trends in this ratio in the 1930s, 1970s and 2000s, this development was always accompanied by a significant rise in the price of gold and stagnating US stock markets. The Dow/gold ratio currently stands at 11.91 and is therefore clearly above the historical median of 7.09, indicating that gold is still attractively valued compared to US equities.

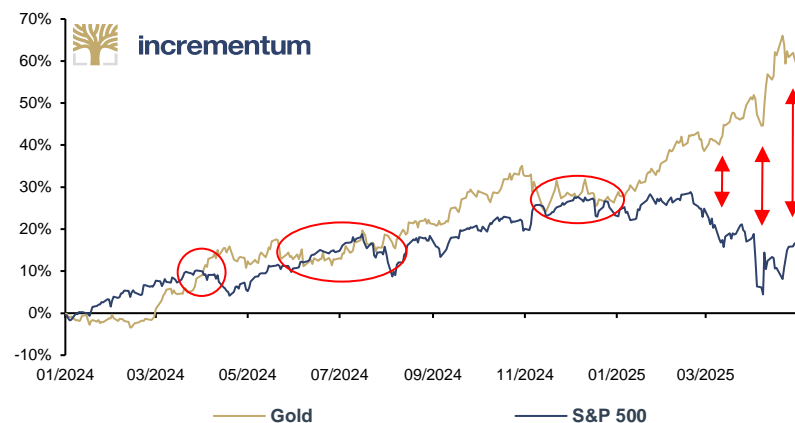
Dow/Gold Ratio, 01/1900–04/2025



Source: Nick Laird, LSEG, Incrementum AG

The growing gap between gold and the S&P 500 since the beginning of the year points to fundamental changes. Capital is increasingly flowing from US markets into the safe haven of gold, as well as into Europe and select emerging markets. If this trend is confirmed, it would be a clear signal of a sectoral and geographical rotation with far-reaching consequences for global investment strategies.

Gold and S&P 500, in USD, 100 = 01/01/2024, 01/2024–04/2025



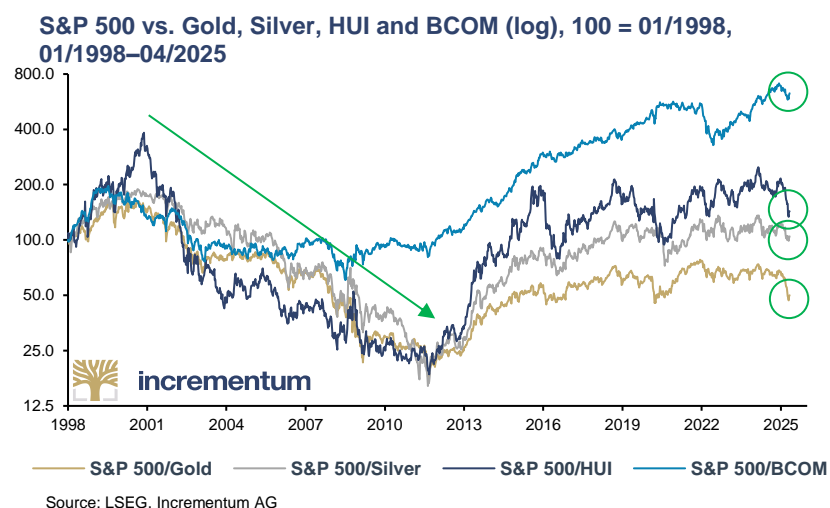
Source: LSEG, Incrementum AG

When you buy gold, you're short the financial system. When you buy stocks, you're long it.

Rick Rule

A look at the relative performance of the S&P 500 against gold, silver, mining stocks (HUI), and commodities (BCOM Index) also reveals a rotation. A cyclical turning point can be identified with the relative strength of silver and mining stocks against gold. **A sustained downward breakout of the S&P 500 would indicate a significant shift in capital flows.**

In other words, we are witnessing capital outflows from a once immensely popular and widely held sector into performance gold, an asset that has lingered in the shadows for nearly a decade. ***The Big Long* is not merely beginning – it is awakening.**



Thank you very much!

All that matters is that you are making something that you love, to the best of your ability, here and now.

Rick Rubin

Year after year, the *In Gold We Trust* report strives to live up to its reputation as the *gold standard of gold studies*. We aim to produce the world's most respected, widely read, and comprehensive analysis of gold. Mark Baum¹² said in his criticism of the financial sector, "Nobody pays attention to detail". But it is precisely these details that count, and it is the mission of the *In Gold We Trust* report to bring you, dear readers, closer to the crucial details of the gold market.

That's why every year we retreat from the hustle and bustle of everyday life to reflect, research facts and figures, and finally write the *In Gold We Trust* report. Over the past few months, many events have presented us with a real challenge. And like many other market watchers, Trump's *Liberation Day* has given us a few headaches, as has Mr. Trump's skittishness in general.

¹² Mark Baum is a fictional character from the film *The Big Short* (2015), based on the real-life investor Steve Eisman.

*A strong passion for any object
will ensure success, for the desire
of the end will point out the
means.*

Henry Hazlitt

*If there is time to reflect, slowing
down is likely to be a good idea.*

Daniel Kahnemann

This 19th edition of the *In Gold We Trust* report also features several firsts. The short version of the report is published in Japanese for the first time, in addition to German, English, and Spanish. With *Mining Visuals*, a Swedish company specializing in the graphical processing of data relevant to the mining sector, we have brought competent and enthusiastic reinforcement on board. For the first time, the *In Gold We Trust* report is also available in print via [this link](#).

We thank our more than 20 fantastic colleagues on four continents for their energetic and tireless efforts over 20,000 hours and numerous time zones. **Special thanks go to our Premium Partners¹³.** Without their support, it would not be possible to make the *In Gold We Trust* report available free of charge and to expand our range of services year after year. In addition to the annual publication in five languages, we provide a monthly *Monthly Gold Compass* and ongoing information on our *In Gold We Trust* report website at ingoldwetrust.report.

We are convinced that the current gold bull market has not yet reached its end. Now we invite you to our annual tour de force and hope that you enjoy reading our 19th *In Gold We Trust* report as much as we enjoyed writing it.

With best regards from Liechtenstein,



Ronald-Peter Stöferle and Mark J. Valek



¹³ At the end of the *In Gold We Trust* report you will find an overview of our *Premium Partners*, including a brief description of the companies.

Status Quo of Gold

Over the sweep of a reasonable investment horizon, gold protects against the depredations of the stewards of our currencies. That's its purpose.

Jim Grant

- Gold rose by 27.2% in USD and by 35.6% in EUR in 2024 and reached numerous new all-time highs in all fiat currencies, in line with our Incrementum Gold Price Model that we presented in the In Gold We Trust report 2020. The increase in Japanese yen was particularly strong at +41.7%.
- Gold's apparent "rise" reflects the ongoing depreciation of fiat currencies. The US dollar lost nearly one-third of its purchasing power in 2024 alone when measured in gold.
- The compound annual growth rate (CAGR) of gold since 1980 is 8.2%, with a positive annual performance in 59.3% of cases.
- Gold has shown an exceptionally consistent performance over the last 26 years with a hit rate of 73% (USD), 81% (EUR), and 82% in the global currency basket, confirming its stellar performance across currency areas.
- In countries like Germany, gold investments are tax-free after a holding period of one year, significantly enhancing returns compared to heavily taxed equities; in contrast, US investors face a punitive 28% tax rate on gold gains.
- Historical patterns and political preferences, particularly under Trump, suggest the US dollar (DXY) could further weaken, a move that typically benefits gold.
- While the long-term outlook remains positive, current euphoric sentiment levels, e.g., Sprott Gold Bullion Sentiment Indicator, suggest a short-term consolidation or breather in gold prices may be likely.

*The playbook doesn't win games.
Players who master it do.*

John Madden

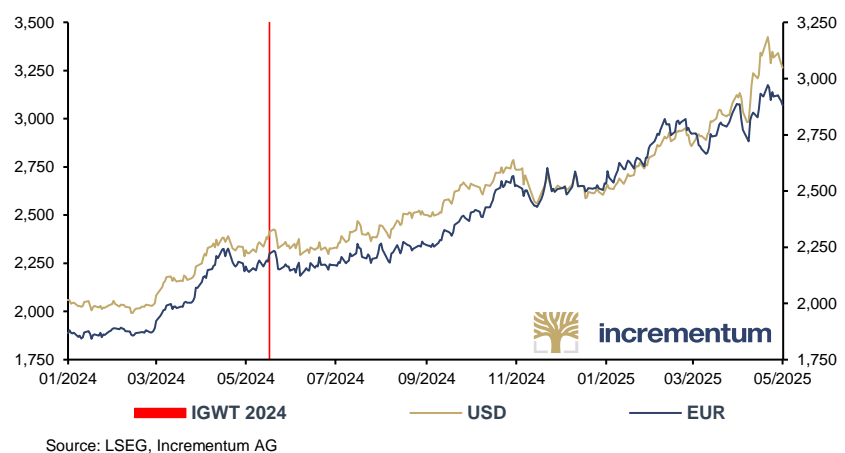
*Sometimes a setback is just a
setup for the greatest comeback.*

T. D. Jakes

In the concluding chapter, “*Quo vadis, aurum?*”, of the *In Gold We Trust* report 2024, we summarized: “*One thing is certain for us: Gold has finally broken out of its four-year consolidation phase. A new chapter has been opened in the gold playbook.*” This statement proved to be correct: The gold price marked numerous new all-time highs in every fiat currency and achieved the targets of the *Incrementum Gold Price Model*, which we had presented in the *In Gold We Trust* report 2020, “*The Dawning of a Golden Decade*”.¹⁴

Let us first take a closer look at the gold price trend in US dollars and euros since the last *In Gold We Trust* report. Shortly after publication on May 17, 2024, a two-month sideways phase occurred before gold embarked on a spectacular rally.

Gold, in USD (lhs), and EUR (rhs), 01/2024–04/2025



We have currency problems...
We have a big currency problem.

Donald Trump

A look at the performance figures since 1970 reveals impressive results: Gold has a median performance of 7% and a compound annual growth rate (CAGR) of 8.2%, while at the same time, 59.3% of all years have been positive. In contrast, silver shows a higher average return overall, but its comparatively lower hit rate of 53.7% and pronounced volatility suggest that active timing is advisable when investing in silver.

The performance in 2024 was undoubtedly extraordinary: gold ranked in the 86th percentile and silver in the 71st percentile, meaning their returns were better than 86% and 71% of all previous annual performances, respectively. However, a look at the record year 1979, in which the performance was even stronger, shows that a parabolic trend acceleration may still be imminent.

¹⁴ See “*Quo vadis, aurum?*,” *In Gold We Trust* report 2024; “*Quo vadis, aurum?*,” *In Gold We Trust* report 2020

Yearly Gold and Silver Performance, in USD, 1970–2024

	Gold	Silver
Average	10.8%	12.5%
Median	7.0%	3.1%
CAGR	8.2%	5.4%
MAX	126.5%	374.2%
MAX year	1979	1979
MIN	-31.6%	-48.7%
MIN year	1981	1981
% POS	59.3%	53.7%
% NEG	40.7%	46.3%
2024	27.2%	21.5%
Percentile	86	71

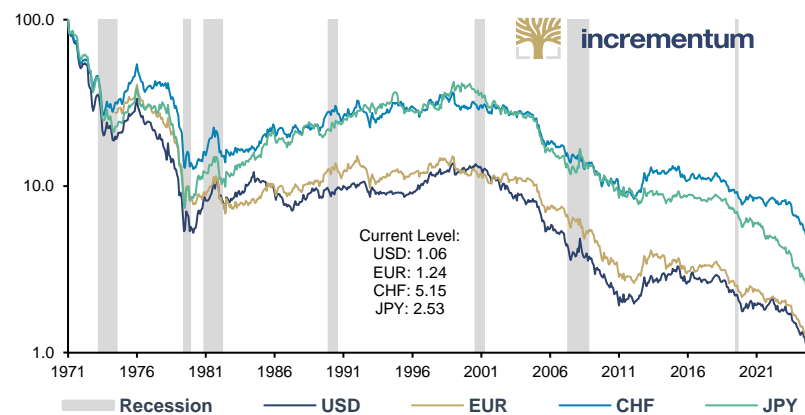
Source: LSEG, Incrementum AG

Gold is a constant. It's the measuring stick. Currencies are the variables.

Mike Maloney

As you, dear readers, already know: **The gold price does not “rise”, but the fiat currencies depreciate against gold over the long term, some faster, some a little slower. Last year, the purchasing power of the US dollar, the euro, and other major currencies declined sharply, falling by nearly a third.**

Various Currencies (log), in Gold, 100 = 08/1971, 08/1971–04/2025



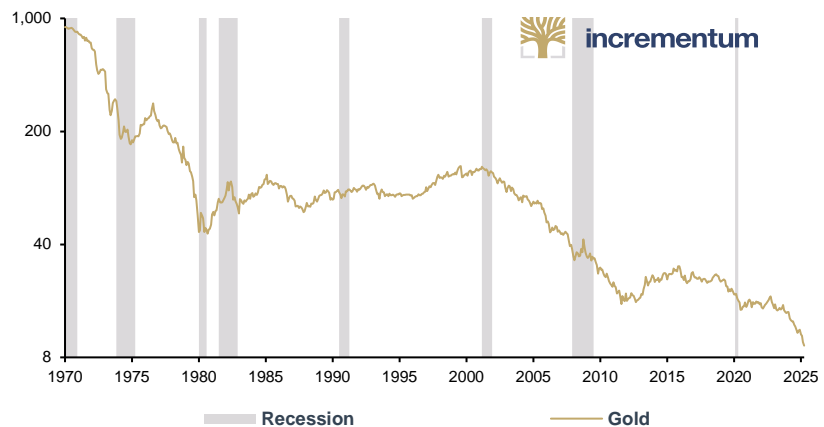
Source: LSEG, Incrementum AG

Perseverance is the foundation of all virtues.

Honoré de Balzac

Determining whether gold is expensive or cheap is challenging, but we will attempt to do so in the following pages. The chart below illustrates the purchasing power of one US dollar in terms of milligrams of gold. So now, rather than an ounce of gold costing USD 3,300, we have one US dollar costing 9.4 milligrams of gold. This reversal of perspective is not just a semantic quibble but represents an entirely different approach to the subject.

1 USD (log), in mg Gold, 01/1970–04/2025



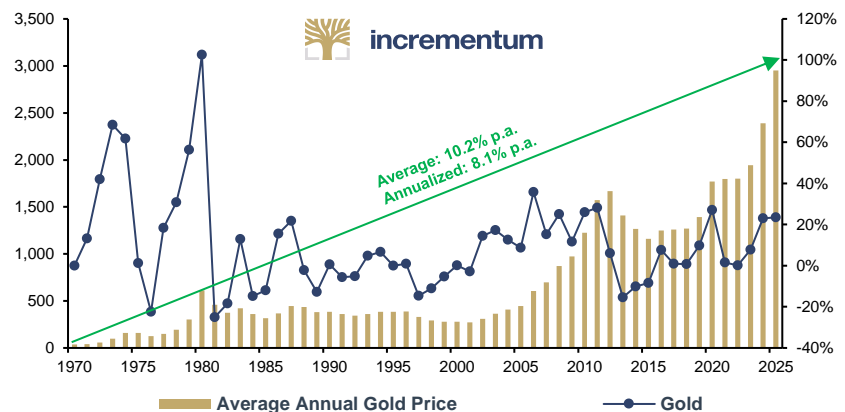
Source: LSEG, Incrementum AG

Price is what you pay. Value is what you get.

Warren Buffett

With an annual average price of USD 2,389, gold reached a new all-time high in 2024. Since the beginning of the year, the average gold price has been USD 2,952. The following chart shows that regular accumulation of gold (“gold saving”) using the cost-average effect looks pretty sensible.

Annual Average Gold Price, in USD (lhs), and yoy (rhs), 1970–04/2025



Source: LSEG, Incrementum AG

Let us now turn to the “market breadth” of gold. 2024 was positive for gold in all major currencies, with an average gain of 34.5%. As in 2023, the frontrunner was gold in Japanese yen, with an increase of 41.7%. The average performance in this millennium is impressive. **Since 2000, the average annual performance of gold in US dollars has been 10.1%.** Gold has outperformed practically every asset class and currency – despite significant corrections in the meantime.

The big money is not in the buying and the selling, but in the waiting.

Charlie Munger

However, the hit rate of the positive years appears even more impressive. Gold has achieved a remarkably consistent performance over the past 26 years. In US dollar terms, it has risen in 19 years, in euro terms in 21 years; and measured against a weighted basket of currencies, it has risen an impressive 23 out of 26 years. This corresponds to a hit rate of 73.1% in US dollars, 80.8% in euros, and 81.6% in terms of the currency basket. The figures impressively underline the stability of gold across different currency areas.

Gold Performance in Major Currencies, 2000–2025 YTD

Year	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000	-5.3%	1.2%	2.0%	11.3%	-1.9%	-5.4%	5.8%	-4.2%	1.4%	0.6%
2001	2.4%	8.3%	5.3%	11.4%	8.8%	2.4%	18.0%	5.5%	5.8%	7.6%
2002	24.4%	5.6%	12.2%	13.3%	22.9%	24.4%	12.2%	3.5%	23.7%	15.8%
2003	19.6%	-0.2%	8.0%	-10.7%	-1.3%	19.6%	8.1%	7.4%	13.9%	7.2%
2004	5.6%	-1.9%	-1.7%	1.5%	-2.0%	5.6%	0.8%	-3.1%	0.1%	0.5%
2005	18.1%	35.1%	31.6%	25.9%	14.1%	15.1%	35.9%	36.3%	22.8%	26.1%
2006	23.0%	10.4%	8.1%	14.3%	23.3%	19.0%	24.2%	14.1%	20.7%	17.5%
2007	30.9%	18.5%	29.2%	18.0%	12.0%	22.5%	22.5%	21.8%	16.9%	21.4%
2008	5.4%	10.0%	43.1%	30.5%	28.7%	-1.5%	-14.2%	-0.8%	30.0%	14.6%
2009	24.8%	21.8%	12.9%	-1.6%	7.9%	24.8%	27.9%	21.1%	19.2%	17.6%
2010	29.5%	38.6%	34.2%	13.6%	22.8%	25.1%	13.2%	16.8%	24.8%	24.3%
2011	10.2%	13.9%	10.6%	10.3%	12.7%	5.2%	4.5%	10.7%	30.7%	12.1%
2012	7.1%	5.0%	2.5%	5.3%	4.2%	6.0%	20.7%	4.5%	11.1%	7.4%
2013	-28.0%	-30.9%	-29.4%	-16.1%	-23.0%	-30.1%	-12.6%	-29.8%	-19.1%	-24.3%
2014	-1.8%	11.6%	4.4%	7.3%	7.5%	0.7%	11.6%	9.4%	0.2%	5.6%
2015	-10.4%	-0.1%	-5.3%	0.6%	6.8%	-6.2%	-9.9%	-9.7%	-5.9%	-4.5%
2016	8.5%	12.1%	29.6%	9.6%	5.3%	16.1%	5.4%	10.3%	11.4%	12.0%
2017	13.1%	-0.9%	3.3%	4.6%	5.9%	6.0%	9.0%	8.3%	6.3%	6.2%
2018	-1.5%	3.0%	4.3%	8.9%	6.8%	4.1%	-4.2%	-0.8%	7.3%	3.1%
2019	18.3%	21.0%	13.7%	18.8%	12.6%	19.7%	17.2%	16.6%	21.3%	17.7%
2020	25.0%	14.8%	21.3%	14.1%	22.6%	17.2%	18.8%	14.3%	28.0%	19.6%
2021	-3.6%	3.6%	-2.6%	2.2%	-4.3%	-6.1%	7.5%	-0.6%	-1.7%	-0.6%
2022	-0.2%	6.0%	11.6%	6.3%	7.0%	8.3%	13.7%	1.1%	10.8%	7.2%
2023	13.1%	9.7%	7.4%	13.1%	10.5%	16.3%	21.6%	2.9%	13.7%	12.0%
2024	27.2%	35.6%	29.4%	40.0%	38.1%	30.8%	41.7%	37.1%	30.8%	34.5%
2025 YTD	25.3%	14.5%	17.6%	21.1%	20.2%	24.8%	14.1%	14.1%	23.9%	19.5%
CAGR	10.1%	9.6%	10.9%	10.2%	9.9%	9.5%	11.6%	7.3%	13.0%	10.2%
Hit Rate	73.1%	80.8%	84.6%	88.5%	80.8%	80.8%	84.6%	73.1%	88.5%	81.6%

Source: LSEG (as of 04/30/2025), Incrementum AG

In this world, nothing can be said to be certain except death and taxes.

Benjamin Franklin

I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money.

Arthur Godfrey

One crucial aspect is often forgotten here, namely, the tax burden. After all, profits from gold investments are tax-free in many countries, at least after a specific holding period. **This further increases the performance of gold compared to conventionally taxed asset classes.** Anyone considering gold as a long-term investment should keep an eye on both the pure price performance and the performance adjusted for the tax burden.

The following two tables illustrate how a gold investment of EUR 1,000 or USD 1,000 would have developed over the 10 years from 2015 to 2024, for Germany and for the US. The impact of taxes is considerable. For example, gains from a gold investment in Germany are tax-free after the one-year holding period has expired. In the US, they are still classified as *collectibles* and taxed at a maximum of 28% of annual income, regardless of the holding period. **German gold investors can therefore look forward to significantly higher performance than US investors.**

A comparison with an investment in the country's largest stock index – the DAX in Germany and the S&P 500 in the US – is also revealing. Since equity gains are taxed more heavily than gold in Germany, investors are inclined to give gold a higher weighting in their portfolios. The opposite is true for the US. Tax legislation,

therefore, directly influences an investment's risk/return ratio and thus affects the investor's investment decision. **This probably also explains the lower affinity for gold in the US compared to Germany.**

Germany	Investment 01/2015	Value	Gross exchange rate gain	Net share price gain with solidarity surcharge (= 26.375% tax)	Net capital gain without solidarity surcharge (= 25% tax)	
Gold (0% tax)	EUR 1,000	EUR 2,533	EUR 1,533	EUR 1,533	EUR 1,533	
Dax	EUR 1,000	EUR 2,038	EUR 1,038	764 EUR	779 EUR	
US	Investment 01/2015	Value 12/2024	Gross exchange rate gain	Net capital gain for income (10% CGT)	Net capital gain middle income (15% CGT)	Net capital gain high income (20% CGT)
Gold (28% tax)	1,000 USD	2,163 USD	1,163 USD	837 USD	837 USD	837 USD
S&P500	1,000 USD	2,857 USD	1,857 USD	1,671 USD	1,579 USD	1,486 USD

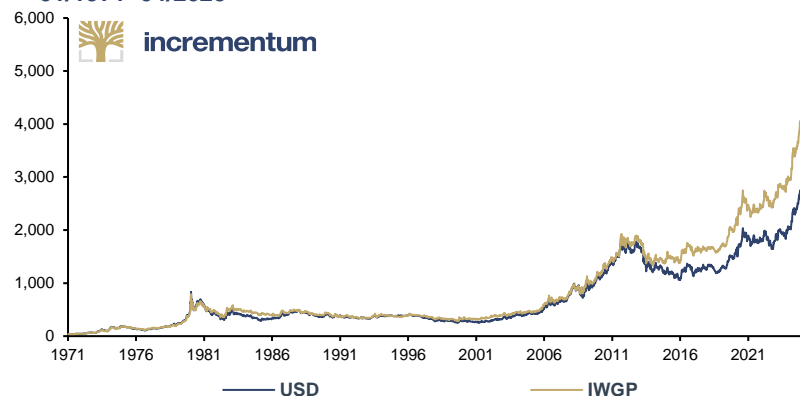
Source: LSEG, Incrementum AG

Good analysis comes from good understanding. And good understanding is provided by a conceptual framework that helps you organize your thinking.

Stephen H. Penma

Let us now return to the current big picture. The following chart is one of the classics of every In Gold We Trust report. It shows the so-called *Incrementum World Gold Price*, which is calculated using a basket of 16 currencies weighted according to nominal GDP. These currencies currently represent almost 80% of global GDP. The approach aims to mitigate the distorting effect of currency fluctuations in the valuation of the gold price in a single currency. The chart shows that a gap has opened up between the gold price in US dollars and the global gold price, notably since 2011/12, which has gradually widened over time due to the strength of the US dollar. Nevertheless, the long-term upward trend for both metrics appears to be intact.

Gold, in USD, and Incrementum World Gold Price (IWGP), 01/1971–04/2025



Source: World Bank, LSEG, Incrementum AG

Now, what are our expectations for the US dollar? The DXY (US Dollar Index) chart shows a sideways trend with a slight downward tendency since early 2023. Notably, the psychologically important support line at 100 was held multiple times, but has now been breached in April 2025. **However, this decline coincides with extremely negative sentiment readings, suggesting that the USD is likely due for a short-term bounce.**

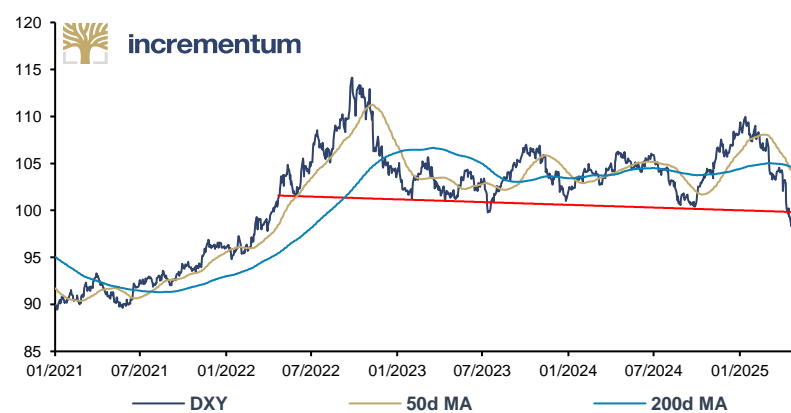
Notably, the weakness in the DXY stems mainly from declines against the euro (EUR), Japanese yen (JPY), and Swiss franc (CHF), while the US dollar has remained relatively stable against many Asian currencies. This indicates that the DXY's softness reflects G7 currency dynamics rather than broad-based global USD weakness.

There are no sextuple bottoms.
Kevin Muir

Overall, we expect the US dollar to experience short-term strength, driven by oversold conditions and a potential shift in sentiment.

However, looking at the medium-term picture, we believe the DXY will continue to weaken, with the index likely falling toward the 90 level or even lower over the coming quarters. Such a move would typically provide tailwinds for gold and other hard assets, as well as emerging market currencies and commodities.

DXY, 01/2021–04/2025



I want a dollar that does great for our country, but not a dollar that's so strong that it makes it prohibitive for us to do business with other nations and take their business.
Donald Trump

Our analysis indicates that the DXY typically weakens in post-election years – a trend that Donald Trump would likely welcome, given his repeated criticism of the strong dollar during his presidency from 2017 to 2021. Notably, the DXY exhibited strikingly similar patterns ahead of his first and second terms, raising intriguing questions. If this trend persists, the US dollar could decline to 86 by 2026 – a level that would almost certainly please Trump, who has long favored a weaker US dollar.

US Dollar Index, 100 = 01.01.2017 and 01.01.2025, 01/2015–12/2018, and 01/2023–12/2026



Conclusion

The gold price is in terra incognita; the bulls have free rein. We always assumed that reaching new all-time highs in US dollar terms would herald a further trend phase in which Western financial investors would finally become involved.

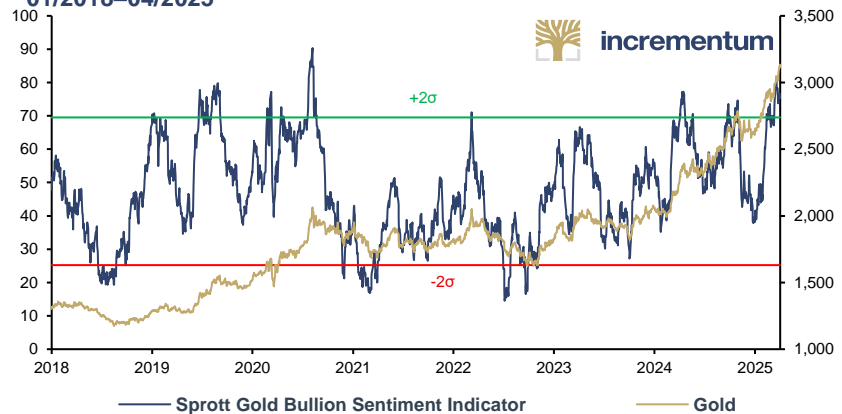
I'm the best there is, the best there was, and the best there ever will be.

Bret "The Hitman" Hart

In the long term, the performance figures speak in favor of gold: Since 1970, the average annual return has been over 10%. The high hit rate is remarkable, and over the past 26 years, gold has made gains in 19 years on a USD basis and 21 years on a EUR basis.

However, a breather or consolidation phase in the gold price would not be surprising after the substantial rise in recent months. The Sprott Gold Bullion Sentiment Indicator shows that sentiment is already approaching a euphoric level.

Sprott Gold Bullion Sentiment Indicator (lhs), and Gold (rhs), in USD, 01/2018–04/2025



Source: Sprott Asset Management LP, Incrementum AG

Status Quo of Gold relative to Stocks, Bonds, and Commodities

I believe there have been three great pillars of investing success over the past 20+ years: US home country bias, US tech bias, and US dollar bias. I believe that all three of these are now melting icebergs, with enough mass to melt for a decade or more. That's the backdrop for a Prisoners' Dilemma portfolio, basically doing the reverse of what's worked on autopilot for the past 20 years.

Ben Hunt

- **Gold's Bull Market Is Built on Solid Ground:** Despite market turbulence, gold's relative strength versus stocks, bonds, and commodities signals that its long-term bull market remains intact.
- **Shifting capital flows favor gold and Europe:** US fiscal tightening has triggered capital reallocation to regions like Europe and China, which are embracing fiscally expansionary policies, benefiting gold in the process.
- **Bonds have lost their "safe haven" role:** Long-dated bonds have collapsed in value, and the traditional negative correlation between stocks and bonds has weakened, enhancing gold's appeal as a portfolio stabilizer.
- **The old 60/40 portfolio model is breaking down:** The historical bond/equity hedging dynamic is fading; gold is emerging as the new anchor in diversified portfolios, especially amid high inflation volatility and even higher debt levels.
- **Commodities show asymmetric upside:** Years of underinvestment, rising fiscal stimulus, geopolitical tensions, and a weakening US dollar are setting the stage for a commodity bull market.
- **Gold's market cap still lags behind equities:** At just 40% of US equity market capitalization, gold has room to catch up, particularly if a reallocation toward real assets accelerates.

The absolute and relative performance of gold compared to other assets such as stocks, bonds, and commodities is essential for a comprehensive analysis of the gold price. We will therefore examine the relative valuation and trend strength of gold on the following pages to analyze the opportunity costs of investing in gold. We can already preempt the core insight: **The gold bull market continues to stand on a solid foundation.**

The late 90s taught us that euphoria is a warning sign, not a victory lap.

Michael Burry

Echoing *The Big Short*, when contrarian investors predicted the real estate market's collapse, a similar picture of irrational speculation was evident in many facets of the market until a few weeks ago. A young investor barricaded himself in the bathroom until his self-created *shitcoin* reached a market capitalization of USD 50mn. *Hawk Tuah*, a memecoin based on a raunchy joke, shot to a market capitalization of USD 500mn only to crash. Even *Fartcoin*, which was intended as a pure parody from the outset, reached a market capitalization of over USD 200mn, showing how, in the final phase of such bubbles, it is no longer fundamentals that count but only the search for the *greater fool*.

Parties, after all, are often followed by a hangover.

Avi Salzman

These developments are no coincidence, but a reflection of the excessive liquidity that has been flooding the financial system for years. As with the Mississippi Bubble or the dotcom euphoria, the parallels are clear: A market driven by cheap capital was heading for an inevitable correction.

Gold Compared to Stocks

Scott Bessent, former CIO of Soros Fund Management and current US Treasury Secretary, summarized the current situation succinctly: *"Over the medium term, which is what we're focused on, it's a focus on Main Street. Wall Street's done great, Wall Street can continue to do fine, but we have a focus on small business and consumers."*

Wall Street gets bailed out, Main Street gets sold out.

Occupy Wall Street slogan

This statement signals a turning point – political attention is shifting from Wall Street to Main Street. The recent election in the US underscores this development. Most households with an income of over USD 100,000 voted for Kamala Harris, while lower-income groups mainly supported Donald Trump.

Federal Reserve data from the triennial *2022 Survey of Consumer Finances (SCF)* illustrates the severe wealth inequality in the US: 58% of American households own stocks, but 93% of total equity wealth is concentrated among the wealthiest 10%. In contrast, the poorest 50% hold only 1% of stocks. This imbalance shows why the stock market has lost its political influence. **The US median voter owns virtually no stocks.**

All that matters is the change in the fiscal stance of the different countries.

Kevin Muir

In 2025, a significant geographical rebalancing began, with capital increasingly flowing from the US to Europe. This development manifested in a marked appreciation of the euro, among other things: Within just a few weeks, the euro appreciated by almost 10% against the US dollar, from 1.04 to as much as 1.14 USD. At the same time, European stock markets also benefited noticeably.

A pin lies in wait for every bubble.

Warren Buffett

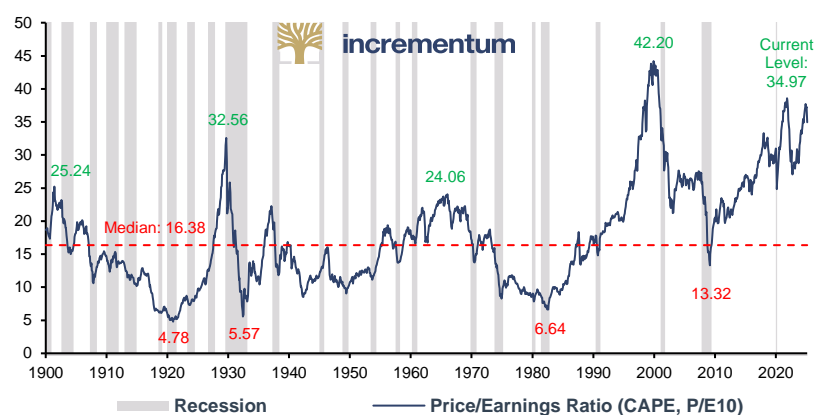


Courtesy of Hedgeye

The background to these capital flows was a polarization of fiscal policy orientations: Money flowed primarily to regions with increasingly expansionary fiscal policies – such as Europe and China (*fiscal expansionists*), while it was withdrawn from the US, which is pretending to become a *fiscal hardliner*.

Despite the recent price declines, US stocks remain as far away from a favorable valuation as the Bahamas are from the introduction of mandatory snow chains. The current Shiller P/E ratio of 34.97 is in the 97th percentile of the 120-year history. If one believes in a return to the mean, the low is still a long way off, as the median over the past 124 years is 16.3. **By comparison, the current Shiller P/E ratio for European stocks (STOXX 600) is 15, while the Brazilian Bovespa Index is trading at a ratio of 10.**

Price/Earnings Ratio (CAPE, P/E10), 01/1900–03/2025



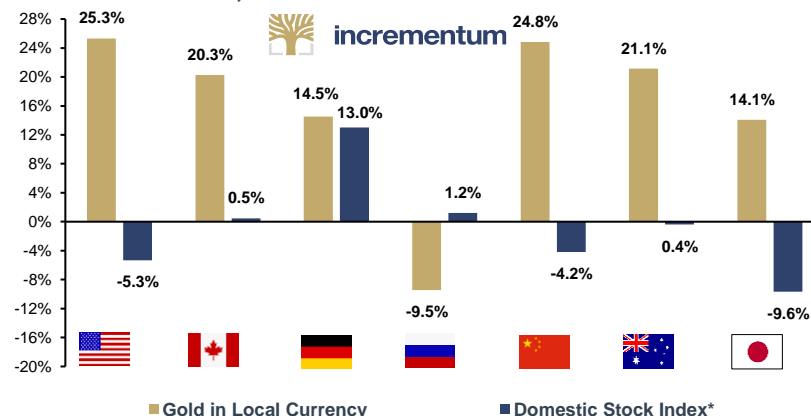
Source: Robert J. Shiller, Federal Reserve St. Louis, Incrementum AG

The stock market is the only market where things go on sale and all the customers run out of the store.

Cullen Roche

What does this stock market environment mean for gold? Loyal readers know: For us, developments in the equity markets represent an important opportunity cost for gold. In view of the dizzying gains in gold, this chart suggests a broad flight out of (US) stocks and into liquid tangible assets as well as German equities.

Gold in Local Currency, and Domestic Stock Index*, Annual Performance in %, 2025 YTD

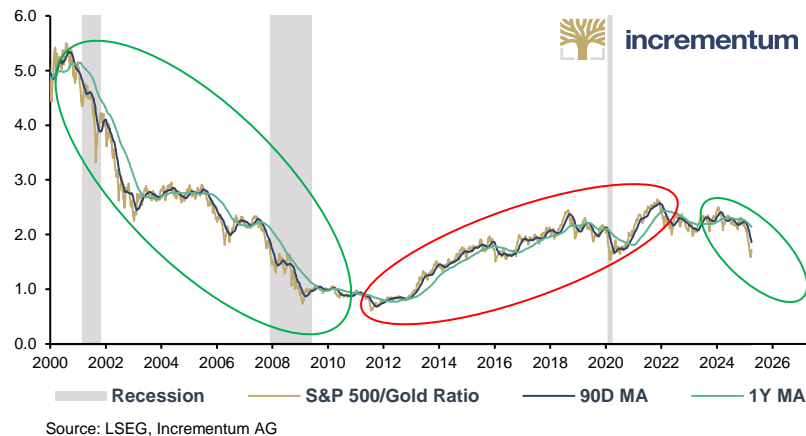


Source: LSEG (as of 04/30/2025), Incrementum AG

*US = S&P 500, CA = TSX Comp., DE = DAX, RU = MOEX, CN = SCI 300, AU = ASX 200, JP = Nikkei 225

The following chart shows the S&P 500/Gold ratio since 2000. The upward trend, i.e. falling purchasing power of an ounce of gold measured in stocks, lasted from 2011 to the end of 2021. It currently appears that gold is increasingly regaining relative strength. The ratio recently fell below the 90-day and 1-year moving averages.

S&P 500/Gold Ratio, 01/2000–04/2025

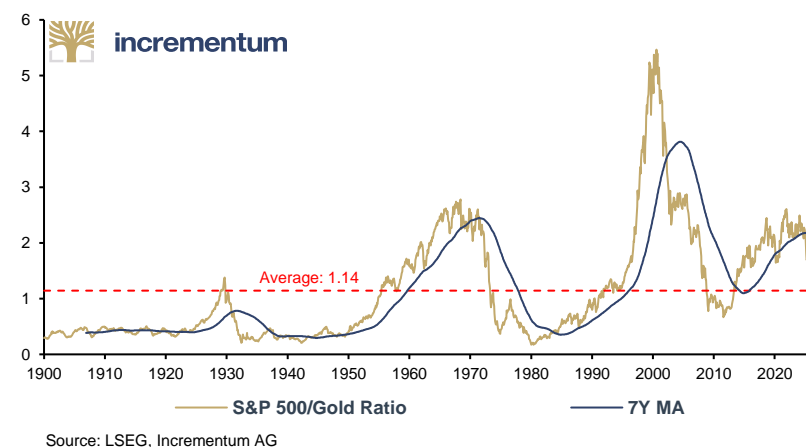


History is a gallery of pictures in which there are few originals and many copies.

Alexis de Tocqueville

Let's take a longer-term view of this ratio, going back to 1900. Gold appears significantly undervalued relative to US stocks and may have completed a secular turnaround. The S&P 500/gold ratio now stands at 1.69, compared to a historical average of 1.14. **Assuming the S&P 500 remains constant, the gold price would need to triple to return to its long-term mean.**

S&P 500/Gold Ratio, 01/1900–04/2025

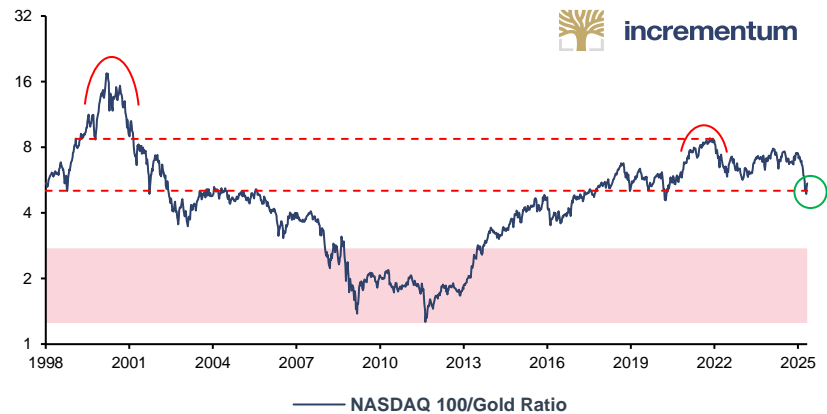


In Silicon Valley, people will tell you it's not a bubble—right up until the moment it pops.

Marc Andreessen

The following chart illustrates the relative performance of the NASDAQ 100 versus gold. Gold has recently demonstrated notable relative strength after several years of sideways movement. Nevertheless, the ratio remains historically elevated — underscoring that gold continues to be undervalued compared to the NASDAQ 100. **Should this trend persist, it may signal the onset of a long-term capital rotation away from US technology stocks.**

NASDAQ 100/Gold Ratio (log), 01/1998–04/2025

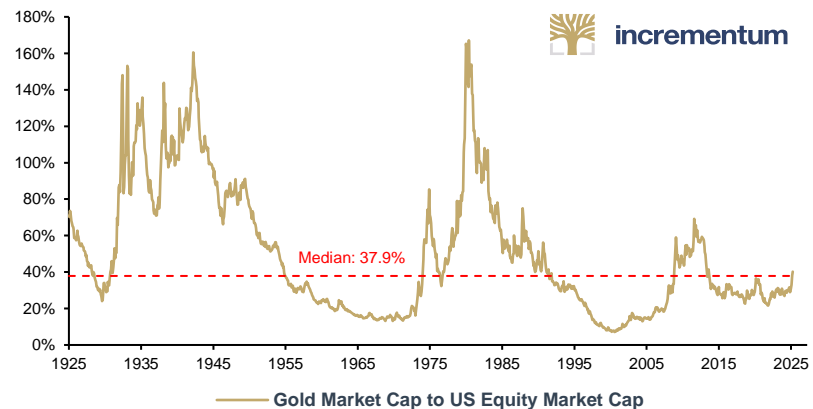


The first phase of a bull market is disbelief. The last is delusion.

Peter Atwater

The relative price trend is helpful for broadly classifying major investment cycles and serves as an essential valuation metric. **Currently, the market capitalization of global gold holdings amounts to about 40% of US equity market capitalization, slightly above the long-term median of 37.9%.** For comparison, during wartime periods and the inflationary era of the 1970s, this figure peaked as high as 160%. **Even at the peak of the last secular gold bull market in August 2011, the value was significantly higher at 69.2%.** This indicates that, although the current gold bull market has already gathered momentum, we are still far from the mania phases seen at past peaks.

Gold Market Cap to US Equity Market Cap, 01/1925–04/2025



We expect the market capitalization of gold to have increased further relative to stocks by the end of the golden decade. **In other words, gold is poised to remain a notable outperformer for an extended period and therefore belongs in the portfolio to a significant extent, not only for its security but also for its performance benefits.**

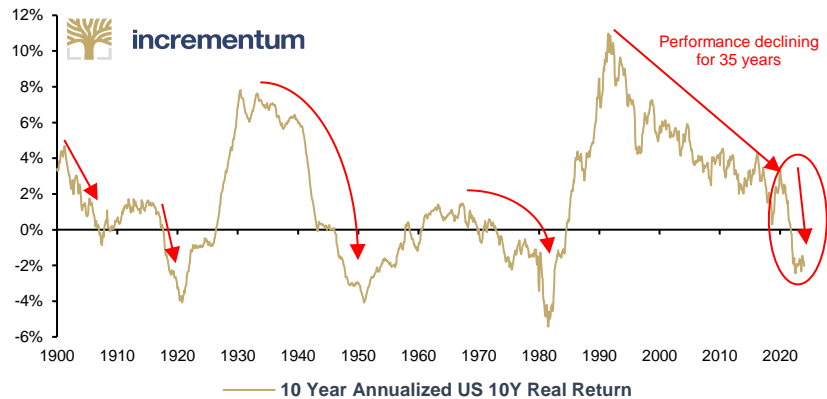
Gold Compared to Bonds

The greatest credit event of all would be a recession in which US yields went up, not down.

Michael Hartnett

One of our central theses of recent years has been confirmed: government bonds are no longer the foundation of an antifragile portfolio, as they have been for the last 40 years.

10 Year Annualized US 10Y Real Return, in USD, 01/1900–03/2025

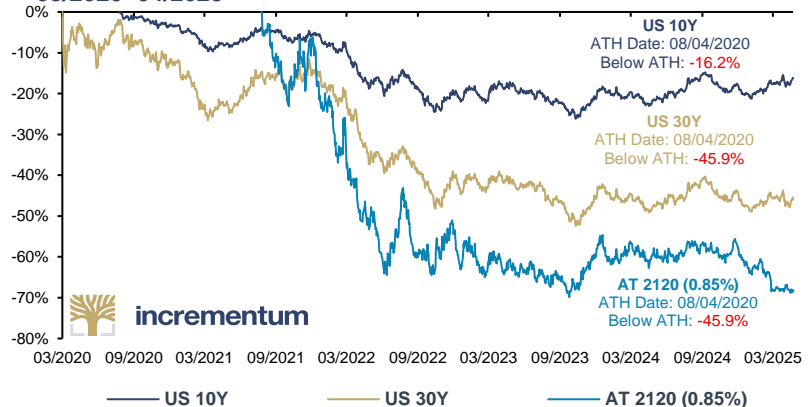


Sometimes your best investments are the ones you don't make.

Donald Trump

After yields reached a microscopically low level in 2020 and were even negative in some cases, 10-year US Treasuries have fallen in value by 16.2% since then, while 30-year bonds have fallen by almost 50% from their peak. The frontrunners in the negative sense are naturally the 100-year Austrian bonds, which are down 68.1% (maturity 2120) from their peak.

US 10Y, US 30Y and AT 2120 (0.85%) Below All-Time High, 03/2020–04/2025



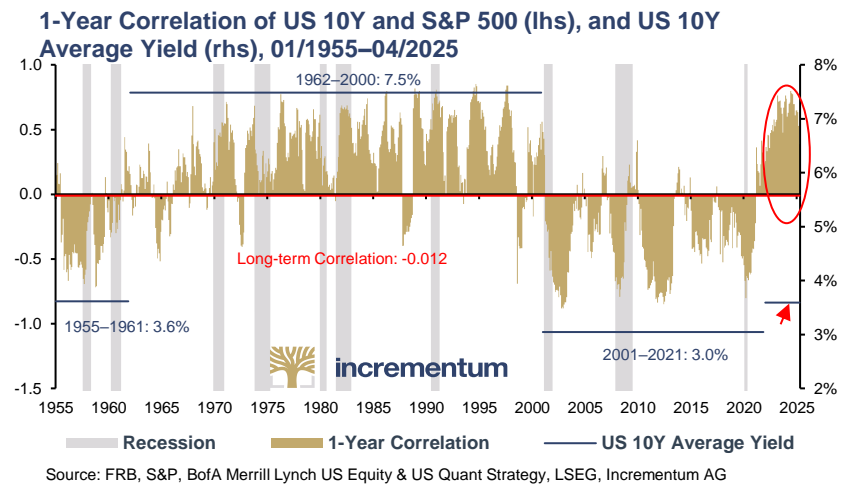
We can be blind to the obvious, and we are also blind to our blindness.

Daniel Kahneman

As we have already emphasized in previous years, the negative correlation between stocks and bonds, is the exception rather than the rule in the long term. For example, the correlation between stocks and bonds in the US has been slightly positive in 70 of the last 100 years. The primary reason for the negative correlation over the last four decades has been the low inflationary pressure and declining inflation volatility following the *Great Moderation*.

The following chart shows the one-year rolling correlation between 10-year US government bonds and the S&P 500 and the average yield on

10-year Treasuries. Clearly, the 1-year correlation has recently turned positive. The long-term correlation coefficient between stocks and bonds in the United States has been approximately -0.012 since 1955.

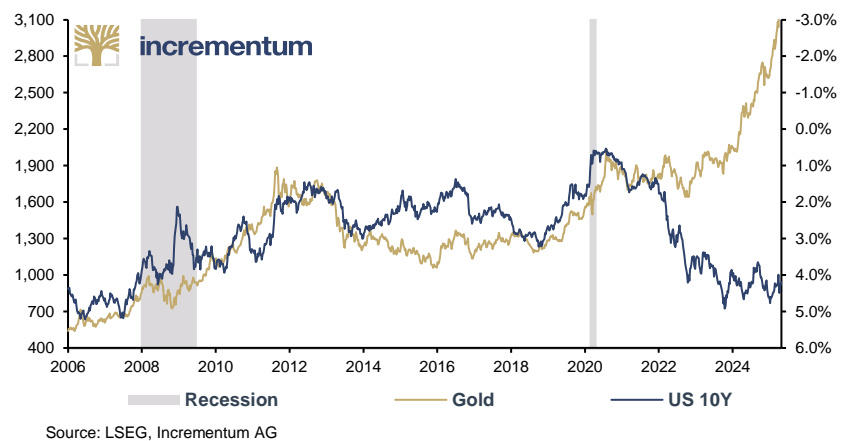


In the coming decade(s), bonds will no longer be negatively correlated to stocks and save your portfolio in times of stress, but will instead become the anchor that drags your portfolio lower.

Kevin Muir

The decoupling between gold and bonds that we forecasted in previous years has continued over the past 12 months. **The bond and gold markets are sending the same message: Higher inflation rates and increased counterparty risks are the new reality.** If the relationship between stocks and bonds now reverses permanently, the basis of the 60/40 portfolio - namely, a negative correlation between stocks and bonds - would be removed. **Have bonds now handed over the scepter to gold?**

Gold (lhs), in USD, and US 10Y (rhs, inverted), 01/2006–04/2025



In terms of natural resource investing, you're either going to be a contrarian or you are going to be a victim. There isn't much by way of middle ground.

Rick Rule

Overall, 2024 was a mixed year for the commodities sector, despite gold and silver in particular performing well, with price gains of more than 20% each. Only copper (+8%) and zinc (+6%) recorded moderate growth in the base metals sector. In contrast, the downward trend in battery metals continued, with nickel, cobalt, and lithium even falling to 5-year lows. Uranium, iron ore, and coal all experienced year-on-year losses exceeding 20%.

The table highlights the sharply differing performance across the various commodity sub-sectors. While the Energy Subindex lost 4% and has been clearly in negative territory since the start of the year, the other sub-sectors have managed to stabilize. Once again this year, the Precious Metals Subindex is the positive exception. **All four other subindices remain well below their all-time highs, offering further upside potential.**

	Bloomberg Industrial Metals Subindex	Bloomberg Precious Metals- Subindex	Bloomberg Agriculture Subindex	Bloomberg Energy Subindex	Bloomberg Livestock Subindex	BCOM Index
ATH	266.76	328.57	143.33	516.66	131.99	237.95
Date ATH	05/04/2007	04/22/2025	05/29/1997	09/29/2005	10/04/1993	07/02/2008
ATL	53.90	49.66	34.15	15.47	16.21	59.48
Date ATL	11/07/2001	04/02/2001	06/26/2020	04/27/2020	04/13/2020	03/18/2020
YTD	-0.4%	20.2%	1.8%	-8.3%	6.4%	2.2%
2024 Performance	-1.6%	19.0%	-8.7%	-3.9%	14.2%	0.1%
% Below ATH	-47.6%	-2.6%	-59.5%	-94.8%	-79.8%	-57.6%
% Above ATL	159.3%	544.7%	69.9%	74.7%	64.8%	69.7%

Source: LSEG (as of 04/30/2024), Incrementum AG

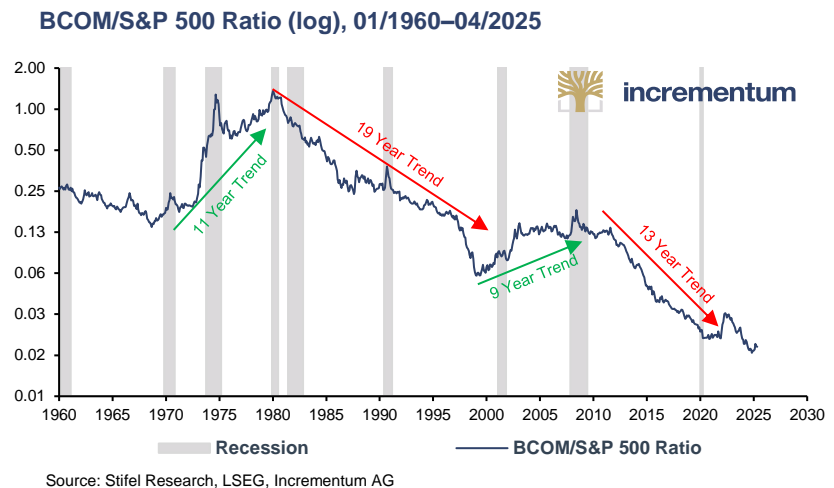
Institutional appetite for commodities? Let's just say it rivals the demand for fur-lined gloves in the sweltering heart of the Sahara. We have always been convinced that commodities – and commodity-sensitive assets in general – should be actively managed, but they should also be a fixed portfolio component during phases of rising inflation. **Our arguments for commodity investments can be summarized in the following points:**

- Commodities have been in a bear market for ten years, which has led to a considerable investment backlog and declining production volumes. This structural supply bottleneck hedges the downside price risk.¹⁵
- There is an increasing focus on generous fiscal support measures in infrastructure and armaments.
- Geopolitical tensions will promote resource nationalism and demand higher geopolitical risk premiums.
- (Institutional) investors are still underweight or not invested in commodities at all.
- Latent inflation concerns will provide a tailwind for commodities.
- The US dollar could face a secular bear market as its previously unchallenged status as a reserve currency gradually fades. Historically, the US dollar and commodity prices are strongly negatively correlated (-0.86).

Fortunes are made by buying low and selling too soon.
Nathan Rothschild

Let's now take a look at the relative performance of commodities and stocks. The next chart shows the last commodity supercycles. **We firmly believe that the *Big Long* could now lead to a prolonged period of outperformance of commodities.**

¹⁵ See "Capex Comeback: A Raging Bull Market for Commodities Beckons," In Gold We Trust report 2023



Conclusion

At the start of this generational bond bull market, few believed it had begun. Today, few believe it has ended.

Kevin Muir

The disinflation of recent quarters should represent a perfect environment for US bonds. However, if you examine the performance of the TLT fund, which tracks long-dated US government bonds, it has nearly halved and is currently bottoming out. Particularly in the event of a second wave of inflation, long-dated bonds would be predestined to cause nasty surprises in institutional portfolios once again. **We are seeing growing evidence that investor focus is shifting toward gold as the next generation of safe-haven assets.**



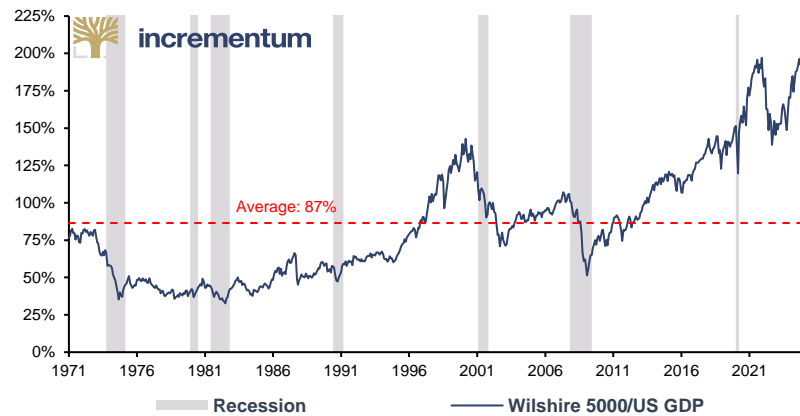
If the ratio approaches 200%... you are playing with fire.

Warren Buffett

The valuations of many sectors and individual stocks on the US equity markets are still far from bargain levels. At the end of April, the Buffett indicator¹⁶ stood at 185%, well above the long-term average of 87% but also below the high of December 2021, when the indicator exceeded the 200% level for the first time. We continue to find exciting opportunities in equity markets, particularly in the value segment of the old economy, in Europe, in emerging markets, and, above all, in the commodities segment.

¹⁶ The Buffett indicator is a valuation multiple that compares the capitalization of the US Wilshire 5000 index with US GDP.

Wilshire 5000/US GDP, 01/1971–04/2025

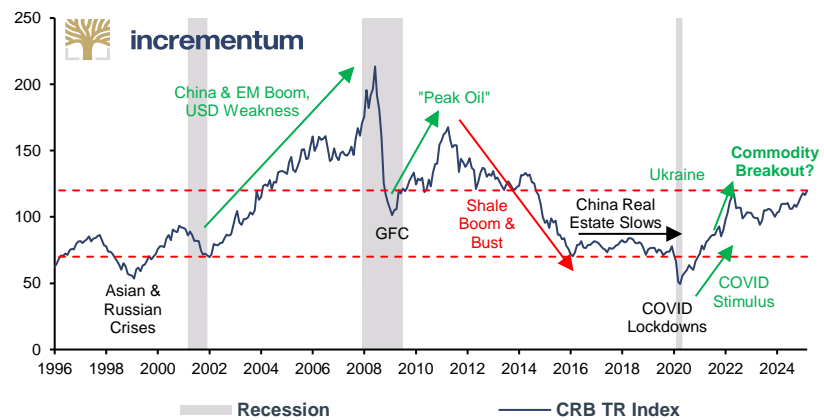


Source: LSEG, Incrementum AG

Bear markets are the authors of bull markets, and bull markets are the authors of bear markets!
Rick Rule

In the case of commodities, there are numerous indications that the tide is finally turning. In addition to a possible US dollar bear market, the capex cycle¹⁷, the now-numerous fiscal and monetary stimulus measures in China, and the increasingly loose handling of sovereign debt in leading European economies, as well as the targeted decarbonization, have become the structural drivers for the supply and demand of many commodities. **We firmly believe that the commodity bull market is in an early phase.**

CRB TR Index, adjusted for US CPI, 100 = 12/2023, 01/1994–03/2025



Source: Gavekal Research, LSEG, Incrementum AG

¹⁷ See "Capex Comeback: A Raging Bull Market for Commodities Beckons," In Gold We Trust report 2023

Status Quo of Debt Dynamics

The safest road to hell is the gradual one - the gentle slope, soft underfoot, without sudden turnings.

C.S. Lewis

- Role swap between the US and Germany: While the new US government is using DOGE to cut costs, Germany has put on its spending pants.
- Nevertheless, the US deficit is on course for a negative record. For the first time, there could be a deficit of more than 6% for three years in a row.
- The US reached the Ferguson limit as interest spending exceeded defense spending for the first time in fiscal year 2024. Previous great powers went under when they violated the Ferguson limit.
- In emerging and developing countries, an average increase in debt of 2 percentage points was required to increase GDP by 1 percentage point. In the OECD countries, the ratio was 5:1.
- With the proposals of Stephen Miran and Zoltan Pozsar, the issue of debt restructuring has finally moved from the periphery to the center.
- Financial repression will return, especially in the EU, where a productivity miracle to sustainably solve the high national debt seems almost impossible. Some parties will also continue to attempt to centralize EU debt.

The Titanic was warned six times about icebergs. It didn't change course.

Based on historical records of the Titanic disaster of 1912

When the ship has sunk, everyone knows how she could have been saved.

Italian Proverb

Either the nation must destroy public credit, or public credit will destroy the nation.

David Hume

In view of the threats to our freedom and peace on our continent, the rule for our defence now has to be 'whatever it takes'.

Friedrich Merz

We are not swimming in money, we're drowning in debt.

Wolfgang Schäuble

Usually, analyzing government debt data is a rather unspectacular task. The spending increases during the Covid-19 pandemic and the subsequent inflation crisis have provided some variety, albeit for two extremely unpleasant reasons. In recent weeks, however, there has been some real movement on the national debt issue.

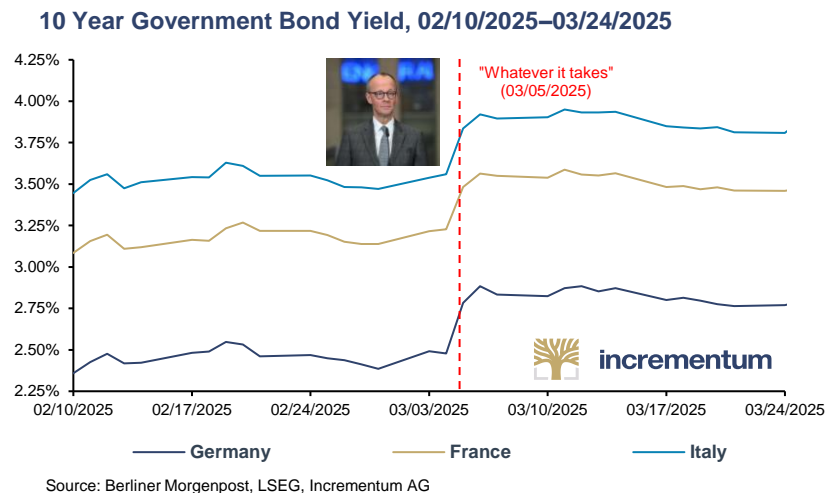
It was not just a slight course correction; a real U-turn occurred in Germany at the end of February. With a single sentence, Friedrich Merz (CDU) initiated this U-turn in the very country that had previously kept its national debt ratio under control thanks to a **constitutionally enshrined debt brake**. This forced governments at the federal, state, and municipal levels to consolidate continuously. The result was a national debt ratio slightly above the 60% Maastricht limit.

The phrase uttered by Friedrich Merz is well known: **"Whatever it takes!"** With this one sentence, Friedrich Merz increased the German national debt by at least an additional EUR 900bn, or more than a third of the current German national debt. In total, the volume of expenditure is therefore likely to be more than double the amount of **Aufbau Ost**, the investments in the new federal states after reunification, which amounted to 1% of GDP.

On the one hand, a *special fund* (Sondervermögen) for infrastructure is being set up, although it would be better to speak of *special debt*: EUR 500bn is to flow into infrastructure and climate protection. **This means that the debt potential of all 30 German special funds combined has almost doubled.**

In 2012, Mario Draghi added the important, usually omitted, restriction **"within our mandate"** to his "whatever it takes" to calm financial markets. Merz, on the other hand, does not seem to want to impose any restrictions on himself, except that he needs the necessary majorities in the German Bundestag for this project. **The fact that he had opened the debt Pandora's box with his advance became apparent only a short time later.** As the CDU/CSU and SPD needed the support of the Greens to pass the bill, the Greens demanded the earmarking of EUR 100bn for climate protection measures and the stipulation that these investments should ensure Germany's climate neutrality by 2045. The EU has set 2050 as its target, which is unrealistic anyway.

Markets responded to the announcement of the expansion of German government debt with the sharpest rise in German bond yields since 1990. On the day of the announcement, March 5, the 10-year German government bond rose by almost 30 basis points or 12% to just over 2.80%. The yields of many countries also rose in its wake, and not even the government bond heavyweights, the US and Japan, were able to escape this shock. This at least confirms that German government bonds have not yet lost their status as the gold standard on the bond market as a result of this announcement. However, this is bad news for the countries that are much more heavily indebted, as their financing costs have also risen significantly.



The question is: If German government bonds lose their anchor function, what asset will take their place?

*We shouldn't elect a President.
We should elect a magician.*
Will Rogers

The second U-turn – only this time in the other direction – is on the horizon in the US. Just a few months before his first election triumph in 2016, Donald Trump described himself as the “**King of Debt**”. On March 6 – just one day after Merz’s U-turn – US Treasury Secretary Scott Bessent **made the following comment** at an event organized by the NY Economy Club:

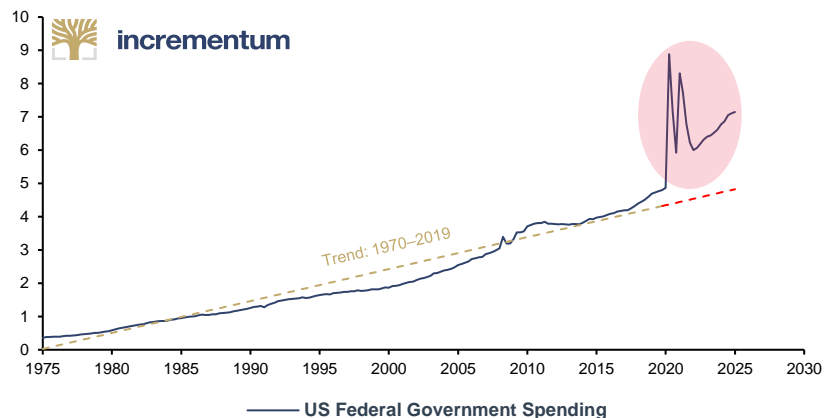
The first time I went to see President Trump, he looked at me and said, “How do we get this debt and deficit down without killing the economy?” I’ve been thinking about this for 18 months, and [the way to do it is] the transition from a public sector to private sector [-driven economy]... 25 percent of GDP goes through [Washington DC] area code 202.

History shows that once an enormous debt has been incurred by a nation, there are only two ways to solve it: one is simply to declare bankruptcy – repudiate the debt. The other is to inflate the currency and thus to destroy the wealth of the ordinary citizen.
Adam Smith

Now the words must be followed by deeds and, given that the US is in a permanent election campaign – the midterms are just 1½ years away and the next presidential election is 3½ years away – it remains to be seen whether the Trump administration will succeed in turning the debt tide. Doing so would have serious consequences because of the enormous importance of the US dollar for the global economy. **During the election campaign, Scott Bessent had already set a target of reducing the US budget deficit to 3% by the end of Donald Trump’s term of office as part of the 3-3-3 plan. That would be more than a halving.**

The reason for the significant departure from the long-term trend growth in nominal government spending in the US was the Covid-19 policy, first under Donald Trump and then under Joe Biden. Covid-19 spending opened the fiscal floodgates, and they have not yet been closed.

US Federal Government Spending, in USD trn, Q1/1970–Q1/2025



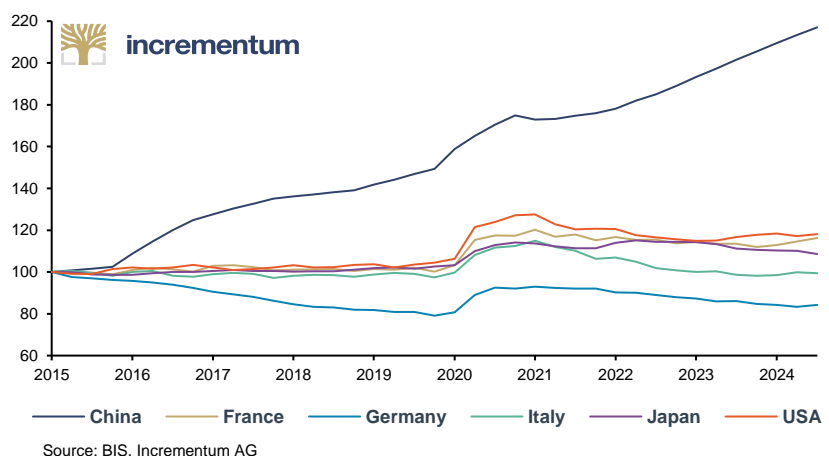
Safe debt is rapidly becoming an oxymoron.

Willem Buiter

Verbally, at least, the US wants to descend – in a positive sense – into the league in which Germany currently finds itself, while Germany wants to ascend – in a negative sense – into the league in which the US finds itself. And in the latter league, the markets are slowly but surely beginning to have fundamental concerns about the development of sovereign debt in the industrialized nations. **One thing is certain: The issue of overindebtedness is increasingly moving from the periphery to the center.**

By 2024, global government debt levels had normalized, and for most countries, this marked a sobering return to the daily grind. The temporary reduction in debt ratios driven by the inflation surge had not only run its course but was now giving way to renewed upward momentum. **As emphasized in the *In Gold We Trust* report 2023 in the chapter “The Status Quo of Debt Dynamics”, the debt-reducing effect of inflation is overestimated because government spending also begins to rise more strongly, with a slight time lag due to inflation.**

Public Debt, as % of GDP, 100 = Q1/2015, Q1/2015–Q3/2024



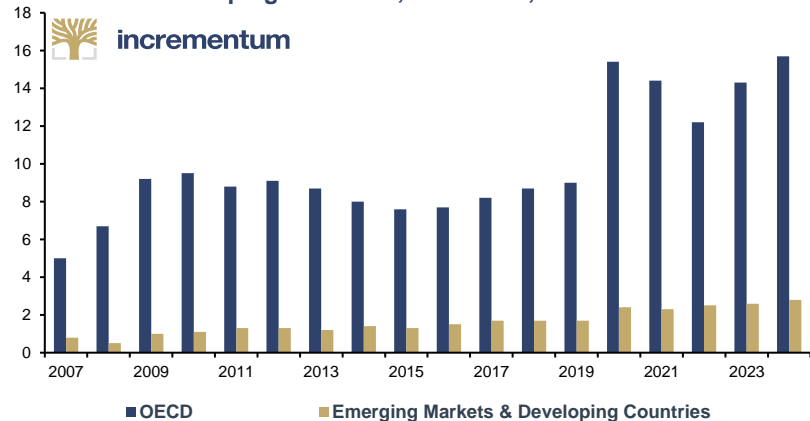
Based on the growing spiral of debt, only quantitative growth thrives, not qualitative growth.

Rahim Taghizadegan

It therefore comes as little surprise that, according to the *OECD Global Debt Report 2025*, the issue volume of government bonds in OECD countries has almost doubled in the last 10 years, from USD 8trn in 2014 to USD 15.7trn in 2024. For 2025, the OECD expects a further increase to

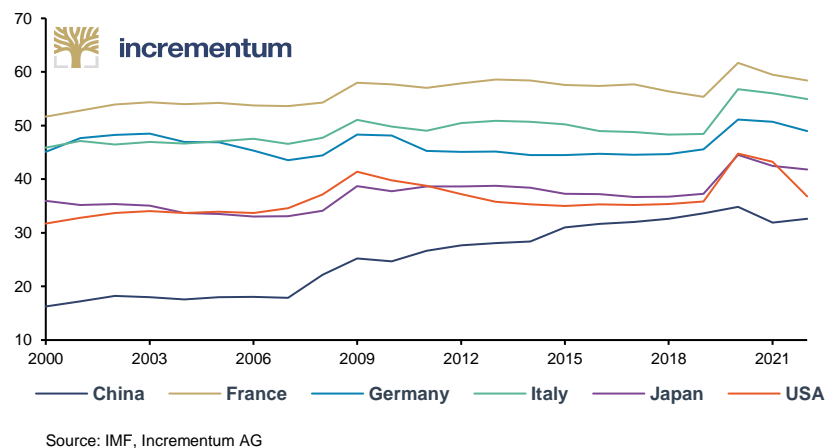
USD 17trn. During this period, the emerging markets doubled their debt issuance from USD 1.4trn to USD 2.8trn. However, their economic output grew by over 50% in these 10 years, while GDP growth in OECD countries increased by only 19.7%. In other words, in the emerging and developing countries, an average increase in debt of 2 percentage points was required to increase GDP by 1 percentage point. In OECD countries, the ratio was 5:1, and in the US, it was as high as 5.8:1. Such growth is, of course, as sustainable as an electric car powered by electricity generated from lignite.

Issuance of Government Bonds in OECD Countries and Emerging Markets & Developing Countries, in USD trn, 2007–2024



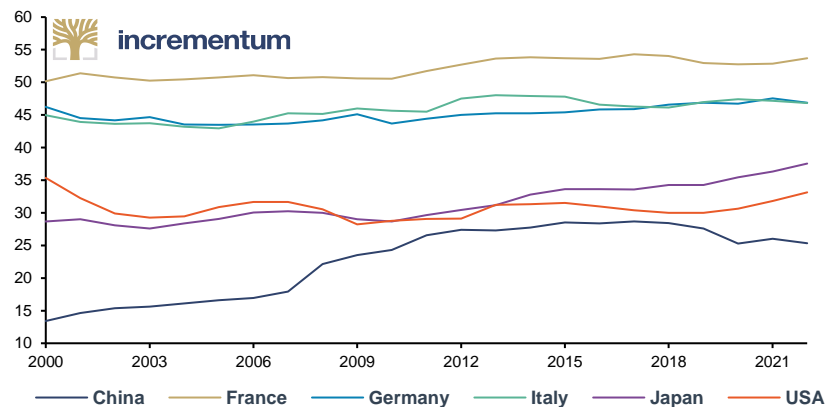
The Covid-19 pandemic and the energy crisis have confirmed it once again: After crises, the government/private spending ratio is higher than before the crisis. **In other words, real or imagined crises strengthen the state and weaken the private sector.**

Government Spending, as % of GDP, 2000–2024



On the revenue side, tax ratios well in excess of 40% are now commonplace in Europe's leading economies.

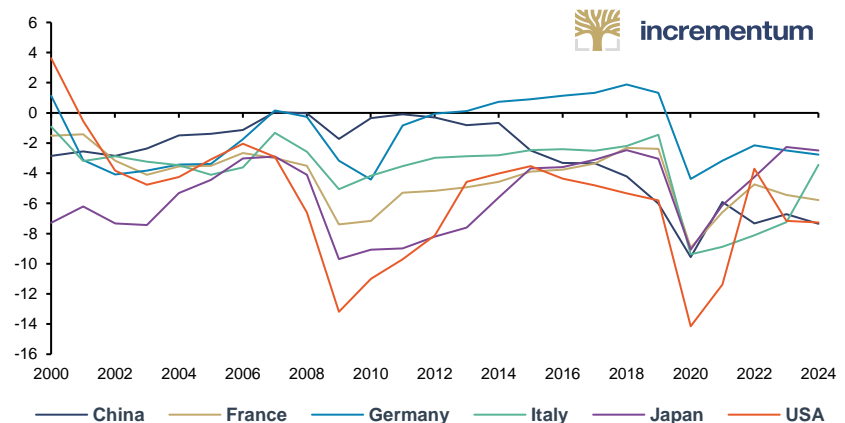
Government Revenue, as % of GDP, 2000–2024



Source: IMF, Incrementum AG

And despite historically high tax ratios in many cases, national budgets are still clearly in the red. The break in the Covid-19 pandemic is undoubtedly visible, with Germany as an exception thanks to the debt brake.

Budget Balance, as % of GDP, 2000–2024



Source: IMF, Incrementum AG

What the debt does is its death by slow strangulation. It just grinds the economy down. The extreme over-indebtedness is pulling the trend rate of growth below the historical average.

Henry Hazlitt

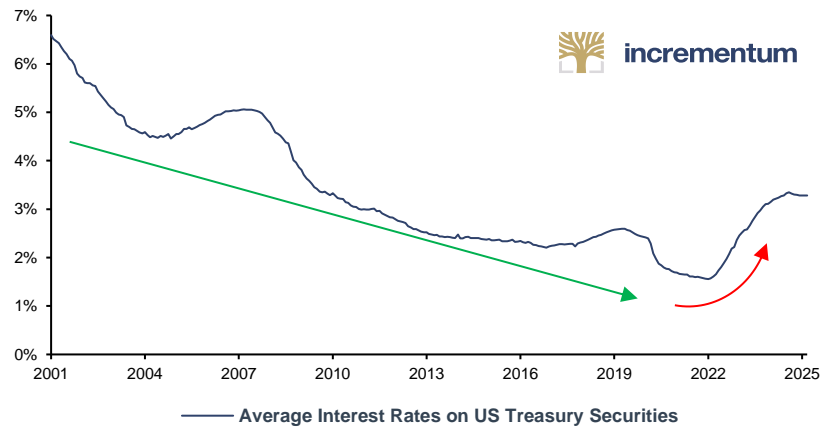
After all, the main drivers of expenditure are of a structural nature.

Above all, demographic change is increasingly taking its toll. The worsening ratio between working and retired people is not only leading to higher pension and healthcare expenditures but also to slower economic growth as a result of labor shortages, and thus to lower revenues for the state. The sometimes still very high immigration figures are also reflected in structurally higher government spending. This is particularly the case in countries with a strong welfare state culture. In the US, illegal immigration into the labor market has been massively reduced under Trump. And finally, since the end of the zero and low interest rate phase, the rising cost of servicing interest has also been a burden on government budgets, exacerbated by the increase in government debt.

The yield on maturing government bonds is usually lower than the capital market interest rates for new government bonds to be issued. In the US, the yield curve was above 3.7 % at the end of April. By comparison, at the end of March, the average interest rate on US government debt was 3.35%, a level not seen since the end of 2009. **In addition to its horrendous budget deficit**

of almost USD 2trn, the US will have to refinance more than USD 7trn or more than 25% of its national debt this year. If the more than USD 9trn were to be issued entirely as 10-year US Treasuries, every 1 basis point drop in bond yields would reduce the interest burden by around USD 1bn per year. A drop of 0.5 percentage points would save Washington USD 500bn in interest over the entire term.

Average Interest Rates on US Treasury Securities, 01/2001–03/2025



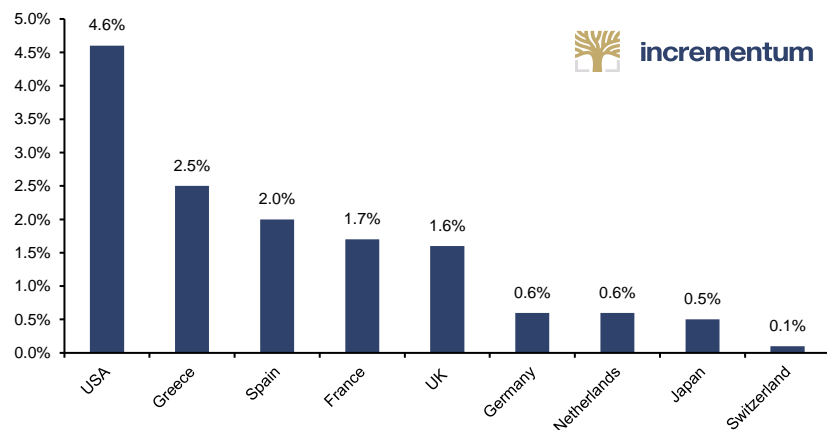
Source: US Treasury, Incrementum AG

He who goes borrowing, goes sorrowing.

Benjamin Franklin

Regarding interest expense, the US is far and away the leader among the leading economies. The significantly higher interest rates in the US compared to the euro area, Japan, and Switzerland, combined with the high level of national debt, have a negative impact.

OECD Estimates for Net Interest, as % of GDP, 2025

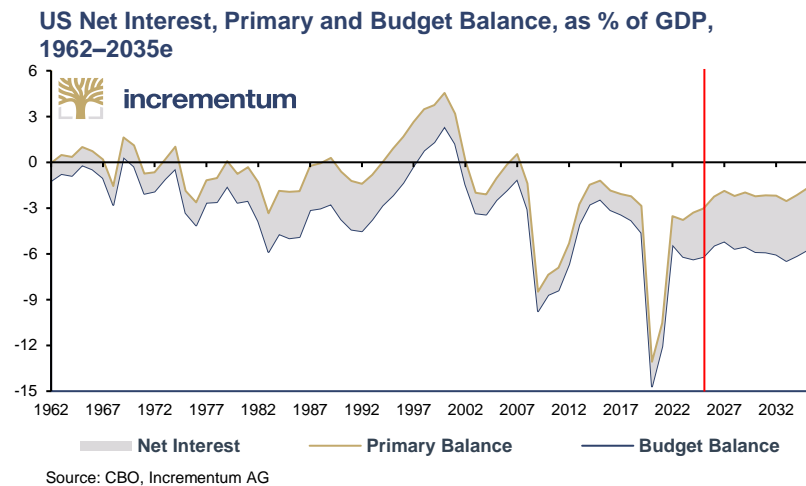


Source: OECD, Crescat Capital, Incrementum AG

The burden of the national debt consists not in its being so many millions, or so many hundred millions, but in the quantity of taxes collected every year to pay the interest.

Thomas Paine

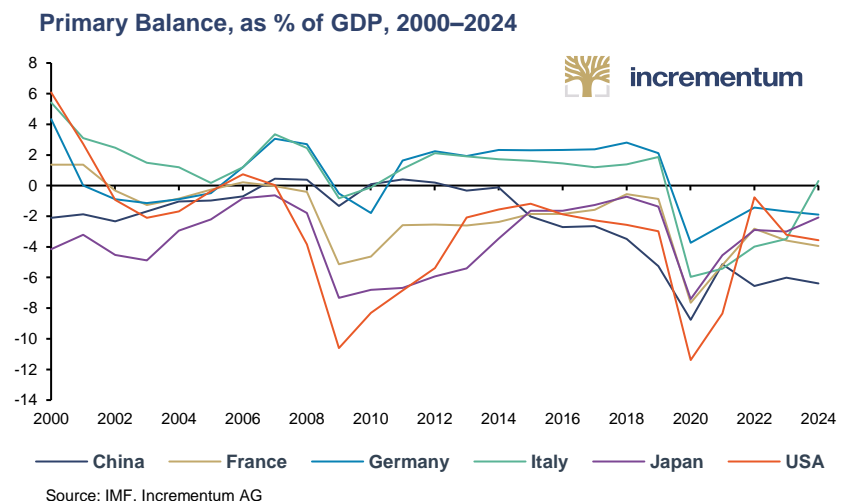
The following chart, using the United States as an example, illustrates the extent to which interest expenses are now a burden on the national budget. **The gap between the primary balance and the budget balance is widening.** The area between the two values corresponds to the interest expense. And according to the CBO's long-term forecast, the US – as a pars pro toto – is only at the beginning of this development.



...sooner or later, too much credit always turns into a giant debit as borrowers crumple under the burden of escalating interest payments.

Melchior Palyi

The alarming state of the budgetary situation in many countries is evident in the fact that the primary balance, i.e., the budget deficit excluding interest payments, is showing little improvement. Even excluding the interest expense for old debt, most countries would run a considerable deficit. Contrary to public perception, Italy had its public finances well under control before the Covid-19 pandemic, based on its primary balance.



Deep Dive US

The methylamine keeps flowing no matter what. We are not ramping down. We are just getting started. Nothing stops this train. Nothing.

Walter White, Breaking Bad

The US budget deficit remains deep in the red

In 2023 and 2024, we saw only the third time since the Second World War that the US recorded a deficit of more than 6% in two consecutive years. However, there was a key difference compared to the first two instances: In 2023 and 2024, the US achieved GDP growth of just under 3.0% annually, whereas in 2009/2010 the aftermath of the global financial crisis and subsequent recession, and in 2020/2021 the fiscal burden of measures to combat the Covid-19 pandemic, weighed heavily on the budget. **We are not taking a significant risk by predicting that 2025 will be the first time since the Second World War**

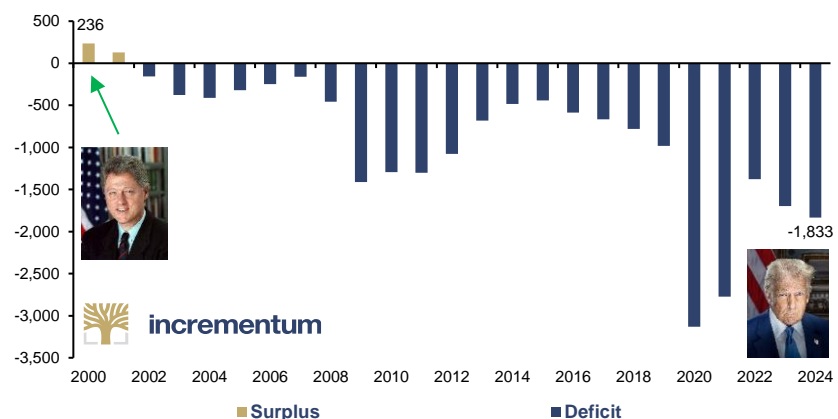
The Budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance of foreign lands should be curtailed lest the Republic become bankrupt. People must again learn to work, instead of living on public assistance.

Cicero, 55 BC

that there will be a third consecutive year with a US deficit exceeding 6%.

In the first half of the new fiscal year (10/2024–03/2025), the US budget was again in deep red territory. **The deficit amounted to USD 1.3trn and was thus more than 20% higher than in the previous year, particularly because spending increased by almost 10% yoy.** Apart from 2020 and 2021, this was the first time the US had a budget deficit of more than USD 2trn. The CBO's current forecast, a projected deficit for the fiscal year ending in September of **USD 1.9trn or 6.2% of GDP**, is only slightly below this negative threshold. By way of comparison, over the past 50 years, the US federal budget has averaged – equally impressive – **–3.8%**. Notably, the deficit of USD 306bn in February was higher than Washington's revenue of USD 296bn. **In other words: 51% of all expenditure in February was debt-financed.**

US Federal Government Budget Balance, in USD bn, FY2000–FY2024



Source: Federal Reserve St. Louis, Wikimedia, Incrementum AG

Like many other countries, the US suffers from a spending problem. In the 10-year period 2015–2024, federal tax revenues rose 58% while Washington's spending increased by 93%. As a result, state debt doubled during this period. Spending pants are now the favorite garment of many politicians.

The US and Ferguson's Law

In an article published a few months ago titled "**Ferguson's Law: Debt Service, Military Spending, and the Fiscal Limits of Power**", historian Niall Ferguson expands on his argument regarding the fall of great powers triggered by fiscal excess. **The main thesis of Ferguson's Law is that as soon as a great power spends more on interest payments than on defense, this state is threatened with decline as a great power.** Exceeding the *Ferguson limit*, i.e. the point at which interest payments equal defense spending, is a reliable predictor of the loss of great power status.

In 2024, that moment arrived in the US, as it broke through the Ferguson limit. **In the 2024 fiscal year, the US spent USD 881bn on interest, slightly more than on the military at USD 855bn.**

We have war finances, but no war yet.

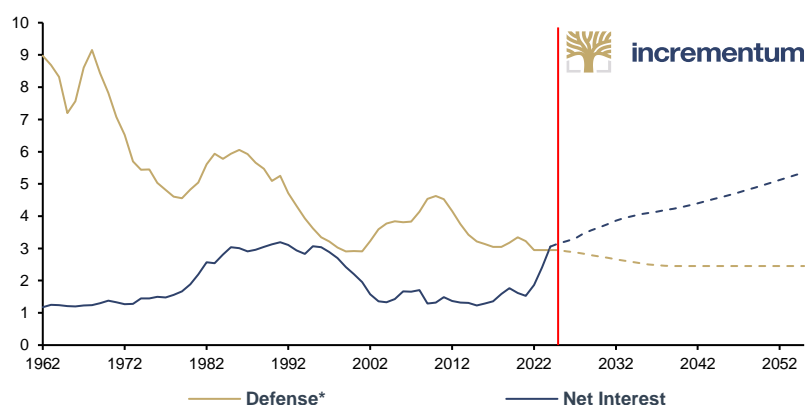
Niall Ferguson

The US isn't fighting a war, a crisis or a recession. Yet the federal government is borrowing as if it were.

Wall Street Journal

However, the overshoot in the past fiscal year was not an isolated incident. For the current fiscal year, the CBO is forecasting interest expenses of **USD 952bn**, which corresponds to an increase of 8% compared to the previous year. In the two previous years, the increases were 30% and 32% respectively. For the same period, the defense budgets passed by Joe Biden and the old Congress provided for spending of only around USD 850bn. The prospects speak for themselves. Not only will Ferguson's limit be continuously exceeded, but the difference between interest expenditure and defense spending will continue to grow over time, based on current spending profiles.

US Government Spending by Category, as % of GDP, 1962–2055e



Source: CBO, Incrementum AG

*Defense spending for 2025–2055 = 48% of discretionary spending (average of 2014–2024)



Courtesy of Hedgey

Against the backdrop of the Ferguson limit, Trump's announcements on budget consolidation appear in a new light: namely, as an attempt to escape the fate of past great powers, such as Habsburg Spain, the Ancien Régime in France, the Ottoman Empire, and the British Empire.

The DOGE illusion

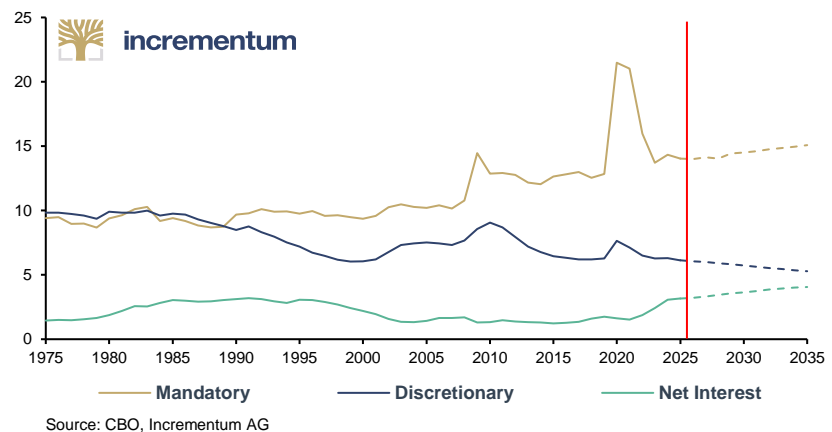
USD 500bn to 2trn is to be cut by DOGE by 2026. This is the ambitious, if not lofty, target that has been set. In 2024, total expenditure at the federal level amounted to just under USD 7trn.

The market and the economy have become hooked, become addicted, to excessive government spending, and there's going to be a detox period.

Scott Bessent

To achieve Musk & Co.'s savings targets, spending must be reduced by 7% (to eliminate USD 500bn) or by nearly 30% (to eliminate USD 2trn). However, the overwhelming total of government spending at federal level is made up of legally binding social spending (approx. two thirds), interest spending dictated by markets (approx. 13%) and defense spending that cannot be reduced in the short term (also approx. 13%), in total more than 80%. An initial draft budget at the beginning of May only envisaged savings of **around USD 160bn**, or slightly more than 2% of spending for the next fiscal year. Contrary to initial announcements, defense spending is expected to increase significantly by 13%.

US Government Spending by Category, as % of GDP, 1975–2035e



Inflation consists of subsidizing expenditures that give no returns with money that does not exist.

Jacques Rueff

If social spending is cut sharply, there is likely to be considerable resistance from within the government's own ranks. Spending on healthcare programs such as Medicare and Medicaid as a proportion of US GDP increased from 3.7% to 5.6% between 2004 and 2024. That is an increase of more than 50%. Pension spending rose from 4.1% to 5.0%, an increase of almost 25%. This is because all members of the House of Representatives and around a third of the Senate will be up for election in early November 2026, i.e. in less than two years. Many Republican-governed states also benefit from federal subsidies.

Tariffs as an additional source of government income?

The system of duties which has been already adopted, is in its principle, a system of revenue; and it is to be hoped, that by a due attention to the interests of trade, it may be made to produce all the revenue which the public exigencies may require, without any material inconvenience to the community.

Alexander Hamilton

Donald Trump's favorite economic policy instrument is clearly tariffs.

With these, Trump aims to revive a source of revenue that played a crucial role in financing the United States for nearly 150 years of its history, until the introduction of the income tax in 1913. After all, under the **Articles of Confederation**, the US federal government was prohibited from collecting taxes directly. The new government had to solicit funds from the 13 states at the time – a situation very similar to the current one in the EU. Just as today, the EU aims to increase customs revenue to reduce its dependence on member states. Similarly, the US had to rely on customs duties as a source of revenue until the introduction of a federal income tax. Customs duties could be collected with comparatively little bureaucratic effort, unlike a federal income tax, which the federal government would have been allowed to collect after adopting the US Constitution in 1789.

During Trump's first term in office, his newly introduced tariffs led to a doubling of customs revenue. However, the increase of around USD 40bn was just a drop in the ocean of debt. In the first 3 years of Trump's first term in office – the 3 years without the Covid-19 pandemic state of emergency – the deficit increased from USD 665bn to USD 984bn, or from 3.4% to 4.6% of economic output. The additional revenue from higher customs duties did not play a role back then. This is now set to change.

We're going to take in hundreds of billions of dollars in tariffs, and we're going to become so rich, you're not going to know where to spend all that money. I'm telling you, you just watch. We're going to have jobs. We're going to have open factories. It's going to be great.

Donald Trump

Estimates are difficult, indeed almost impossible, in the current dynamic environment of the tariff conflict. **One estimate, by *Capital Economics*, is around USD 700bn. This would correspond to around 10% of Washington's revenue and would therefore be of a relevant order of magnitude.** Tariff revenues nearly doubled in April to just under **USD 18bn** compared to March, and more than quadrupled compared to the period before Trump's first term. However, the same estimate also expects significantly higher inflation and higher interest rates, which would result in higher social spending and higher interest payments.

Deep Dive Euro Area

Rearmament – as if debts weren't debts

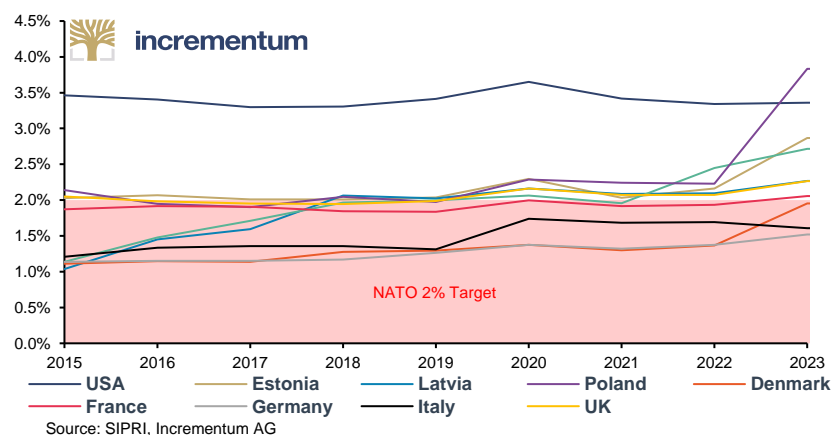
The situation in Europe is different. Leading NATO states and those that see themselves as particularly threatened by Russia have already substantially increased their defense spending in recent years. President Trump's repeated questioning of NATO membership has led to panicked reactions from some of the European alliance partners. Calls for an additional increase in defense spending became ever louder in the first weeks of Trump's second term in office.

A country always has an army in its territory. Either its own, or that of the country next door.

Finnish proverb

However, Donald Trump has also made it unmistakably clear to the Europeans that he is no longer willing to accept free-riding. The internal NATO target of increasing military spending to at least 2% by 2024 **had been achieved by around two thirds of countries by 2024.** However, only one major NATO country, Poland, has significantly increased its defense spending since the outbreak of the war in Ukraine and is expected to spend 4.7% of its GDP on defense this year. In his first days in office, the new US Secretary of Defense, Pete Hegseth, had already called on the European NATO states to increase their defense spending **to 5%.** After all, according to the Trump administration, the Europeans will bear the brunt of the Ukraine war and its consequences for the European security architecture in the future.

Defense Spending, as % of GDP, 2015–2023



Ultimately, it makes no difference whether increases in military spending are financed through savings in other areas, through higher taxes, or by taking on

additional debt. **All three approaches reduce real disposable income.** In the case of savings, the loss of income is apparent, as transfer payments are reduced, as is the case with a higher tax rate. In contrast, debt financing is painless at first glance. **However, as additional money flows into the economy through the expansion of debt and causes additional price increases, the most pernicious of all taxes, the inflation tax, strikes.**

It is unreasonable to expect 300 million Americans to defend 500 million Europeans against 140 million Russians.

Donald Tusk

Economically, it is also irrelevant whether debts are legally treated as such or not. As part of the ReArm Europe plan, which was later renamed Readiness 2030 following protests, the European Commission is considering whether to activate the national escape rule for additional defense spending of up to 1.5% for four years, potentially preventing an otherwise imminent excessive deficit procedure. At the beginning of May, it became known that at least **12 of the 27 EU states** intend to make use of this rule; all of them are NATO members. However, this *legal* concession does not change the *economic* consequences of higher deficits. A side note: In the first days of the customs conflict, **Italy demanded the suspension of the EU stability package** to cope with the economic consequences of the customs conflict.

The longing of EU centralists for a Hamilton moment

Whether it is the euro sovereign debt crisis, the Covid-19 pandemic, or the war in Ukraine, Brussels uses every severe crisis to generate a *Hamilton moment*. In 1790, the US Secretary of the Treasury, Alexander Hamilton, proposed in his “**First Report on Public Credit**” that the union should assume the debts incurred by the then 13 states during the War of Independence. Thus, the assumption of joint EU debt to combat the consequences of the Covid-19 pandemic was sometimes referred to as a Hamilton moment, including **by then German Finance Minister and later Federal Chancellor Olaf Scholz (SPD)** at the beginning of the Covid-19 pandemic.

We must be clear about the fact that today, our Europe is mortal. It can die. It can die, and it all depends on our choices. These choices have to be made now.

Emmanuel Macron

Another example is Emmanuel Macron’s speech “**Europe – It Can Die. A New Paradigm at The Sorbonne**”, which the French president delivered seven years after his first programmatic speech at the Sorbonne in September 2017, under the title “**Initiative pour l’Europe – Discours d’Emmanuel Macron pour une Europe souveraine, unie, démocratique**”. It is up to the reader to clarify what Macron wants to achieve – the appropriation of the EU for French state objectives (i.e. an EU strongly controlled from Paris), or the establishment of an EU central state, or merely the ending of the French debt malaise through common EU debt or the securing of the current EU elite’s prerogative of interpretation.

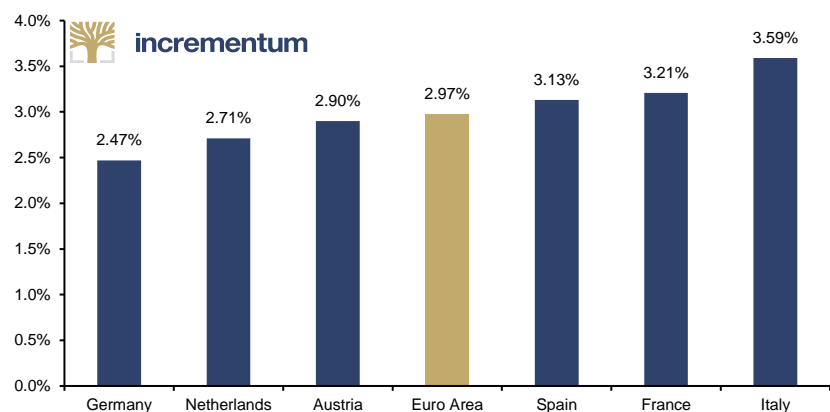
The EU net contributor countries will have to pay the bill

NextGenEU was the first time that joint EU debt was issued on a large scale, in 2020. This undertaking succeeded and failed at the same time. It succeeded because it was decided to take on joint debt of more than EUR 700bn. However, the net contributor countries saw this only as a one-off concession to the special circumstances. However, the war in Ukraine immediately led to the next

exceptional situation, which was exacerbated by the tensions among the major European states following the scandal in the White House involving Donald Trump, J. D. Vance, and Ukrainian President Volodymyr Zelensky. **With ReArm Europe/Readiness 2030, a further EUR 150bn is now to be raised by the EU Commission.**

Countries with reasonably sound public finances naturally pay the comparatively high bill for joint EU debt, as the EU bonds demand higher interest rates than the corresponding promissory bills of these states. This approach is economically and politically significant as long as the EU is (fiscally) a federation of states and not a centralized federal state.

European 10 Year Bond Yields, 04/24/2025



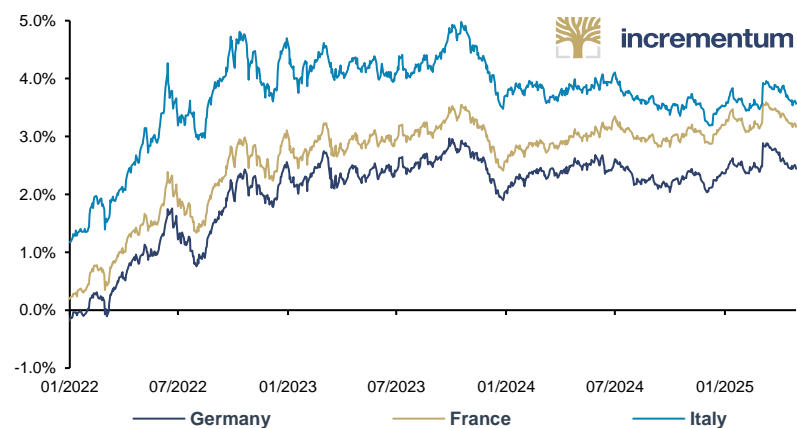
Source: mtsmarkets.com, Incrementum AG

Joint EU debt is popular for another reason. As the EU is not a central state, EU debt does not yet appear anywhere on the records.

The Italianization of France

An interesting development has been observed in bond markets since the end of 2023. **The spread between the second- and third-largest economies in the euro area has narrowed significantly. In other words, France is increasingly converging with Italy.**

10-year Government Bond Yield, 01/2022–04/2025



Source: LSEG, Incrementum AG

France is always above the 3% deficit limit. It's a French tradition.

Jean-Claude Juncker

We're all better off because Italy makes the pasta and Switzerland makes the watches.

Howard Marks

The problem is not the rise of populism. The problem is the economic policies that make people so desperate that they turn to it.

Yanis Varoufakis

One of the greatest mistakes is to judge policies and programs by their intentions rather than their results.

Milton Friedman

There are fiscal and political reasons for this development. For example, Italy's budget forecast is significantly better than France's. **According to the European Commission, Italy should be able to reduce its budget deficit to below 3% in 2026, after reaching 3.4% in both 2022 and 2023. By contrast, the deficit figures for France for the same three years are 6.2%, 5.3% and 5.4%.** In both cases, it can be assumed that the forecasts are too optimistic. In absolute terms, France's national debt is already significantly higher than Italy's.

In 2020, France surpassed Italy as the largest debtor in the European Union. At the end of 2024, France already had public debt of more than EUR 3.3trn, while Italy had "only" EUR 3.0trn. Relative to GDP, France remains in a significantly better position, at 113%, compared to Italy, at 135%. However, both countries are miles away from the Maastricht limit of 60% as Liechtenstein's national soccer team is from successfully qualifying for the World Cup. Together, France and Italy alone account for almost 50% of the euro area's total national debt, and more than 40% of the debt of the EU.

Politically, France is an entirely different heavyweight to Italy. Italy, which used to be politically unstable – in Italy, governments used to change faster than Borussia Dortmund's coaches – is now politically stable. In France, on the other hand, one government after another has taken over. France's political instability has been further exacerbated by the hastily called parliamentary elections in June 2024. The conviction of presidential candidate Marine Le Pen at the end of March, and the immediately effective five-year withdrawal of her right to stand for election, will further increase political instability. The combination of significant budget deficits and increasing political uncertainty is also reflected in credit ratings. **In May 2024, S&P downgraded its rating from AA to AA-, and the outlook was lowered to negative at the end of February. Compared to France, S&P upgraded Italy's debt rating on April 12 to BBB+ from BBB.**

Conclusion

Industrialized countries are slowly but surely facing challenges that they have previously only known as creditor states engaged in restructuring the sovereign debt of overindebted emerging or developing countries. Ultimately, there are three ways of getting government debt ratios under control:

- A productivity miracle
- Debt restructuring
- Financial repression

Productivity miracle

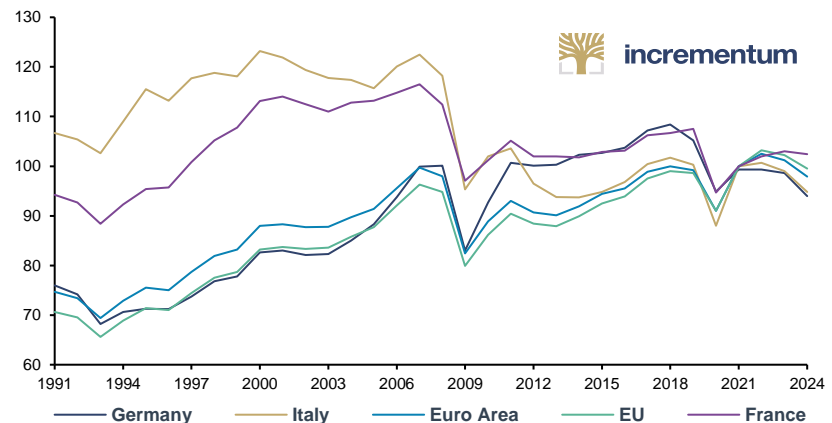
A productivity miracle seems almost impossible for the euro area under the current political framework. Although the EU Commission is

The EU reached an agreement – except it was the kind of agreement only the EU can reach; an agreement about which everybody involved disagrees.

Grant Williams

The publication of the Draghi Report on strengthening EU competitiveness generated little attention outside of Brussels. Many observers probably remember that the EU's **Lisbon strategy** was a failure. The aim was to make the Union “the most competitive and dynamic knowledge-based economy in the world” by 2010. This was followed by the – largely unknown – “Europe 2020” strategy, which set itself the goal of “intelligent, sustainable and inclusive growth”. However, dirigisme demands and promotes dirigisme, so it is unlikely that the third attempt at dirigisme stimulus for the EU member states will be crowned with success. **The impact on industrial production in the big three, Germany, France, Italy, and the EU-27 speaks volumes.**

Industrial Production, 2021 = 100, 1991–2024



Source: Eurostat, Incrementum AG



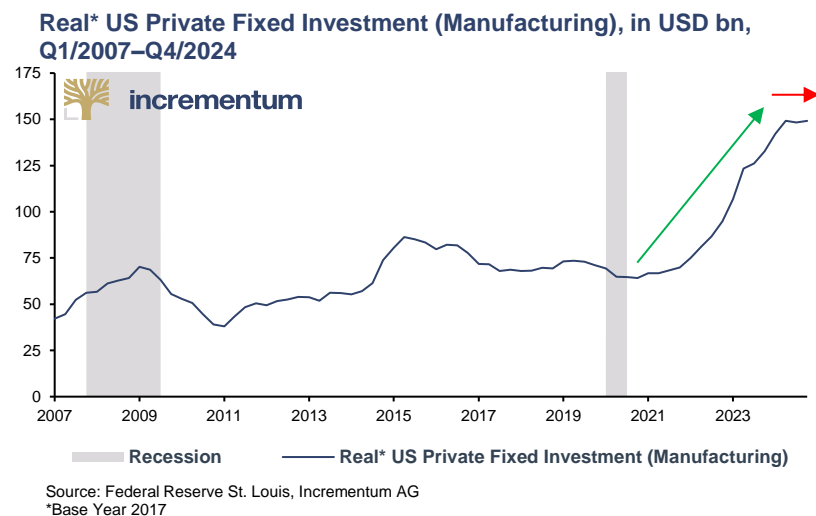
Source: [Stern.de](https://www.stern.de)

A short-term flash in the pan in the event of a deficit-financed rearmament would hardly change the structural imbalance in economic development. The problems around national defense are also structural. An investment gap has existed in most countries for many decades. As a result of demographic change, the population that can defend itself is declining, and an increasing number of people have their roots abroad, potentially also shifting their loyalties. In addition, the mental willingness to fight is often low. **In Germany**, only 27% of men would “definitely” defend Germany, 46% “definitely not”. Reinstating compulsory military service in Germany for more soldiers would **fail in the short term due to a lack of barracks**. In this respect, the question arises as to whether a willingness to defend Germany could even be achieved in a realistic time horizon.

Never bet against America.
Warren Buffett

The medium- and long-term growth outlooks for the US are somewhat different. Despite a sideways movement from Q2/2024 to Q4/2024, real private investment in manufacturing in the US has risen significantly. **Compared to 2019, investments have doubled in real terms.** Apple, TSMC, Nvidia, Honda, IBM, and Johnson & Johnson have announced notable investments in the

US in recent months. **This could be an initial indication that Trump's hope that the tariffs will attract significant investment in the US may be justified.**



Demography is destiny.
Auguste Comte

Even though deporting illegal immigrants may shrink the workforce in the short term and stricter immigration policies could slow labor force growth in the long run, the US faces less severe labor shortages than Europe. The US also faces an aging population, but the issue is more pronounced in Europe. America's lower life expectancy (4.1 years less than similar countries) plays a role. Additionally, US immigrants must join the workforce quickly, while in Europe, generous welfare systems can discourage work. Despite this, the US unemployment rate remains low at 4.2% (March 2025). Still, a limited labor supply could challenge Trump's plans to revive US industry.

Debt restructuring

For the US, the proposals by Zoltan Pozsar and Stephen Miran have brought the issue of debt restructuring into the public eye. However, the Trump administration has not yet made an official move.

The accumulation of debts is perhaps the natural disease of all governments.
Alexander Hamilton

Scott Bessent could take inspiration from his eldest predecessor, Alexander Hamilton, the first US Secretary of the Treasury, who left big shoes to fill when it came to consolidating the national budget. He too was faced with the situation of getting the horrendous debt under control after the War of Independence and proposed a restructuring of the national debt. **A stabilization and legal anchoring of debt repayment through a limited redemption clause** was intended to restore the confidence of creditors and encourage them to exchange promissory bills with an interest rate of 6% for securities with an average interest rate of just over 4%. In this way, the debt burden would be reduced further and further in the long term due to the compound interest effect. This plan was tantamount to a hidden redemption fund, for which a dedicated source of revenue is required. This is where tariffs come into play again. **They could provide a suitable incentive for a debt swap and also provide a steady stream of revenue for the state coffers, which could be used for the long-term repayment of century bonds.**

In the euro area, EU centralists in Brussels will continue to try to reduce national debt burdens by increasing the use of EU debt. However, this would not be restructuring in the traditional sense, but essentially, it would be a balance sheet cosmetic. The bill in the form of relatively higher interest rates would be paid by the less heavily indebted countries, whose bond yields are lower than for the (Covid-19) debt issued by the EU Commission.

Particularly in the case of government bonds that act as an anchor for the financial system, such as those of the US or Germany, a debt restructuring would not only have a significant impact on the bond yields of these countries, but the entire financial system would also lose its anchor. Considerable distortions would be expected, not only in the bond markets but in financial markets in general. **Gold, as an anchor of stability, would likely benefit in these turbulent seas.**

Financial repression moves wealth from savers to debtors, and from old to young people.

Russell Napier

The surveillance state turns every citizen into a transparent subject, where every action, every transaction, is recorded and analyzed.

Julian Assange

Financial repression

Debt reduction through structurally higher inflation rates only works with broad-based financial repression. In recent years, we have noted that a wave of inflation, either without financial repression or with automatic or discretionary indexation of social spending, particularly does not lead to a sustainable reduction in government debt.¹⁸ Only the loss of purchasing power due to the time lag between the onset of the inflationary wave and the inflation-induced increases in expenditure causes a reduction in government debt ratios. However, if the inflation rate subsequently falls sharply, the original delay-related effect of reducing government debt is reversed. By capping interest rates in the *Treasury-Fed Accord* of March 3, 1951, the US got rid of its World War II debt in this way – at the expense of the bondholders.¹⁹

The EU Commission's legislative proposal on the planned and already highly controversial asset register is still a long time coming. The results of a study examining the legal and logistical feasibility of this project were expected in the fall of 2024. Which assets are to be included is still the subject of speculation. Real estate and company shareholdings are to be included in any case, but it remains to be seen whether gold, cryptocurrencies, and works of art will also be covered. Good motives, including the fight against money laundering, are naturally justifying the possible introduction of the register. The asset register is therefore likely to be located at the EU anti-money laundering authority, AMLA. The fact that a large number of innocent citizens are to be officially registered to combat criminals is already causing unease, for understandable reasons. **Such an EU-wide asset register could significantly facilitate the implementation of financial repression measures.**

How governments use regulatory tricks to conceal their creditworthiness

A key instrument of financial repression is legislators' regulatory preference for government bonds. In an interview with The Pioneer, Oliver Bäte, CEO of Allianz, one of the world's largest insurance companies, based in

¹⁸ See "The Status Quo of Debt Dynamics", In Gold We Trust report 2023

¹⁹ For an in-depth-analysis of Treasury-Fed Accord of March 3, 1951, see "The Status Quo of Gold," In Gold We Trust report 2021

Munich, addressed this aspect with rare candor. When asked whether government bonds are bought voluntarily or whether regulatory provisions force the purchase of government bonds, Bäte replied:

The politicians have come up with a very clever regulation for the financial sector. They define investing in government bonds as "risk-free". This means that if I am a Greek insurance company and I invest in Greek government debt, it is just as low-risk as the investments Allianz makes in German government debt – which is the only triple-A country in the G7. In other words, we completely ignore the real situation of the issuing state institution.

We are being systematically driven into holding government debt – and deliberately so.

Oliver Bäte, CEO Allianz

When asked whether the government bonds of highly indebted countries, in particular, were fairly priced, Bäte replied:

If the question is whether they are actually paying a sufficiently high premium for the potential worst-case scenario, then I can only say: No. To put it bluntly, we would like to hold as little government debt as possible. Because we believe that this risk is very poorly priced.

Always borrow money from a pessimist. He won't expect to get it back.

Oscar Wilde

The remarkable thing about this interview is not the content of the statement but the blunt openness. Bäte also mentions the – obvious – reason for this regulatory preference: “*The refinancing costs for those who take on debt are artificially lowered.*” In other words, the default risk for government bonds is higher than the yield suggests. This also means that alternative hedging and investment products perform worse due to the structural preference for government bonds. Bäte mentions that today only around 11% of the investment volume managed by Allianz is invested in equities, compared to 25 to 30% in earlier times. As a result, policyholders are missing out on considerable opportunity costs.

If credit expansion, protectionism, and government spending were a path to prosperity, mankind would have long ago created heaven on earth.

Lew Rockwell

In conclusion, it is clear that the sovereign debt crisis has firmly taken hold at the core of the industrialized world, no longer confined to the periphery. Economic stagnation, demographic change, significantly higher capital market interest rates, and the cost of armaments are structural challenges that will persist for some time. The reorganization of the global political order is also playing its part, even if this seems to be developing a different dynamic following Donald Trump's return to the US presidency. **Either way, even the industrialized nations are slowly but surely having to deal with the spectre of debt restructuring.**

Status Quo of the Inflation Trend

*The end game won't be deflationary.
Politically, it cannot be.*

Jamie Dannhauser

- Over the past 12 months, inflation has remained stubbornly above 2% in both the US and the euro area, as we expected. Core inflation remains at a significantly higher level.
- On both sides of the Atlantic, it is primarily the service sector that is contributing to the higher inflation rates.
- The start of the interest rate cut cycle is reflected in money supply growth, which has been rising for some time.
- The inflation cards were reshuffled by the tariff conflicts triggered by the US President. Inflationary pressure is likely to increase in the US and ease in the rest of the world, at least in the short term. The sharp decline in energy prices is having a dampening effect worldwide.
- We expect inflation volatility to remain high in the coming quarters. A second wave of inflation similar to that seen in the 1970s cannot be ruled out, even if uncertainties are currently very high.
- The Incrementum Inflation Signal has recently exhibited a notably high frequency of shifts – a reflection of the considerable uncertainty currently prevailing in the financial markets. At present, it indicates a neutral inflationary environment.



Courtesy of Hedgeye

“Stubbornly at a (slightly) higher level” – this is how the inflation trend in the US and the euro area over the past 12 months can be summarized. This was also our forecast in last year’s *In Gold We Trust* report, “*The New Gold Playbook*”:

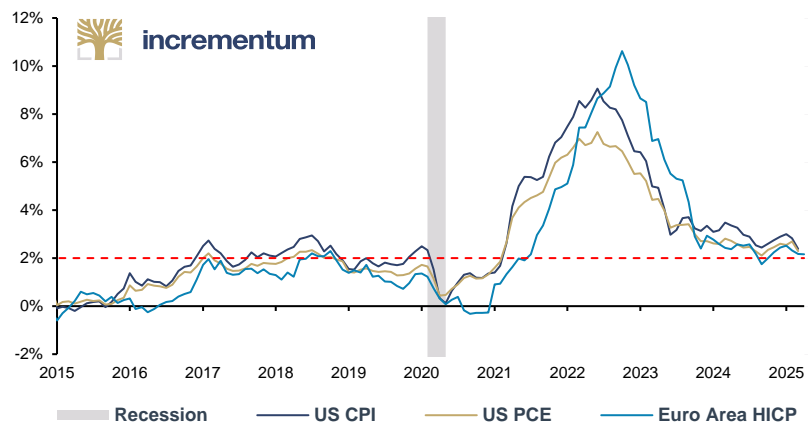
In our view, annual (headline) inflation will remain elevated in both the US and the euro area in 2024, i.e. above the inflation target of 2%. [...] Even if the economic slowdown has a dampening effect on prices – as is desired and as can be observed as we speak in the euro area – the risk of a renewed acceleration in inflation is significantly higher than that of a permanent and significant undershooting of the inflation target.

Food is an essential part of a balanced diet.

Frank Lebowitz

In the euro area, the HICP recorded a value below the inflation target of 2% on a monthly basis in only one month, in September 2024. In the US, neither the CPI nor the PCE fell below the 2% mark on a single occasion. **The last time both inflation measures were below the 2% target was in February 2021, more than 4 years ago.** The flash estimate for April for the euro area expects inflation to be at 2,2%, still above the ECB’s inflation target.

Various Headline Inflation Rates, yoy, 01/2015–03/2025



The rules of the game for investors are changing, and portfolios anchored to a belief in transitory inflation are dangerously exposed.

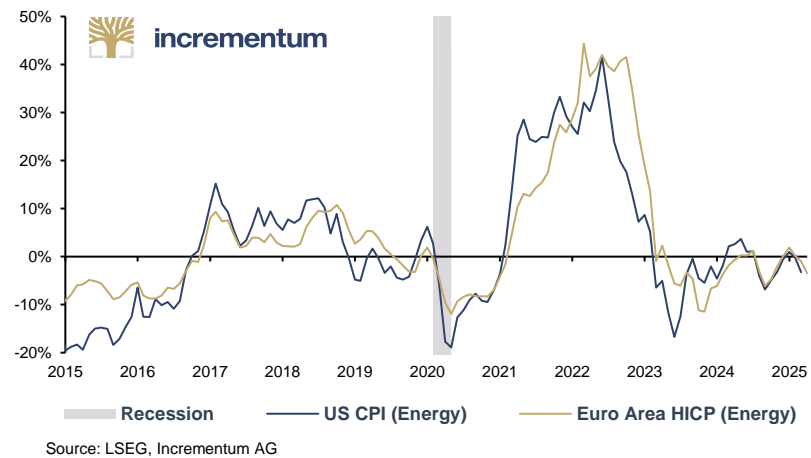
Jamie Dannhauser

For the calendar year 2024, overall inflation of 2.9% (CPI) and 2.6% (PCE) in the US and 2.4% in the euro area was recorded. However, there was still no reason to celebrate in 2024. Despite the continuation of the disinflationary trend, both the Federal Reserve and the ECB continued to fall well short of their inflation targets in 2024. At the same time, the overall inflation rate on both sides of the Atlantic has been significantly eased by falling energy prices since the start of 2023. Energy expenditure accounts for approximately 6.2% of the US CPI and 9.4% of the HICP for the euro area.

The expiry of government relief measures from 2021 and 2022 is having an inflationary effect, especially in the euro area. In the US, the coldest winter in 10 years left its mark on energy prices. At the end of February, US natural gas futures had risen by 140% year-on-year to almost USD 5 per MMBtu. However, the significant decline in energy prices, particularly oil, in response to the global tariff conflict triggered by Donald Trump at the beginning of April, now has a strong dampening effect on energy prices and, consequently, on the overall inflation rate.

The flash estimate for the euro area for April expects energy prices to have fallen 3,5% yoy.

Inflation Component: Energy, yoy, 01/2015–03/2025

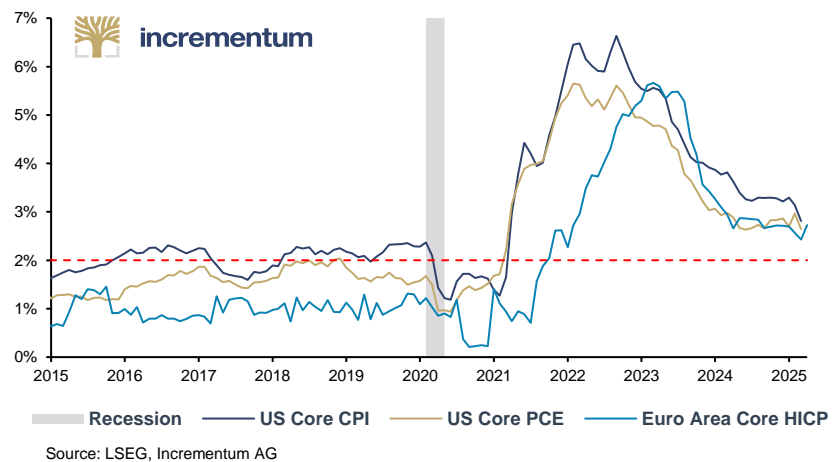


People must understand that you cannot have a little inflation, because a little inflation always leads to more inflation, and higher inflation inevitably leads to even higher inflation.

Friedrich Hayek

As a result, the core inflation rate consistently exceeds the overall inflation rate. In 2024, core inflation amounted to 3.2% (CPI), 2.8% (PCE), and 2.7% (HICP). In the US, core CPI inflation has thus been above 2% since April 2021 and core PCE (the Federal Reserve's preferred inflation measure) has been above 2% since March 2021, that is, for over 4 years. In the euro area, the 2% mark has been exceeded since November 2021, thus for around 3½ years.

Various Core Inflation Rates, yoy, 01/2015–04/2025

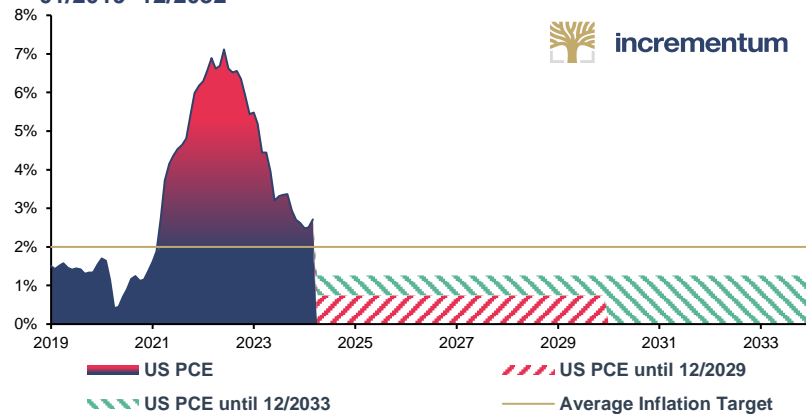


There are lies, damned lies, and statistics.

Mark Twain

A noteworthy detail in passing: No one is interested in the fact that the Federal Reserve has been aiming to achieve its inflation target *on average* since August 2020. As mentioned in the *In Gold We Trust* report 2024, “[The New Gold Playbook](#)”, this is nothing more than a covert increase in the US inflation target. After years of inflation above 2%, US monetary policy would have to aim for an inflation rate of significantly below 2% for several years to achieve the inflation target of 2% on average.

US PCE Required to Reach Average Inflation Target, yoy, 01/2019–12/2032



Source: LSEG, Incrementum AG

Stagflation is like a hangover after a long party of easy money.

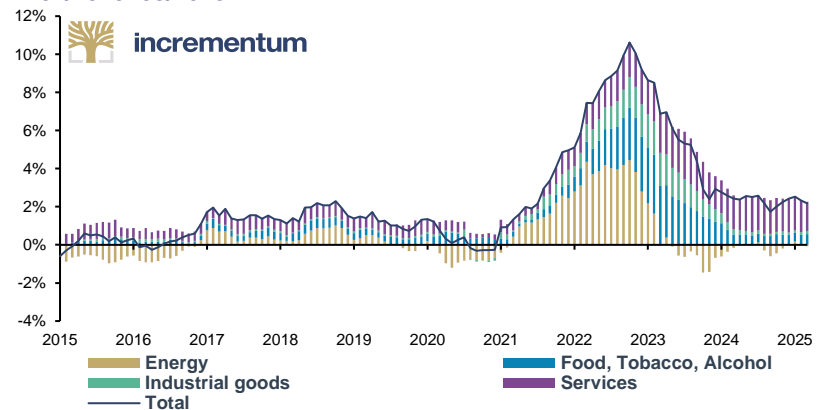
Jim Rickards

The service sector is currently driving inflation

On both sides of the Atlantic, prices are being driven by services.

Although tourism is booming, revenue growth is rising less strongly than the number of overnight stays, as travelers are cutting back on spending. At the same time, the (delayed) increase in wages in the services sector is leading to a price-wage spiral. This is exacerbated by insolvencies and business closures, which reduce supply and thus trigger additional price surges. However, weak real per capita purchasing power is somewhat dampening inflation. In addition, the weakening industrial base in the euro area is curbing general price increases.

Euro Area HICP, Contributions of the Components and Total, 01/2015–03/2025



Source: IHS, Incrementum AG

The problem with political jokes is they get elected.

Louis C.K.

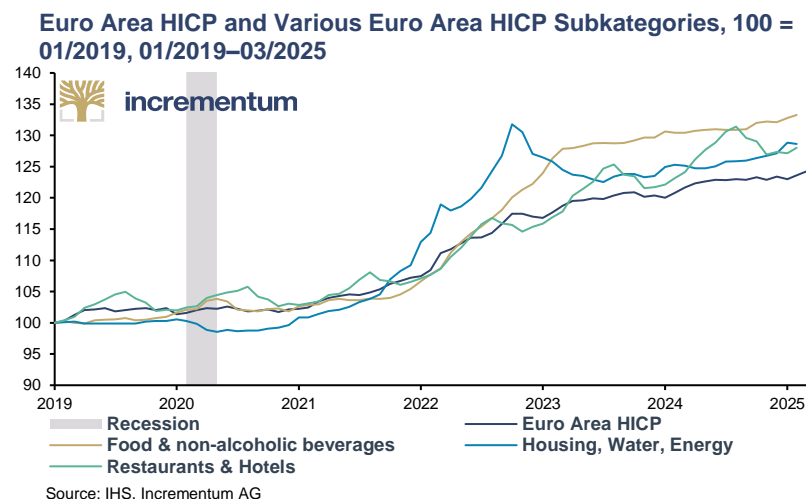
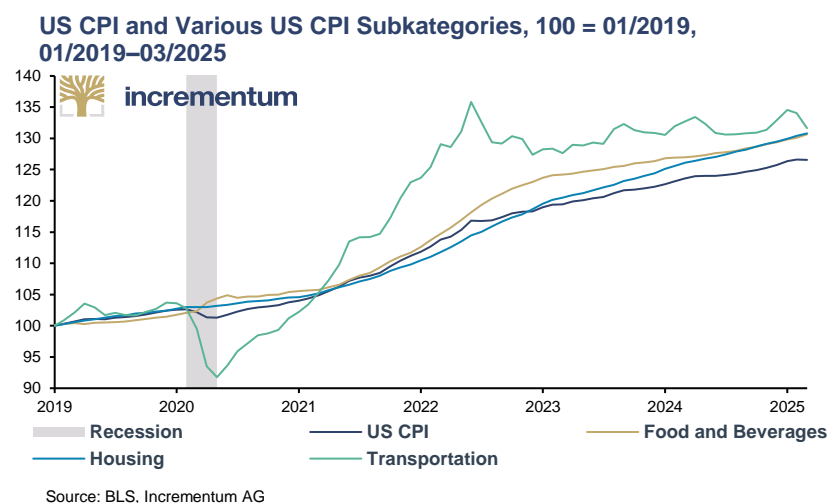
Election day was payday

2024 was the year of elections. Almost half the world's population was called to the polls for parliamentary or presidential elections. The election results in Germany were in line with the general trend of the long, super-election year 2024: the governing parties lost votes significantly, while the opposition gained votes.



Courtesy of Hedgeye

At first glance, it may seem surprising that inflation could have a decisive influence on the outcome of elections, even in countries where inflation rates had already fallen significantly. However, on the one hand, inflation rates were still high in almost all countries with elections. Secondly, the sharp rise in price levels compared to pre-inflationary times had a significant impact on the perception of lost purchasing power. Consumers are regularly reminded of how much the price level has risen, especially when buying everyday goods. The fact that incomes have also risen, albeit with a delay, cannot compensate for the higher prices. The following two charts for the US and the euro area show the extent to which prices have risen for individual product groups.



The inflationary surge of recent years has thus taken its toll, on consumers in the form of reduced purchasing power and on those in power in the form of substantial losses of votes in elections, which has often led to a change of government.

The wage-price spiral is the manifestation of inflation, not its cause.

Milton Friedman

The charts also indicate that the dreaded price-wage spiral has been set in motion. Since wage increases lagged behind the initial surge in inflation, recent quarters have seen notable gains in real wages, which are now fueling demand — particularly in the services sector. However, the savings rate of over 15% in the euro area is also well above the pre-Covid level, while in the US the rate has fallen to below 5%, which is less than the pre-Covid-19 level.

Quo Vadis, Inflation?

There is nowadays a very reprehensible, even dangerous, semantic confusion that makes it extremely difficult for the non-expert to grasp the true state of affairs. Inflation, as this term was always used everywhere and especially in [the United States], means increasing the quantity of money [...]. However, people today use the term "inflation" to refer to the phenomenon that is an inevitable consequence of inflation, namely the tendency of all prices and wage rates to rise.

Ludwig von Mises

Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.

Milton Friedman

Representatives of the Austrian School of Economics attach great importance to the distinction between monetary inflation and price inflation. This fundamental distinction is just as rare in everyday language as it is among economists. A consistent linguistic distinction between the monetary underfeed – money supply inflation – and the inevitable consequence of an excessive expansion of the money supply – price inflation – would be immensely important to separate cause and effect.

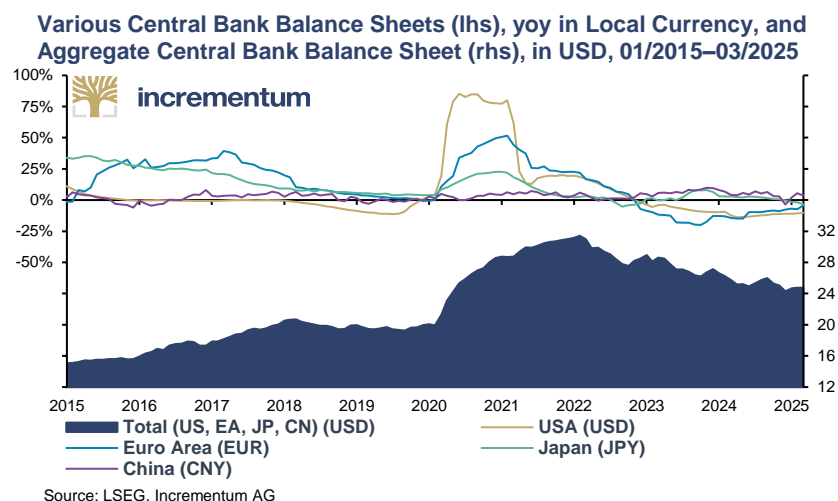
With this in mind, we also want to analyze the most significant factors influencing inflation this year. We will start with the monetary inflation factors. The development of the money supply – in the narrower sense, the money supply M_0 directly controlled by central banks, and in the broader sense, the money supply aggregates M_1 , M_2 , and M_3 – provides the underpinning without which a structural reduction in purchasing power is inconceivable.

Monetary inflation factors

Even if price inflation can have non-monetary causes, such as an increase in indirect taxes or geopolitically caused shortages in the supply of goods due to trade restrictions or wars, these aspects are generally overemphasized today. In contrast, the development of the money supply has a somewhat ambiguous role in the analysis.

The ECB focuses less and less on the factor it has at least partial control over, i.e., the (central bank) money supply, and instead concentrates increasingly on economic policy factors. **This could be described as a shift in responsibility.** Given the dramatic miscalculation in the core competence area of inflation development in 2021 and 2022 – remember Lagarde's mischaracterization of the inflation surge as a "hump" – such a diversionary manoeuvre is not surprising.

Let us now look at the development of central bank balance sheets. Of the four leading central banks – the Federal Reserve, the ECB, the BoJ and the PBoC – only the PBoC's balance sheet total is currently growing in local currency terms, while QT is leaving its mark in the US, Japan and the eurozone. The aggregate central bank balance sheet of these four central banks, expressed in US dollars, continues its downward trend that began in 2022. However, the aggregate balance sheet total remains at a level above that seen before Covid-19.



To me, for QE to be beneficial on net, there has to be asymmetry in the effects of QE relative to QT.

Christopher J. Waller

The Federal Reserve has been engaged in QT since June 2022. Since the all-time high in April 2022, the Federal Reserve has reduced its total assets by a quarter. At USD 6.7trn at the end of Q1/2025, the level was the lowest since May 2020. This means that the Federal Reserve's total assets correspond to around 22.5% of US GDP, compared to more than 35% at their peak.

So far, the QT has been successful – surprisingly to us – with almost no major problems, apart from the three bank failures in March 2023. The *Bank Term Funding Program* (BTFP), set up to stabilize the banking sector, interrupted the QT for a few quarters and has now been completely wound up.

The decision to slow the pace of runoff does not mean that our balance sheet will ultimately shrink by less than it would otherwise, but rather allows us to project the ultimate level more gradually.

Jerome Powell

At the FOMC meeting on March 18/19, a new motto – “*slower for longer*” – was announced with regard to QT. As of April, the pace of reduction for US Treasuries was significantly lowered from USD 25bn to USD 5bn per month. The monthly reduction rate for MBS remains at around USD 15bn. This halves the monthly reduction in total assets, doubling the QT.

The ECB initially reduced its bond holdings from the Pandemic Emergency Purchase Program (PEPP) by EUR 7.5bn per month from July 2024; on 17 December 2024, the ECB ceased all reinvestment of expiring bonds from the PEPP. Since then, the ECB's balance sheet total has been reduced every month by the amount of the maturing bonds. The ECB still holds around EUR 1.5trn from the PEPP on its balance sheet. Until the end of 2026, *the monthly reduction in the balance sheet* due to maturing bonds will fluctuate between around EUR 5.8bn in December 2026 and more than EUR 26bn in April 2026.

If inflation continues to soar, you're going to have to work like a dog just to live like one.

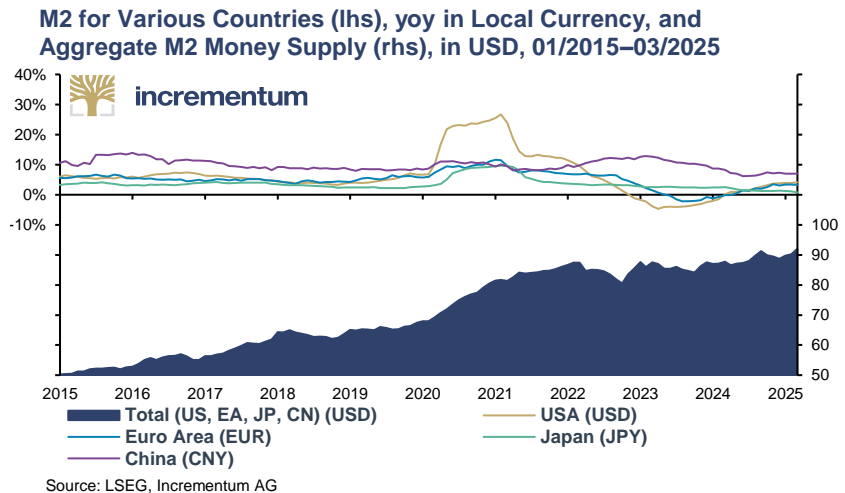
George Gobel

The BoJ announced its QT plan at the end of July 2024. This provides for a steady acceleration in the reduction of the balance sheet total until Q1/2026, which peaked at over JPY 750trn in August 2024. At the same time, the purchase of Japanese government bonds will be gradually reduced and is expected to halve by Q1 2026. Finally, the BoJ relinquished yield curve control in October 2023. At the end of March, the BoJ had reduced its total balance sheet by just under 5%.

Inflation is not a problem for this time as near as I can figure. Right now, M2 does not really have important implications. It is something we have to unlearn.

Jerome Powell

The trend in the broad money supply M2 is different. Following the contraction in the US and the euro area in 2023, M2 is now expanding again at over 3% year-on-year. In China, growth is significantly higher at around 7% due to the numerous economic support measures, while in Japan it is more subdued at just over 1%. Global liquidity growth in US dollars is currently over 3% year-on-year, with strong fluctuations due to the significant movements on the currency markets.



I do not think it is an exaggeration to say history is largely a history of inflation, usually inflation is engineered by governments for the gain of governments.

Friedrich August von Hayek

Administrative and bureaucratic inflation factors

The prices used to measure inflation are gross prices. Changes in indirect taxes, therefore, affect gross prices and the inflation rate. This form of inflation is, so to speak, home-grown. The strength of this effect depends on the tax incidence. Can companies pass on higher taxes and levies to their customers, or do they have to shoulder them themselves? One of the most prominent administrative and bureaucratic factors contributing to inflation at present is taxes designed to reduce CO₂ emissions.

While the US is pursuing the goal of lower energy prices by withdrawing from the Paris Climate Agreement and through the planned expansion of oil production by 3 million barrels per day, the EU remains unwavering in its commitment to achieving climate neutrality by 2050. To this end, the *Emission Trading System II* (ETS-II) will come into effect from 2027. Preparatory work has been underway since the beginning of the year. *A report by the Scientific Service of the German Bundestag* shows that various studies expect a price of up to EUR 300 for the corresponding CO₂ certificates at the time of expansion. At the end of March, the price was just under 70 euros. Together with the climate tariff, the *European Carbon Border Adjustment* (CBAM), introduced as a protective measure, will have direct and indirect inflationary effects on the energy lifeline; directly through the increase in energy prices, indirectly through the weakening of the country as a business location and the associated reduction in production.

It can be the case that it's appropriate sometimes to look through inflation if it's going to go away quickly without action by us – if it's transitory. That can be the case with tariff inflation.

Jerome Powell

Inflation is bringing us true democracy. For the first time in history, luxuries and necessities are selling at the same price.

Robert Orben



Courtesy of Hedgeye

Peace is deflationary, wars are inflationary.

Louis-Vincent Gave

Inflationary surge due to US Tariffs?

Donald Trump and his team are convinced that the introduction of tariffs will have a net positive effect on the US economy. After all, Trump believes that the higher average foreign tariffs on US goods and the current account surplus of the rest of the world vis-à-vis the US represent an exploitation of the US.

An intense debate has broken out in the US about whether the introduction of tariffs will have an impact on the US inflation rate. At one extreme, some believe that tariffs will always be borne exclusively by consumers. On the other side are those who, citing both the experience of the 19th century and the development of the CPI during Trump's first term in office, argue that the introduction of tariffs has not fueled inflation – that **in fact, inflation fell during Trump's first term in office** – and therefore will not fuel it now either. This is because the producers or importers would bear the tariffs, and foreign countries would be taxed by the introduction of tariffs.

Finance Minister Scott Bessent represents the third camp, which expects a one-off inflation spike – as a result of the base effect – but not a permanent increase in the inflation rate: “**Nothing is more transitory than tariffs if it's a one-time price adjustment. [...] I'm not worried about inflation.**” Jerome Powell agreed with this assessment **in the press conference following the FOMC interest rate decision** in mid-March. However, the US has already had very bad experiences with the word *transitory* recently.

In the short term, Donald Trump's tariff policy is likely to have an inflationary effect in the US, due to the rise in import prices and the decline in import volumes. At the same time, in the rest of the world, it is likely to have a disinflationary effect due to oversupply due to falling exports to the US. Following the outbreak of the tariff war between the US and China, **concerns were immediately expressed** in the EU that China would now try to divert its flow of goods to the EU.

The sharp depreciation of the US dollar is reinforcing this trend. The effect is likely more substantial in the rest of the world, as many countries are net energy importers and energy is still mostly priced in US dollars. This should open the window for central banks in the rest of the world to cut interest rates further, while the Federal Reserve is likely to be less able to do so. However, as of the end of April, markets are pricing in 4 (!) US interest rate cuts by the end of the year. The economic slowdown is having a global disinflationary effect.

Rearmament as a driver of inflation

Inflationary effects are almost unavoidable in the case of large-scale armament build-ups. After all, the demand for weaponry competes with the production of capital and consumer goods. This is all the more true if the rearmament is debt-financed. At EU level, the deficit rules have been softened for four years and, in addition, EUR 150bn is to be raised by the EU Commission as part of the *ReArm Europe/Readiness 2030* program. This should mobilize a total

We are not going to spend our way to prosperity. Prosperity comes from free markets and free people.

John Cochrane

What history shows is that inflation is often a collective behavioral phenomenon—with all the non-linear dynamics that implies. If we think of it [...from the perspective of the FTPL] a confidence crisis like this occurs suddenly, rather than in a predictable, mechanistic manner. Think tipping points.

Henry Maxey

of EUR 800bn across the EU. In Germany, it is hoped that the incipient cutbacks in the automotive industry can be offset by building up military production capacities. **Tanks instead of cars – that seems to be the new motto.** However, demographic change will significantly reduce labor supply in the coming years and thus increase inflationary pressure. An expansion or reintroduction of compulsory military service would also reduce the labor supply, as would the recruitment of professional soldiers. If most of the desired armaments continue to be imported – which is now the case in the major European countries with the exception of France – the additional demand in the exporting countries would trigger economic and possibly inflationary effects.

The great importance of public finances for inflation dynamics is emphasized by the so-called *Fiscal Theory of the Price Level* (FTPL). An important representative of the FTPL is the renowned US economist John Cochrane. In contrast to monetarism, this theoretical framework does not explain increased inflation rates based on an excessive expansion of the money supply, but holds fiscal policy responsible for this. Inflation would increase whenever the view prevails that the state will no longer be able to meet its future obligations in full. In technical terms, inflation occurs when the present value of future government expenditure exceeds the present value of future government revenue. In other words: Citizens and investors no longer trust that the state will be able to offset any deficits in the present with surpluses in the future.

The practical consequence for investors is that it is not only the absolute level of government debt that is decisive for the assessment of creditworthiness, but also the confidence in the government's ability to repay future debts. This, in turn, has concrete consequences for the future inflation rate. This is because, according to the FTPL, the money supply – issued by the central banks – should be viewed as a perpetual, non-interest-bearing bond.

Because of the current multiple burdens on governments – ageing, immigration, green transformation, rearmament, higher interest rates – it seems obvious that the financing difficulties of many countries are increasing and therefore – at least according to the FTPL – so is inflation.

The 1960s are a striking example of the highly inflationary consequences of a “butter and guns” policy. Lyndon B. Johnson, successor to the assassinated John F. Kennedy, not only significantly expanded the welfare state as part of the *Great Society project*, but also entered the Vietnam War in 1964, which resulted in a significant increase in military spending. As a result, inflation in the US rose on an annual basis from just over 1% in the second half of the 1960s to well over 5% in 1969.

Real economic factors – structural and acute

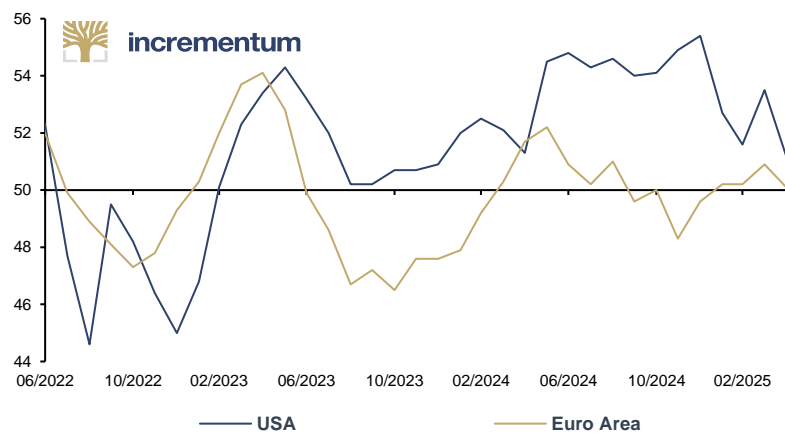
Economic development

Donald Trump and Treasury Secretary Scott Bessent have repeatedly emphasized that they are willing to accept a short-term detox

recession. There are currently many indications that at least a significant slowdown in the US economy, which has been surprisingly robust to date, is unavoidable. The Purchasing Managers' Index (PMI) is pointing clearly downward, partly due to uncertainties surrounding the trade conflict and the negative effects of tariffs, at least in the short term.

In the euro area, the PMI has been hovering around the 50-point mark for over a year, which is the dividing line between expansion (above 50) and contraction (below 50). At least in the short term, debt-financed rearmament could boost economic growth, albeit from a very modest level. However, this would only be the case if the additional defense spending were to have a significant impact on demand in the euro area. Given the lack of capacity in the defense industry, this seems rather unlikely.

Composite PMI, 06/2022–04/2025



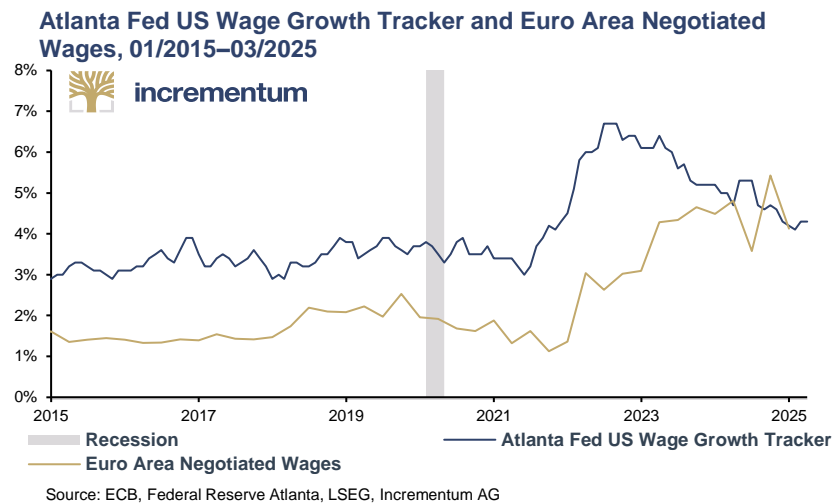
Source: LSEG, Incrementum AG

Inflation is like a bad neighbour, once he shows up, only thing to get rid of him is for you to move.
Zack Howard

Wage development

Nominal wage growth in the US and the euro area remains significantly higher than before the wave of inflation. On the one hand, this is due to the delayed adjustment of wages to the inflation rate. In the US, wage pressure in the lower-income segment is likely to increase due to tighter immigration policies and the resulting labor shortage. In Germany, in particular, wage negotiations are likely to be very difficult, as a recession is looming for the third consecutive year in 2025. In structural terms, demographic change will strengthen the bargaining power of employees²⁰ and thus ensure comparatively high wage settlements.

²⁰ See "Global Demographics Turn Inflationary", In Gold We Trust report 2021



AI could be deflationary. This is one of the impacts of this technology that is most underappreciated and misunderstood by investors.

Sam Altman

There is only one field where the European Union still leads the world: regulation.

Greg Ip, Wall Street Journal

I never think of the future - it comes soon enough.

Albert Einstein

AI

AI certainly has the potential to gradually increase productivity in many work processes. However, as with countless other inventions, the implementation process will take time, as was the case with **computers and the internet**. However, a dampening effect on inflation due to rising productivity is to be expected, especially in the medium and long term. In the short term, the high energy requirements of AI systems – as exemplified by Microsoft's announcement of **the reactivation of the Three Mile Island nuclear power plant** – could also trigger inflationary effects, especially if a stable electricity supply cannot be guaranteed.

The following episode is indicative of the EU's self-image: While the US, China, and other countries are developing AI and discussing the opportunities for a broad implementation of AI, the EU institutions are celebrating themselves for passing **the world's first AI law**.

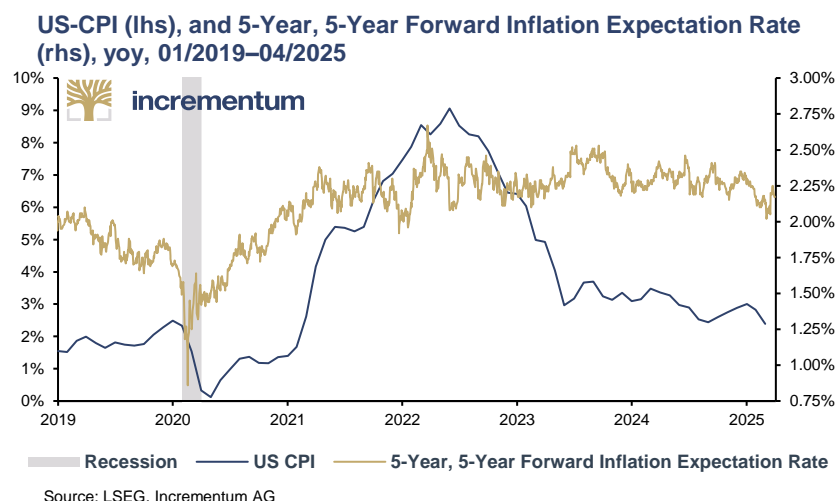
Inflation expectations – US

Investors now have access to a wide range of indicators that reflect short-, medium-, and long-term inflation expectations. These can be divided into market-based and survey-based inflation expectations, a division that we use below.

Market-based inflation expectations

5-year, 5-year inflation expectations

Very long-term inflation expectations have been on a downward trend since the fall of 2023 and accelerated noticeably in Q1 2025. They reached their preliminary low of just above the 2.0% mark in the days leading up to Liberation Day, when these inflation expectations plummeted by 16 basis points before shooting up sharply by 23 basis points. All in all, however, the data should be interpreted as indicating that market participants have full confidence in the Federal Reserve – and in US economic policy – to keep inflation under control.

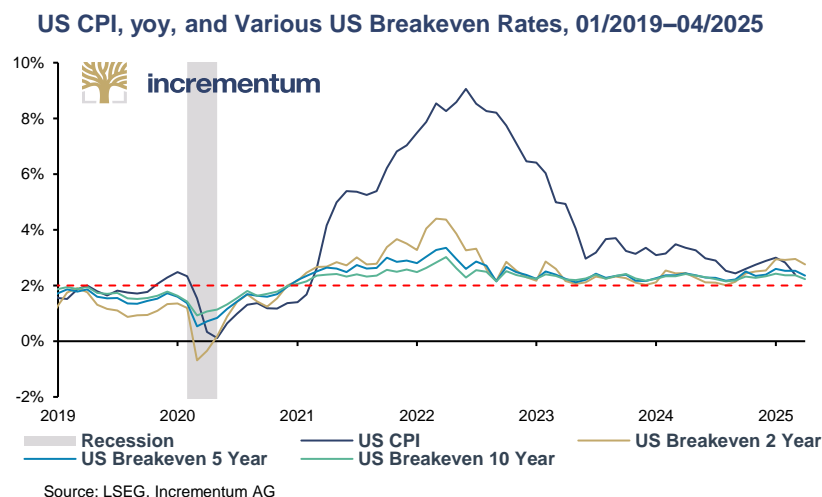


I have had to revise my formula for happiness. I used to think it was reality minus expectations. But that needs to be modified to reality minus the right expectations.

Vitaliy Katsenelson

Break-even rate

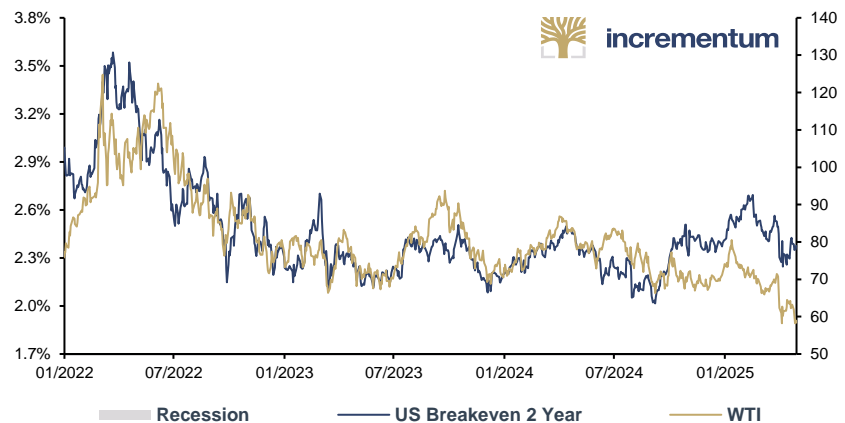
The break-even inflation rate indicates the inflation rate required to ensure that the purchase of an inflation-linked bond yields at least the same real interest rate for the investor as the purchase of a conventional bond. The break-even rates for 5 and 10 years, measured against the Federal Reserve's inflation target of 2%, are at a slightly elevated level with a downward trend. The same now applies again to the 2-year breakeven rate, after it had risen slightly in the meantime. There is still a visible difference between the medium and long-term breakeven rates. The market therefore expects inflation to be higher in the short term than in the medium and long term. **However, the predictive power of breakeven rates is not particularly high, as evidenced by a comparison with actual inflation.**



The 5-year break-even rate and the oil price

Since September 2024, there has been a clear divergence between the otherwise closely positively correlated oil price and the 2-year break-even rate. If this is used as a guide, the WTI price should be around USD 80; if the oil price is used as a benchmark, the 2-year break-even rate should be more than 50 basis points lower.

US Breakeven 2 Year (lhs), and WTI (rhs), in USD, 01/1970–04/2025



Source: LSEG, Incrementum AG

Survey-based inflation expectations

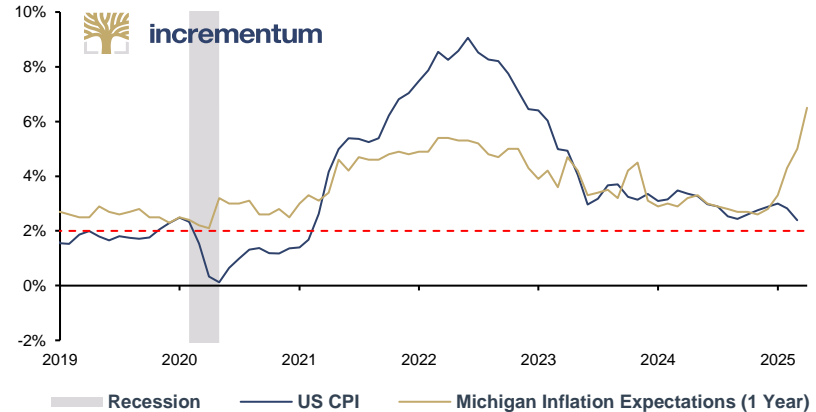
Inflation expectations, University of Michigan

The greatest obstacle to discovery is not ignorance – it is the illusion of knowledge.

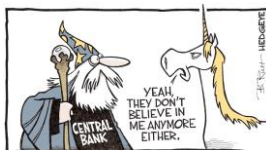
Daniel J. Boorstin

Short-term inflation expectations have risen sharply since the US elections in November 2024 and already stand at 6.5% as of April. This is a significantly above-average value for the past 45 years. A year ago, they were only half as high. Inflation expectations are comparatively rigid compared to the actual inflation trend and, even during the inflation wave, were usually well below the actual inflation figures. Long-term inflation expectations have also risen sharply year-on-year, by 1.4 percentage points or 50% to 4.4%.

US CPI and Michigan Inflation Expectations (1 Year), yoy, 01/2019–04/2025



Source: LSEG, Incrementum AG



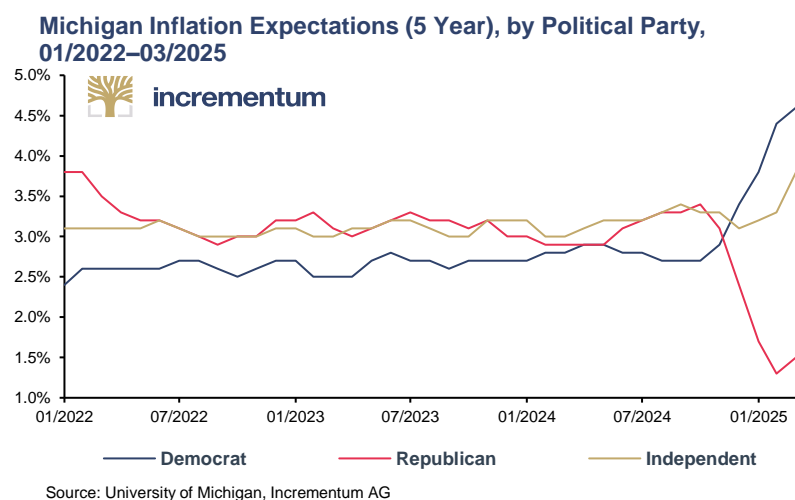
Courtesy of Hedgeye

The NBER study published in February by Kuang, Weber, and Xie, entitled “**Central Bank Communication with the Polarized Public**”, confirms the strong influence of party preferences on trust in the Federal Reserve and thus on inflation expectations. The question of whether the Federal Reserve is viewed by US citizens as an independent institution depends not only on party affiliation but also on whether the Federal Reserve is perceived as part of the *in group* or the *out group*. **Trust is higher when the Federal Reserve is perceived as part of one’s**

Where bias lies, truth often hides.
Modern Aphorism

own group. And higher trust correlates with lower inflation expectations.

This has a direct impact on inflation expectations and seriously calls into question their predictive value. Supporters of the party that holds the presidency have significantly lower inflation expectations than supporters of the party that lost the presidential election, with independents in the middle. At 43% (2024), independents constitute the largest group, with 28% identifying themselves as Republicans and 28% as Democrats. If we consider the expectations of those who, as Independents, are not driven by party politics to be literally unbiased assessments, then inflation expectations shifted from disinflationary to inflationary at the turn of the year, i.e. when Donald Trump was about to take office again.



However, these inflation expectations, which are heavily dependent on the balance of power, also show that the Federal Reserve is fundamentally perceived as an institution that is not independent of politics.

I don't mind going back to daylight saving time. With inflation, the hour will be the only thing I've saved all year.
Victor Borge

Inflation expectations – euro area

As of March, inflation expectations in the euro area remain well above the ECB's inflation target at 2.9% over the next 12 months and 2.5% over the next three years. Over both time horizons, the median value used by the ECB is well above the mean value, meaning that inflation expectations are clearly skewed to the right. The average value is 4.7% for the next 12 months and 4.5% for the next 3 years. The trend for all values is either stable or slightly upward.

The ECB Survey of Professional Forecasters is much more optimistic with regard to inflation trends. An inflation rate of around or even exactly 2.0% is expected for 2025, 2026, 2027, and long-term, i.e. 2029. Economists therefore have significantly more confidence in the ECB's monetary policy skills than consumers.

It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.

Sherlock Holmes

Finally, however, it should be noted that both market-based and survey-based inflation expectations are very often wrong. In this respect, the result of the policy brief “**Financial market forecasts inflation at least as well as central bankers**” is no accolade. A more appropriate title would be: “Central banks are just as wrong with their inflation forecasts as the markets (or survey-based inflation expectations)”.

In financial markets, it is probably the herd instinct that encourages misjudgments. It is easy to rationalize being wrong with the crowd, but being wrong alone destroys your career. Believing you are right alone can make you lonely. *The Big Short* impressively demonstrates these psychological and social constants.

In the case of central bankers, there is also the fact that the current monetary policy is seen as appropriate, indeed must be seen as appropriate. Otherwise, a different, more appropriate monetary policy would have to be implemented, or the effectiveness of monetary policy would be fundamentally called into question. Representatives of the institutional status quo naturally do not do this.

Inflation Trends in the Rest of the World

China

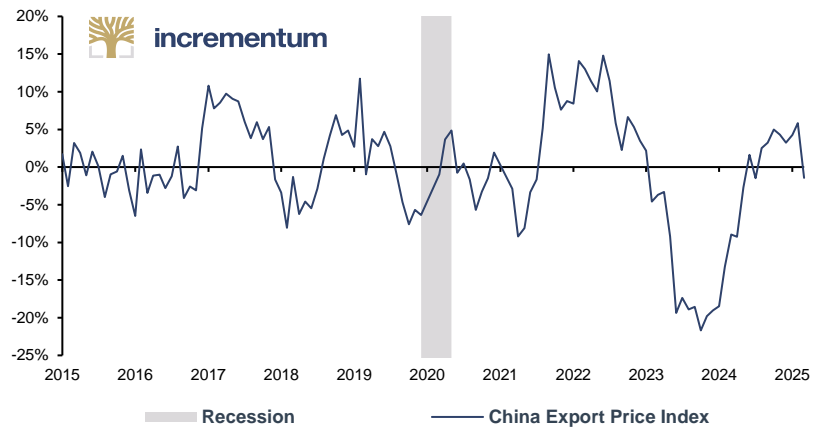
China faces dual economic challenges: externally, the strain of Donald Trump’s tariff policies persists, while domestically, deep structural imbalances in the real estate sector continue to weigh on growth. In response, the Chinese government and the People’s Bank of China (PBoC) have rolled out multiple large-scale support measures and signaled further interventions to stabilize the market.

When one tugs at a single thing in nature, he finds it attached to the rest of the world.

John Muir

However, following the wave of inflation in the wake of the energy price rally, producer prices have been in deflationary territory again since mid-2024. China is therefore exporting deflation. One reason for the pressure on producer prices could be the Trump administration’s expansion of tariffs, insofar as producers and exporters are lowering their prices in order to remain competitive on the US market.

China Export Price Index, yoy, 01/2015–03/2025



Source: LSEG, Incrementum AG

No man is an island, entire of itself; every man is a piece of the continent, a part of the main.

John Donne

Overall, China's price dynamics, driven by persistent structural imbalances and a weak renminbi, are likely to exert disinflationary, if not deflationary, pressure on global markets. The US may prove an exception due to its tariff regime, though the ultimate burden of those tariffs remains uncertain: Will they fall on Chinese producers, exporters, US importers, or consumers? Despite China's remarkable technological advancements, the massive stimulus measures deployed by its government and central bank have yet to resolve these underlying structural challenges.

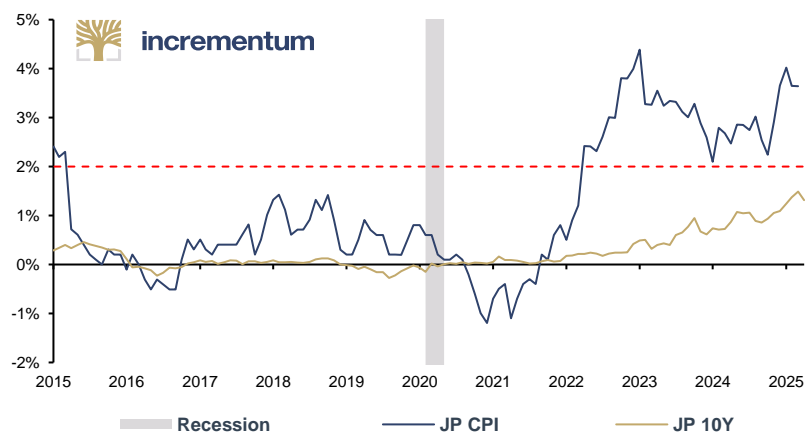
Japan

Inflation is like toothpaste: once out of the tube, it is impossible to return them.

Otto Pöhl

Not since the early 1990s has inflation in Japan remained so stubbornly above the 2% mark. There have now been almost three years with a sometimes significantly higher inflation rate. Although the BoJ officially ended yield curve control in March 2024, real yields are still in clearly negative territory.

JP CPI, yoy, and JP 10Y, 01/2015–04/2025



Source: LSEG, Incrementum AG

I've never really wanted to go to Japan. Simply because I don't like eating fish. And I know that's very popular out there in Africa.

Britney Spears

Unsurprisingly, bonds are not very attractive to Japanese investors. Gold is all the more attractive. Since August 2018, gold has gained 230% in Japanese yen terms. In euros, the gold price rose by 167% in the same period. **Gold in yen has recorded consistent gains for 7 years.**

Gold, in JPY, 01/2015–04/2025



Source: LSEG, Incrementum AG

Conclusion

In our *In Gold We Trust* report 2021, “**Monetary Climate Change**”, the **first and most important sign of monetary climate change was the arrival of budgetary nonchalance**. With the double whammy in Germany, i.e. the adoption of the EUR 500bn special fund for infrastructure and the financing of the green transformation, as well as the easing of the debt brake for armaments, which is expected to amount to at least EUR 900bn, Germany has shed its previous fiscal virtue and moved into the camp of budgetary nonchalance.

The second sign, the merging of monetary and fiscal policy, is also becoming increasingly obvious, especially in the euro area: In the green transformation of the economy and the mobilization of private savings for investment in the EU (war) economy, EU Commission President Ursula von der Leyen and ECB President Christine Lagarde are going hand in hand. The ECB no longer even has the appearance of independence. **The third sign we identified in 2021 was that the ECB constantly expands its remit.**

On the other side of the Atlantic, Jerome Powell has now definitively rejected the Federal Reserve's stronger focus on climate policy. In mid-January, just a few days before Donald Trump took office, Powell announced the Federal Reserve's withdrawal from the *Network of Central Banks and Supervisors for Greening the Financial System*, whose work, according to Powell, “**has increasingly broadened in scope, covering a wider range of issues that are outside of the Board's statutory mandate**”.

We write to propose, or perhaps to repropose, that the central bank is a codependent part of the government, the interest rate-manipulating and bond-buying branch of the Treasury. It's no more independent than the Forest Service.

Jim Grant

The close links between politics and central banks can also be seen in personnel decisions. Former Federal Reserve Chair Janet Yellen became Secretary of the Treasury under Joe Biden, while Jerome Powell briefly held the position of Undersecretary of State under President George H. W. Bush in 1992. Mario Draghi was a top official in the Italian Ministry of Finance, the ECB President, the Italian Prime Minister, and then the author of the **Draghi Report** for the EU Commission. The current ECB President, Christine Lagarde, held three different ministerial posts in the French government from 2005 to 2011.

High inflation volatility persists

The first four years of the 2020s were characterized by historically unprecedented inflation volatility in the euro area, which came into existence in 1999 only, while inflation in all other countries was at least significantly more volatile than in the past three decades.

The blatant miscalculations by leading central bankers when the wave of inflation took off in the course of 2021 also contributed to the substantial inflation volatility.²¹ This policy of appeasement had dramatic consequences, but it was also a result of the underexposure of monetary factors as the underpinning of – time-delayed – waves of inflation. It was only a matter of time before the years of low interest rates took their toll.²²

The study “The Myth of Fed Political Independence”, by Thomas J. Webster, offers an explanation for this asymmetry. Webster analyzed the more than 10-year period of low interest rates from the global financial crisis through the Covid-19 pandemic to the start of the rate-hike cycle in mid-March 2022. He found that the Federal Reserve was actively involved in financing Washington's budget deficits through the printing press. He therefore concludes that the Federal Reserve is not a bastion of sound monetary policy but just another agency instrumentalized by politics, because an agency that is unable to withstand political pressure must ultimately be considered part of the government. **In short, the independence of the Federal Reserve is a myth.** With his public criticism of Jerome Powell, Donald Trump is merely making clear what otherwise remains largely hidden. However, it is always high-ranking politicians who appoint central bank presidents, which ensures that the central bank remains politically aligned with the broader political agenda.

I'll demand that interest rates drop immediately. And likewise, they should be dropping all over the world. Interest rates should follow us all over.

Donald Trump

Thomas Drechsel's paper “Estimating the Effects of Political Pressure on the Fed: A Narrative Approach with New Data” comes to the conclusion that the exertion of political pressure on the central bank does indeed promote inflation. For his study, Drechsel analyzed the personal interactions between the respective US president and representatives of the Federal Reserve between 1933 and 2016. A shock in the form of higher political pressure on the Federal Reserve not only increased inflation significantly but also led to higher inflation expectations, in contrast to a politically uncalled-for easing of monetary policy. A truly independent central bank, i.e. a central bank that is

²¹ See “The Status Quo of Debt Dynamics,” In Gold We Trust report 2022; “Mining Stocks and Real Interest Rates: An Unsurprising Relationship,” In Gold We Trust report 2021

²² See Stöferle, Ronald, Taghizadegan, Rahim and Hochreiter, Gregor: *The Zero Interest Trap*, 2019

It seems that, in the world of politics and central banking, admitting mistakes has fallen out of favor, with a prevailing tendency to double down on existing strategies.

Fabian Wintersberger

Invest in inflation. It's the only thing going up.

Will Rogers

able to resist political pressure to loosen monetary policy, would therefore be a genuine institutional inflation hedge.

The political wrangling over the appointment of a new Federal Reserve Chairman in May 2026 and ECB President in November 2027 – unlike Christine Lagarde, Jerome Powell could be reappointed for a third term – will once again show that the responsible political bodies will make the appointments in line with their own economic and monetary policy ideas. During the election campaign, the names mentioned as possible successors were current US Treasury Secretary Scott Bessent, Kevin Warsh, David Malpass, and Judy Shelton.

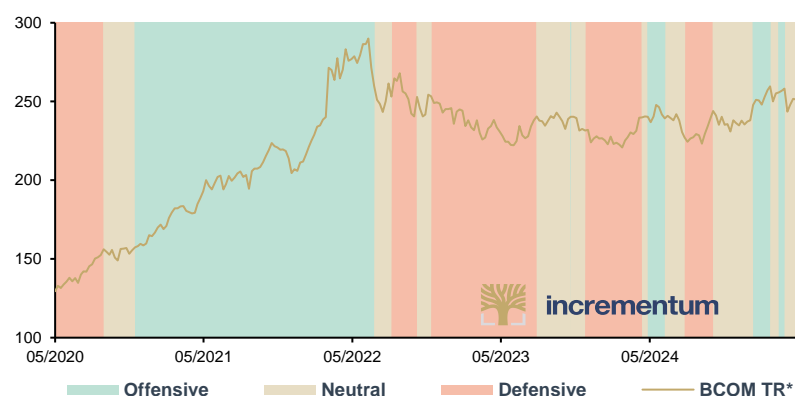
The Incrementum Inflation Signal

Since the last publication of the report, the *Incrementum Inflation Signal* has shown a significantly increased frequency of signal changes.

Between September 2024 and the political turning point surrounding the Trump shock, the signal predominantly indicated a positive inflationary environment. However, this shifted due to escalating trade tensions and the threat of a tariff conflict, resulting in a return to a neutral signal. Given the current political and economic climate, marked by considerable uncertainty, an end to this volatile phase is not yet in sight. **Should a sustained inflationary cycle emerge, we expect the signal – much like in 2020 – to once again be able to anticipate an upcoming wave of inflation at an early stage.**

Particularly noteworthy is the pronounced divergence within commodity markets over the past twelve months. While gold experienced a significant upward trend, energy commodities came under continued downward pressure. These opposing movements are also reflected in the overall stable, yet sluggish development of the Bloomberg Commodity Index.

BCOM TR*, and Incrementum Inflation Signal, 05/2020–04/2025



In summary, the various inflation dynamics can be broadly categorized as follows:

Short-term disinflationary dynamics

- Economic slowdown due to trade wars
- Quantitative tightening
- Interruption of the interest rate reduction cycle

- Possible easing of geopolitical tensions in Ukraine and the Middle East
- Energy prices
- In the rest of the world: US dollar weakness

Medium and long-term disinflationary dynamics

- Technology and innovation, AI

Short-term inflationary dynamics

- Discontinuation of (last) government price reduction measures due to the energy crisis
- US dollar weakness (in the US)
- Nominal wage development

Medium-term inflationary dynamics

- Customs duties and de-globalization
- Uncertainty in international trade due to the US tariff policy
- Structural government debt
- Guns and butter policy
- Rearmament
- CO₂ pricing, in particular through the introduction of the ETS II emissions trading system from 2027 in the EU
- CO₂ duties in the EU (CBAM)
- Green transformation policy
- Implicit easing of the inflation target of 2%

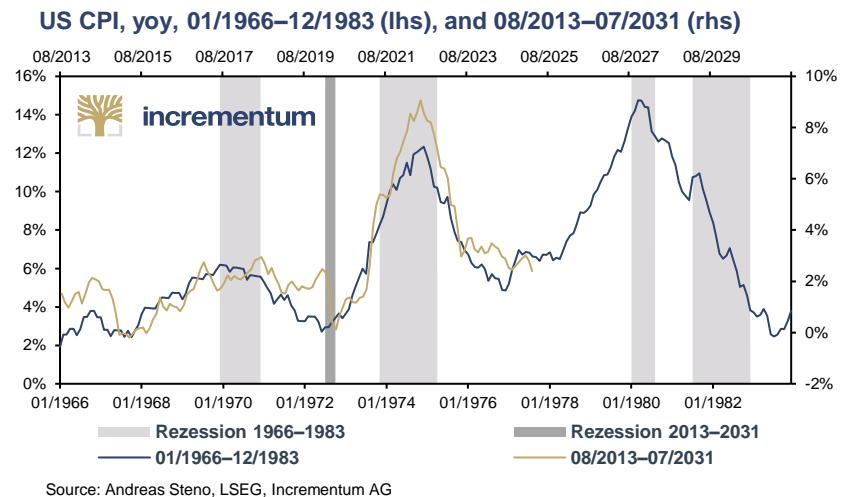
Long-term structural inflationary dynamics

- Demographic change and the associated shortage of skilled workers and general labor shortage
- Geopolitical bloc formation
- Increase in energy prices due to the expansion of wind and solar energy
- Increasingly expansive fiscal policy

*Having a little inflation is like
being a little pregnant.*

Leon Henderson

The parallelism of the inflation trend in 1966–1983 and since 2013 is still striking, albeit with only ¾ of the intensity and starting from a 2 percentage point lower base. **If this analogy continues, inflation in the US should move sideways until the end of the year and rise sharply in 2026 to around 11% in late summer 2028.** In other words, we would now be in the calm before the second, stronger inflationary storm.



*When all you have is a hammer,
everything looks like a nail.*

Abraham Maslow

In summary, it can be said that the current inflation outlook is very mixed now that the major wave of inflation has subsided. The sharp fall in energy prices will pull inflation rates down significantly in the coming months, while the tariffs imposed, and the increased uncertainty are driving up inflation. The widespread nonchalance of leading central bankers towards the persistently high level of inflation is having the effect of a tacit increase in the inflation target.

For 2025, we assume that, notwithstanding the significant short-term disinflationary effect of the fall in energy prices, inflation has not yet been tamed. This will be particularly evident in core inflation. It can also be assumed that the central banks will react as they always do in the event of significant turbulence on the financial and possibly currency markets: by opening the monetary floodgates. **The basic stance of those responsible for (monetary) policy is and remains inflationary.**

The Status Quo of Gold Demand and Gold Supply

The Global Financial Crisis coincided with a significant shift Eastwards in demand for gold. This was driven not only by cultural affinity, but also by wealth creation and income growth in some of the world's most dynamic and rapidly growing economies.

World Gold Council

- Gold demand reached a record high of 4,974 t in 2024. This surge was driven by robust demand from both investors and central banks, highlighting gold's dual role as both a safe haven and a return-generating asset.
- Central bank demand for gold not only exceeded 1,000 t for the third year in a row, but also reached a new all-time high of 1,086 t. Poland (90 t), India (73 t), and China (44 t) topped the list of central banks buying gold.
- Investor demand is also increasingly dominated by emerging markets, led by China and India.
- Demand from Western investors initially declined, but a turnaround began in the second half of 2024, led by North America and followed more hesitantly by Europe.
- Demand for jewelry was dampened by the record gold price, with a decline of 11%, but reached a new all-time high of USD 144bn in nominal terms, an increase of 9% on the previous year.
- The gold supply of 4,974 t was slightly higher than in the previous year, with gold recycling gaining in importance, with an increase of 11%.

We now turn to the most critical gold supply and demand developments, focusing on central banks and private investors. For further insights, we recommend the World Gold Council's (WGC) *Gold Demand Trends*.²³

Gold Demand

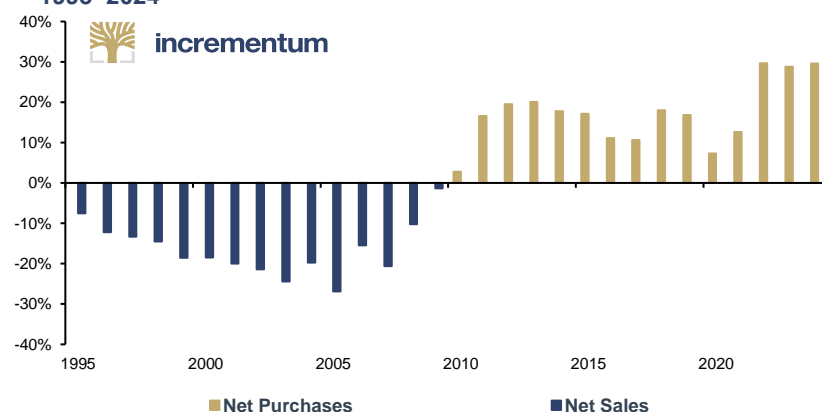
Central bank demand

Trust can only be offered and accepted, not demanded.
Niklas Luhmann

In view of looming uncertainties on the global financial markets, central banks once again significantly increased their gold reserves. With purchases of 1,086 t, central banks not only achieved a hat trick of net gold purchases of more than 1,000 t, but actually set a new all-time high. This corresponds to around USD 100bn, which is also a new record.

The annual average from 2010 to 2021, i.e. until the outbreak of the war in Ukraine, was only 473 t, which is less than half of that figure. The central banks' appetite for gold still does not seem to be abating, as confirmed by 365 t of purchases in Q4/2024 alone and 244 t in Q1/2025. In percentage terms, public financial institutions absorb almost a third of the gold mined this year.

Global Central Bank Gold Purchases, in % of Mine Production, 1995–2024



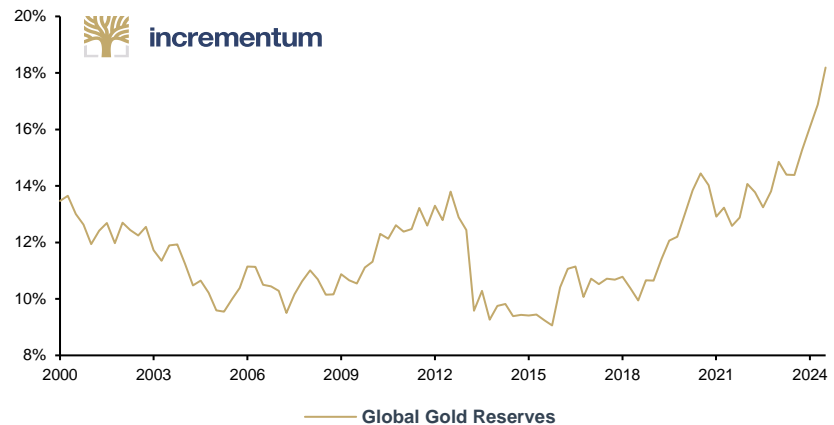
Source: World Gold Council, Incrementum AG

I think reserve management practices, the way central banks manage their foreign exchange reserves, is going to go through transformative change over the next five to ten years.
Zoltan Pozsar

The relative share of gold in total reserves of central banks has doubled since 2016. As of February 2025, the global gold reserves of central banks amounted to 36,252 t. Gold is becoming an increasingly important asset on the asset side of central bank balance sheets – in other words, gold is gradually being remonetized by central banks.

²³ See also chapter "Urban Mining for Gold and Silver" in this In Gold We Trust report

Global Gold Reserves, as % of Total Reserves, Q1/2000–Q3/2024



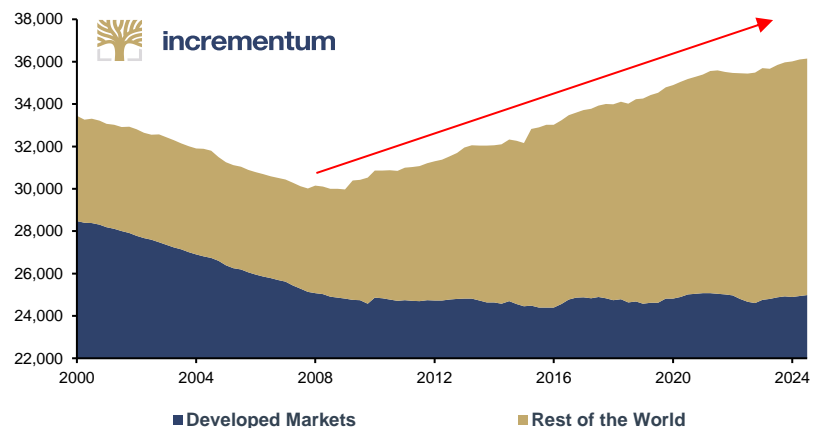
Source: World Gold Council, Incrementum AG

Biden's confiscation—his grasping of hard control—has made international investors more concerned about return of capital with regards to the dollar than about return on capital, jeopardizing America's seigniorage power.

Dan Oliver

The *Central Bank Gold Reserve Survey* conducted by the World Gold Council in 2024 provides insight into the motives behind the ongoing gold rush among central banks. The most relevant is its function as a “long-term store of value/inflation hedge”, followed by “performance during times of crisis” and “effective portfolio diversifier”. While the former reasons have been on the podium since 2020, the latter replaced the record winner “historical position”. **From the central banks' perspective, gold is now increasingly a strategic reserve investment rather than a “barbaric relic” of the past.**

Gold Reserves, in Tonnes, Q1/2000–Q3/2024



Source: World Gold Council, Incrementum AG

If reserves can be negated overnight, are they even reserves? How many other countries must hedge against the possibility of similar sanctions?

Doomberg

The differences between industrialized countries and emerging markets are particularly impressive: Among central banks in developed countries, “long-term store of value/inflation hedge” shot up from 27% in 2023 to 83% in 2024, underlining ongoing concerns about inflation. Most emerging-market central banks cite “concerns about systemic financial risks”, “lack of political risk”, “concerns about sanctions”, “policy tool”, and “anticipation of changes in the international monetary system” as relevant reasons for holding gold. In striking contrast, not a single central bank in the industrialized countries classified the last three reasons as relevant.

*Humans control the world
because we learned to trust one
another.*

Yuval Noah Harari

*I think we're in a long-term bull
market in Gold. We're seeing
reserve accumulation by Central
Banks. I follow it closely. It's my
biggest position. Even I was
surprised when the Central Bank
of Poland said they want to take
their Gold reserves to 20%.*

Scott Bessent

The freezing of Russian FX reserves and exclusion from SWIFT in 2022 marked a turning point. Since then, US dollar and euro reserves have been exposed to considerable political risk. Gold is an essential part of the response to this turning point. 81% of the central banks surveyed expect global central bank gold holdings to increase in the next 12 months – in 2023, the figure was significantly lower at 71% – and not a single central bank expects holdings to decrease. 29% stated that they expect their own institution's gold reserves to increase over this period. **69% of the central banks surveyed assume that a larger proportion of total reserves will be denominated in gold in five years.**

The most important developments in 2024

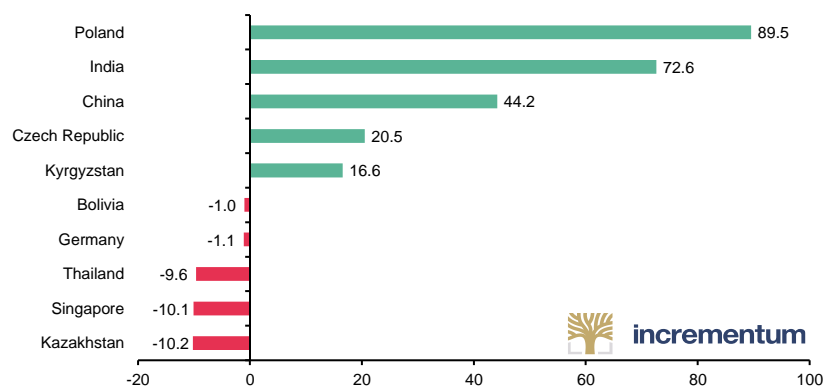
Emerging markets remain the dominant force on the buying side.

However, Poland is leading the way, increasing its gold reserves by almost 90 t in 2024. The target set by central bank president Adam Glapinski of increasing Poland's share of gold in total reserves to 20% has now come closer at 16.9%. As in the two previous years, India (72.6 t) and China (44.2 t) are again among the largest buyers, followed by the Czech Republic (20.5 t) and Kyrgyzstan (16.6 t). Despite the strong purchases in recent years, the PBoC's gold reserves still account for just over 6% of its total reserves.

Kazakhstan again leads the list of the largest sellers with 10.2 t.

Singapore (10.1 t) and Thailand (9.6 t) followed closely behind, after having been the largest buyer in 2022 with around 90 t. Germany (1.1 t) and Bolivia (1.0 t) follow at a considerable distance.

Top 5 Central Bank Gold Purchases/Sales, in Tonnes, 2024



Source: World Gold Council, Incrementum AG

In the *In Gold We Trust* report 2024, “The New Gold Playbook”, we pointed out that, in addition to the quantity of money supply, the quality of their investments is also crucial for the balance sheet resilience of central banks. The developments in 2024 are in line with our analysis. The balance sheet quality of non-Western central banks continues to improve due to their successive increase in gold reserves, while it is increasingly deteriorating among central banks of industrialized nations, whose gold holdings are at best stagnant. In 2023, the German Bundesbank could still compensate for its loss caused by the sharp fall in government bond prices by reversing risk

provisions, but in 2024, it had to report a historically high loss of EUR 19.2bn. And the Bundesbank's substantial gold reserves prevented it from getting any worse. At the 2024 balance sheet press conference, Joachim Nagel, President of the Deutsche Bundesbank, remarked:

The Bundesbank continues to have a solid balance sheet. It has high valuation reserves, especially for gold. These reserves are many times higher than the current and expected balance sheet losses. And they have risen sharply in the past year.

I'm known as a gold bug and everyone laughs at me, but why do central banks own gold now?

Alan Greenspan

It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong.

Thomas Sowell

With a loss of EUR 7.94bn the ECB – not to be confused with the Eurosystem that comprises the ECB and the central banks of all euro area member states – also found itself deep in the red and was unable to rely on the revaluation of substantial gold reserves, meaning that future profits will have to be used to offset the deficit. The Federal Reserve reported a loss of USD 77.6bn, which was compensated through remittances from the US Treasury. In contrast, the Swiss National Bank posted a profit of CHF 80.7bn, primarily from foreign currency positions, but also from gains on its gold reserves.

The developments in Q1/2025 can be summarized as a continuation of this trend. Central banks remained low price-sensitive buyers and increased their official gold reserves by 244 t. Poland once again topped the list of largest buyers with 49 t, followed by China with 13 t and Kazakhstan with 6 t. The Azerbaijani sovereign wealth fund, the State Oil Fund of Azerbaijan, also made significant purchases, acquiring 19 t and increasing its gold allocation to 26%.

Investment demand for gold

ETF demand

In the following, we examine investor demand, focusing on demand for private investments and ETFs. At 1,180 t, investor demand again exceeded central bank demand in 2024. However, it is striking that Western financial investors have not participated in the bull market for a long time. This was dominated by consistent net inflows from Asia since Q2/2023, although these were not high in absolute terms. While North America has now recorded inflows for three consecutive quarters since Q3/2024, no clear trend has yet emerged in Europe. Inflows in Q3/2024 were followed by significant outflows in Q4/2024, which only reversed into noticeably higher inflows in Q1/2025.

Asia's rise is not a flash in the pan; it is a return to the historical norm.

Lee Kuan Yew

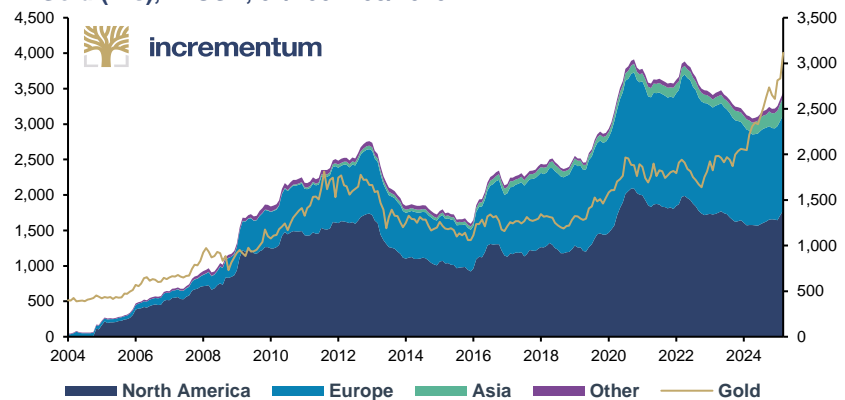
Gold ETFs recorded net outflows for the fourth consecutive year in 2024, although these were significantly lower at 7 t than the 244 t in 2023. The outflows of the first two quarters were almost entirely offset in the year's second half. The strong growth in demand from Asian markets (78 t) was more than offset by outflows from Europe (98 t). North America's slight increases (8 t) are also very different from last year's outflows (82 t) and allow optimistic gold investors to interpret the positive figure as a sign of a turnaround in Western investor demand.

*India is not simply emerging;
India has emerged.*

Barack Obama

Gold ETFs are becoming increasingly popular in India. Year-on-year, gold invested in gold ETFs increased by 35.8%. The nominal growth in demand in recent years is equally impressive. According to data from the Association of Mutual Funds in India, net inflows rose from INR 4,6bn in 2022 to INR 29.19bn in 2023 and continued to grow at an explosive rate of 216% to INR 92.25bn in 2024. The approval of three new gold ETFs, bringing the total to 19, should further strengthen investment demand in gold-savvy India.

Accumulated Gold ETF Holdings by Region (lhs), in Tonnes, and Gold (rhs), in USD, 01/2004–03/2025



Source: World Gold Council, Incrementum AG

Gold ETFs continued their comeback in Q1/2025, with an increase of 226 t. This time, the momentum has been dominated by Western financial investors, who made use of gold's risk-hedging properties amid high economic uncertainty. This clearly confirms the trend shift suggested over the past half-year, with European ETF demand rising by 55 t and an even more substantial 134 t increase from North America.

Demand for bars and coins

Global demand for bars and coins in 2024 remained roughly the same as in 2023. This also confirms the increasingly important role played by emerging markets in the gold market, with stable demand in the Middle East and strong growth in Asia. **In China, demand for bars and coins grew by around 20% in 2024.**

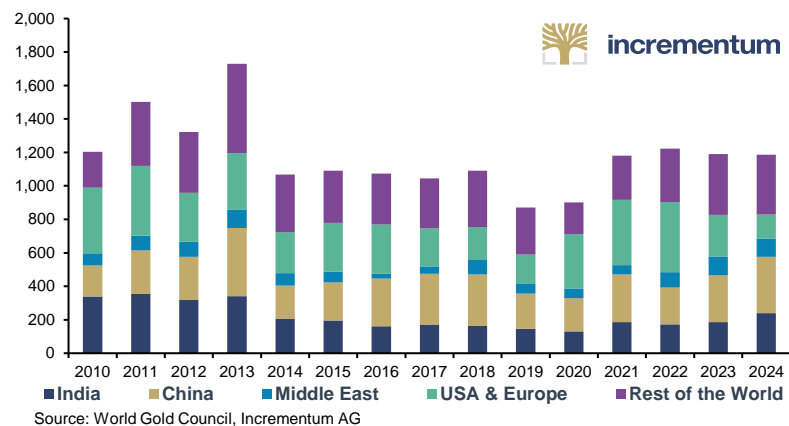
*The freer the flow of world trade,
the stronger the tides of human
progress and peace among
nations.*

Ronald Reagan

In India, demand grew by almost 30% yoy in 2024, with particularly strong figures in Q3 and Q4/2024 of over 76 t each. Liberalization of the gold market played a significant role in this. This included the largest reduction in import duties in over a decade, from 15% to 6%; a reduction in long-term capital gains taxes from 20% with indexation to 12.5% without indexation; and a reduction in the holding period for long-term taxation from 36 to 24 months.

Despite a sharp decline of 59% in 2023, the downward trend in Europe continued with a further drop of 50% last year. A 17-year low was achieved with demand of just 66.7 t. In Q2/2024, Germany recorded net outflows of -2 t, which can be attributed not only to potential profit-taking but also to the strained financial situation in Germany, the economic weakness, and the absence of new groups of buyers.

Gold Bar & Coin Demand, in Tonnes, 2010–2024



In Q1/2025 demand for gold bars and coins reflected the growing interest of financial investors, with an increase of 325 t – up 3% yoy and 15% above the five-year average.

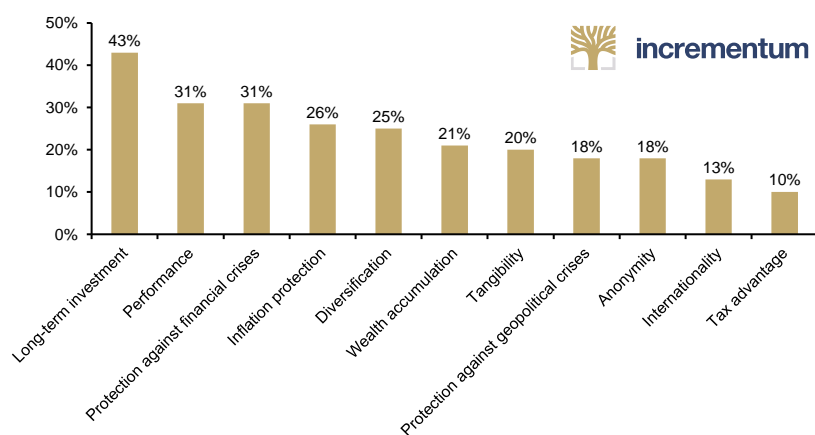
Drivers of investor demand for gold

Gold is no longer just a hedge against inflation; it has become a dynamic asset that performs in diverse economic conditions, driven by global uncertainty and central bank demand.

Gregory Shearer

The representative **Precious Metals Study 2024**, conducted by the University of St. Gallen on behalf of philoro Edelmetalle, provides an exemplary insight into the motives of Western investors. The study, in which 3,000 Swiss were surveyed, cited “stability/long-term investment” as the most important reason for investing in gold at 43%, followed by “value appreciation/profit generation” and “protection against economic crises” at 31% each. Neutrality and security are crucial to the Swiss regarding private investments, as shown by the fact that they already own 200 t of gold, which corresponds to the impressive weight of a blue whale. However, a compromise in the need for security is reflected in the storage of precious metal. However, 48% prefer to store their gold in a safe or locker box at a bank or precious metal dealer, and a surprisingly high 20% store their investment unsecured in the home or the garden.

Reasons for Investing in Precious Metals, 2024



Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity.

Coco Chanel

Jewelry demand

The rise in the gold price dampened global jewelry demand in 2024, with a yoy decline of 11%. Excluding the pandemic year 2020, demand was roughly in line with 2009, driven mainly by a sharp 24% drop in China. Besides the higher gold price, slowing income growth hurt Chinese consumer confidence. Notably, Indian demand, typically highly price-sensitive, fell only 2% compared to 2023. Supported by expected economic growth of 6.5% in 2025 and 2026, and a reduction in import duties in July 2024, India's jewelry demand remained resilient, totaling INR 3.6trn — 70% of which came in the second half, boosted by Diwali and the wedding season. Jewelry demand in Europe (-3.7%) and North America, including Brazil (-2.8%), declined slightly, while the Middle East saw a sharper fall of 8.4% compared to 2023.

Global Gold Jewelry Demand, 2023–2024

	2023	2024	Yoy
World Demand	2,110.6	1,877.1	-11%
India	575.8	563.4	-2%
China	630.2	479.3	-24%

Source: World Gold Council, Incrementum AG

Despite the decline in global demand for jewelry, absolute demand reached a new all-time high of USD 144bn due to the gold price rally, corresponding to a yoy increase of 9% increase.

In Q1/2025, global jewelry demand continued to fall to 380 t due to the ongoing gold price rally. This represents a decline of 21% yoy. India and China recorded above-average declines of 25% and 32%, respectively.

In summary, gold demand continues to be driven primarily by the strong appetite of central banks, particularly those in emerging markets and Eastern Europe. Emerging economies also lead the way in private investor demand. Meanwhile, Western financial investors have recently renewed their interest in gold—albeit after a prolonged period of hesitation.

Gold Supply

In 2024, the global supply of gold reached a new high of 4,974 t, corresponding to an increase of 1% compared to the previous year.

While mine production remained roughly at the previous year's level at 3,661 t, the increase in supply was boosted by higher recycling, which rose by 11% to 1,370 t. Q4/2024 achieved a powerful figure of 359 t, with an increase of 15% yoy. This development was boosted by high gold prices, which incentivized many investors to sell scrap gold.²⁴

There are no passengers on Spaceship Earth. We are all crew.

Buckminster Fuller

²⁴ See chapter "Urban Mining for Gold and Silver" in this In Gold We Trust report

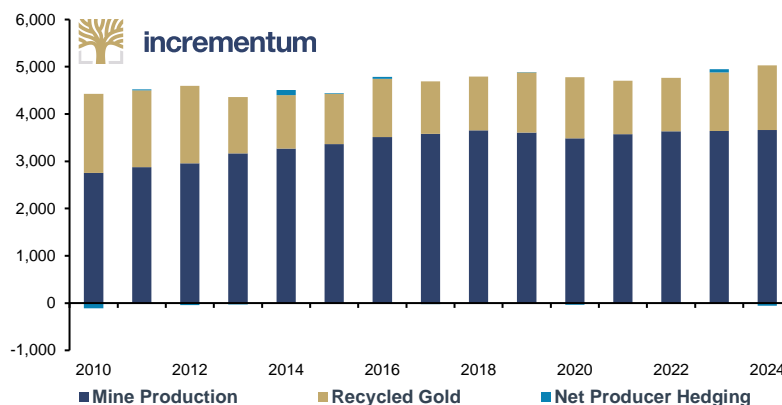
The great merit of gold is precisely that it is scarce; that its quantity is limited by nature; that it is costly to discover, to mine, and to process; and that it cannot be created by political fiat or caprice.

Henry Hazlitt

In contrast to gold recycling, the impact of net hedging by gold

producers was negative: While 67.4 t were added to supply through hedging in 2023, a decline of 56.8 t was recorded in 2024. This shows that mining companies are increasingly focusing on making a direct profit from high gold prices and reducing their hedging positions. However, forecasts predicting a sharp increase in the supply of gold proved to be incorrect. Gold confirmed its low supply elasticity and thus demonstrated that the promise of scarcity of this precious metal is highly credible.

Global Gold Supply by Source, in Tonnes, 2010–2024



Conclusion

The measure of intelligence is the ability to change.

Albert Einstein

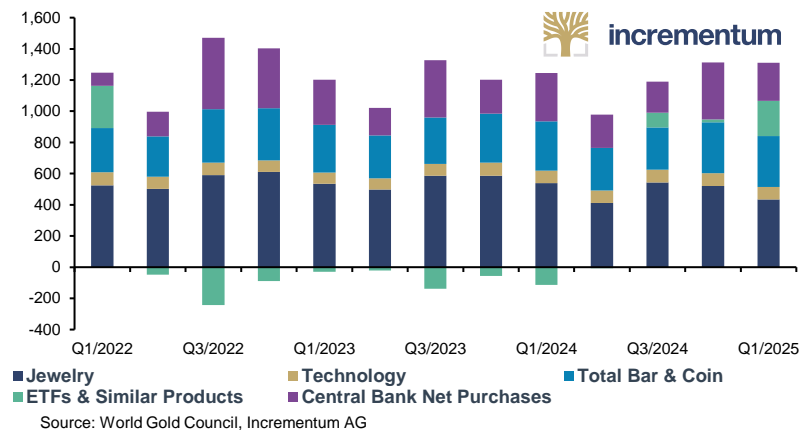
For decades, the US real interest-rate trend and the yield curve of US government bonds, and thus the opportunity costs of holding gold, were primary determinants of the gold price. The breakdown of this relationship and the growing importance of Chinese marketplaces in the current bull market are part of the explanation for the fundamental changes in the gold market. The fundamental transition of the marginal buyer from West to East was one of the central themes of “[The New Gold Playbook](#)” presented in detail in the *In Gold We Trust* report 2024.

Gold is a low beta way to play emerging markets.

Louis-Vincent Gave

The gold market mirrored this development in 2024. Emerging markets are again acting as marginal investors and, led by China and India, are increasingly dominating the gold price trend. Central banks and private investors have mainly driven this trend, while demand for jewelry has suffered in absolute terms due to the high gold price. The supply side is characterized by constant gold production and the increasing role of gold recycling, driven by the record-high gold price.

Global Gold Demand by Sector, in Tonnes, Q1/2022–Q1/2025



Shanghai Gold will change the current gold market's "consumption in the East, priced in the West" situation. When China has the right to speak in the international gold market, pricing will be revealed.
Xu Lode, former Chairman of the Shanghai Gold Exchange

In China, the attitude toward investing in gold is very different. Today, anyone in China can walk into a bank and purchase gold, which is available in denominations small enough to be a feasible purchase for all but the poorest Chinese citizens.
Stephen Leeb

The rising importance of China

Despite the gold renaissance in the West, China's role as a key power in the global gold market is unmistakably coming to the forefront. China is the largest consumer, producer, and importer of gold. The interplay of central bank purchases and consumer and investor demand is paving the way for Chinese financial centers' relative growth and importance. **Shanghai's growing market share in global gold trading** — encompassing both OTC and exchange volumes — reaching 17% as of April 2025, strongly signals intensifying competition for leadership in the international gold price discovery process. The introduction of the **Shanghai Gold Benchmark Price** in 2016, which made it possible to price gold in renminbi internationally, made Shanghai an equal player alongside London and New York. Since then, the Shanghai Gold Exchange International has been considered the world's largest purely physical gold spot exchange.

Recent developments in the Chinese gold market, in particular, highlight its essential role, even in the current bull market. By the end of March, **the strongest first quarter for gold price performance** in renminbi since the founding of the Shanghai Gold Exchange in 2002 had already been recorded.

In April, further signs of rising demand have emerged — both in the physical gold market and among Chinese gold ETFs. In the first eleven days of April alone, Chinese-listed Gold-ETFs saw higher inflows than in the entire first quarter. Year-to-date this translated to an impressive 46% increase in physically backed gold holdings, as the explosive rise in the following chart clearly illustrates.



Following a sharp rise in trading volume on the SGE in April, the domestic gold premium climbed to around 3%. The People's Bank of China's decision to raise gold import quotas for select commercial banks can be interpreted as a response to the surge in gold demand.



According to the World Gold Council, this trend is being driven by growing demand for safe-haven assets amid trade tensions and currency depreciation risks. **The turbulence in international markets thus acts as a catalyst for the long-advancing integration of gold into China's financial system.**

Understanding that China plays the long game is one of the most important insights you can have about what lies ahead. China's leaders know where they want to be five and ten years out.

Stephen Leeb

Only just, the People's Bank of China (PBoC), alongside the National Financial Regulatory Administration (NFRA), the State Administration of Foreign Exchange (SAFE), and the Shanghai Municipal People's Government, jointly issued a significant action plan to strengthen Shanghai's role as an international financial center. The plan outlines measures to facilitate cross-border financial services, including efforts to internationalize the Shanghai Gold Exchange's (SGE) product delivery system and establish overseas delivery warehouses. These initiatives are part of a broader strategy to attract more global capital flows, enhance market openness, and align Shanghai's financial infrastructure more closely with international standards. **By integrating regulatory support with local**

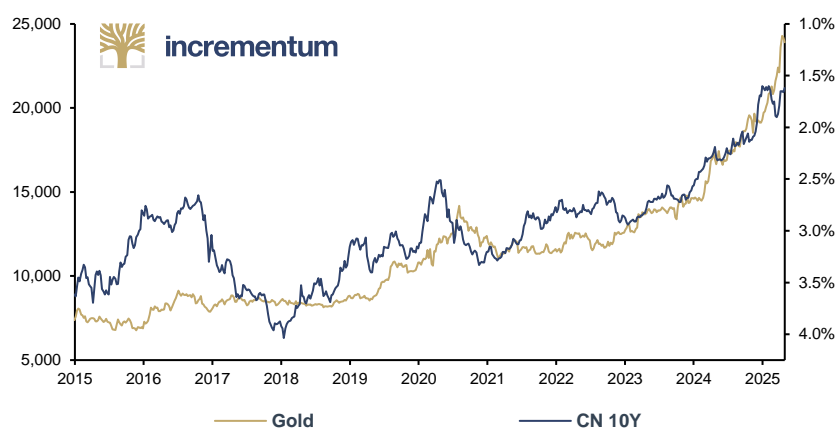
government initiatives, China aims to position Shanghai as a pivotal hub for global finance, particularly in commodities trading and financial services, amid intensifying global economic competition.

The freer the market, the freer the people.

Milton Friedman

An important development that could unleash up to USD 27.4bn in institutional investment potential is China's regulatory opening of the gold market for insurance companies, which came into force at the beginning of February. This news only packs a punch, considering this is a pilot project and the allocation is still limited to 1%. This paves the way for further integrating gold into the Chinese financial system. This is also supported by the fact that contracts are to be settled via the Shanghai Gold Exchange, i.e. the physical gold market exchange.

Gold (lhs), in CNY, and CN 10Y (rhs, inverted), 01/2015–04/2025



Source: LSEG, Incrementum AG

Gold! Gold! Gold! Bright and yellow, hard and cold!

Thomas Hood

In conclusion, we think that the global gold market stands at a historic crossroads, reshaped by a secular shift in both demand and influence from West to East. Central banks, especially in emerging markets and Eastern Europe, are firmly reasserting gold's role as a strategic reserve asset, while private investors in Asia — led by China and India — are fueling a renaissance in investment demand. Meanwhile, Western financial investors are only beginning to re-engage after years of hesitation.

On the supply side, despite record-high gold prices, production remains remarkably steady, reinforcing gold's scarcity and its credibility as a store of value. Most striking, however, is China's rapid emergence as a dominant force across consumption, production, import, and price formation, positioning Shanghai as a rising competitor to traditional gold hubs like London and New York. **Taken together, these developments signal not just a cyclical upswing, but a profound structural transformation in the gold market — one that every serious gold investor must understand to navigate *The Big Long*.**

Status Quo of Gold – Conclusion

Gold is unique in the financial system, as it offers neither bankruptcy risk nor counterparty risk. Gold is genuinely the ultimate riskless asset.

Charles Gave

- The US-dominated world and monetary order is being put to the test. Central banks around the world are increasing their gold reserves to hedge against geopolitical risks and the dwindling stability of the financial system.
- Gold remains attractive in times of increased inflation volatility and expected stagflation. Strong ETF inflows in recent months confirm the (late) return of Western investors.
- Despite nominal record highs, gold continues to show potential when adjusted for inflation.
- Commodities are valued extremely favorably, and could be on the verge of a comeback.
- In view of market sentiment and seasonal patterns, we expect short-term pauses in the gold price, but not a profound correction – rather, the "buy the dips" mentality will continue to prevail.
- All four Incrementum gold ratios – Oktoberfest beer, iPhone, ski ticket, and gasoline show that gold is continuously increasing its purchasing power and is holding its own as a stable store of value, even against everyday goods.

After our tour de force through the diverse gold universe, we want to summarize our most important insights.

Gold is simply a permanent unit of energy, labor, and time.

Roy Sebag

The past few years have shown that confidence in the US-centric monetary and world order is increasingly waning. In line with our *In Gold We Trust* report, the world's central banks are expressing *trust in gold*, reflected in an increase in global central bank gold reserves. The West still dominates the international monetary system because of its high gold reserves. However, this dominance is increasingly being called into question.

Gold is a zero percent yielding, risk-free bond, with finite issuance and infinite duration.

Luke Gromen

The share of gold in central banks' currency reserves can be a suitable reference point for private investors' weighting of gold in their portfolios. The central banks of industrialized countries hold around 18% of their currency reserves in gold. Our quantitative long-term analysis for the period 1970 to 2024, which we presented in last year's *In Gold We Trust* special "**The Optimal Gold Allocation**", concluded that **the ideal gold allocation ranges between 14 and 20%.**

Gold Reserves, Q4/2024

	Per Capita, in USD	% of Total Reserves	% of GDP
China	135.55 USD	5.5%	1.0%
Euro Area	2,582.57 USD	62.4%	5.5%
Japan	569.92 USD	5.8%	1.8%
Canada	0.00 USD	0.0%	0.0%
Russia*	1,217.10 USD	29.5%	8.1%
Switzerland	9,814.85 USD	9.6%	9.3%
UK	380.81 USD	14.9%	0.7%
USA	2,037.16 USD	75.0%	2.3%
World**	379.12 USD	18.2%	2.8%

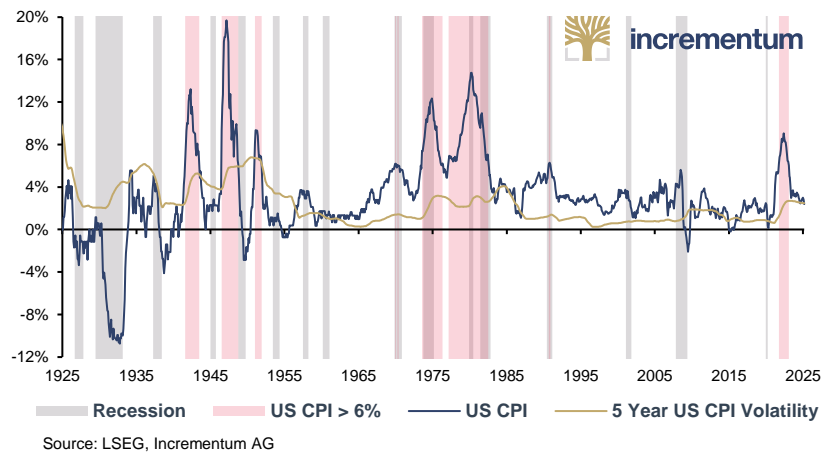
Source: IMF, World Bank, World Gold Council, Incrementum AG
*Q3/2024, **Q2/2024

Our New World Disorder will be characterized by greater volatility, higher inflation, and deeper financial repression.

Alexander Chartres

Western financial investors now seem to be rediscovering gold, albeit belatedly. This is demonstrated by the marked increase in ETF demand in recent months. One of the main reasons for this is the concern about latent inflation and stagflation. As we explained earlier, we expect increased inflation volatility and at least one more wave of inflation in the coming years. The hope that inflation has already been beaten, and we will now return to the pleasant times of the *Great Moderation*, has been dashed on the rocks of reality. **Due to increased inflation volatility, the correlation between equities and government bonds will likely remain positive, further strengthening the case for negatively correlated portfolio hedges like gold.**

US CPI, yoy, and 5 Year US CPI Volatility, 01/1925–03/2025



After gold, commodities are now likely to awaken from their slumber. A commodity allocation offers investors three potential advantages:

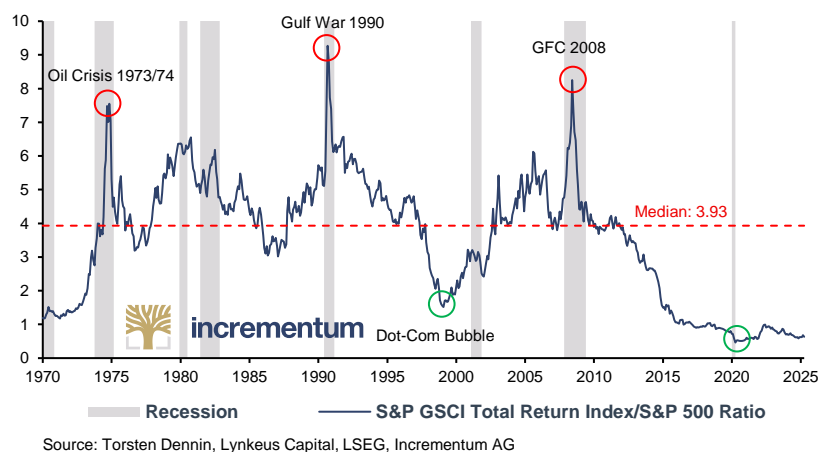
- Positive long-term returns
- Low correlations with equities and bonds
- Hedging against inflationary pressure

In terms of natural resource investing, you're either going to be a contrarian or you're going to be a victim. There isn't much by way of middle ground.

Rick Rule

Let us now look at commodities' development relative to the stock market. Loyal readers will know that the following chart has been one of the most quoted in the *In Gold We Trust* report in recent years.²⁵ It shows that the relative valuation of commodities versus equities remains historically favorable. Compared to the S&P 500, the *GSCI Commodity Index* (TR) has barely recovered from its historical low in April 2020. The ratio is currently 0.63, and therefore well below the long-term median of 3.93.

S&P GSCI Total Return Index/S&P 500 Ratio, 01/1971–04/2025



²⁵ We would like to take this opportunity to once again thank Prof. Dr. Torsten Dennin, who came up with the idea for this chart.

Valuation of the Gold Price: Already Too Expensive or Still Cheap?

The sharp rise in the price of gold raises the obvious question: Is gold already too expensive?

Value does not exist outside the consciousness of men.

Carl Menger

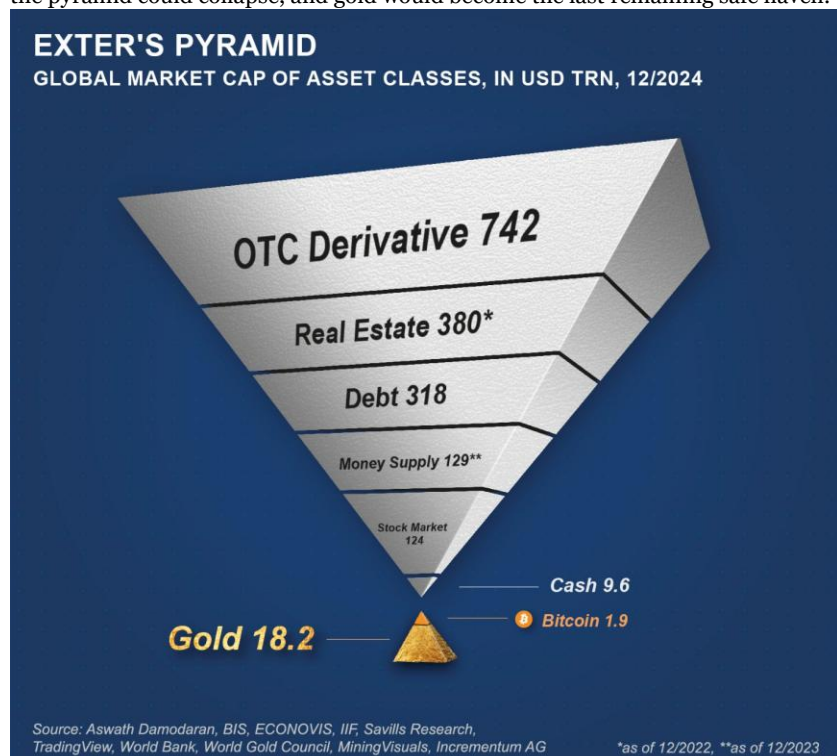
Readers of our report know: Value is subjective. Objective factors, such as production costs, often play a subordinate role in valuation. For example, the market value of a masterpiece by Vincent van Gogh is far higher than its production costs. A glass of water in the middle of the desert is valued much differently than one on the shores of Lake Wolfgang, and the first beer after a long hike holds a higher value than the fifth. Nevertheless, we want to compare absolute and relative prices to understand gold's valuation better.

Confidence is suspicion asleep.

John Exter

In the *In Gold We Trust* report 2019, “**Gold in the Age of Eroding Trust**”, we dealt in detail with John Exter's theories in the chapter “**The Enduring Relevance of Exter's Pyramid**”. He saw gold as the tip of an inverted debt pyramid but not part of this pyramid: While all pyramid elements are debt – even cash represents an obligation of the central bank – gold is entirely free of liabilities and therefore the only real alternative to fiat money.

Up to now, crises have led to a flight into US government bonds rather than gold, which has kept the debt pyramid stable. This has changed fundamentally in the wake of market turbulence after Liberation Day. Despite heavy losses in stock markets, US Treasuries were also sold off, while gold was accumulated. It is unclear whether this development represents a lasting change in the reaction function. However, once confidence in US government bonds wanes, the pyramid could collapse, and gold would become the last remaining safe haven.



What's the difference between a liquidity and a solvency event? Usually about an hour and a half.

Russell Napier

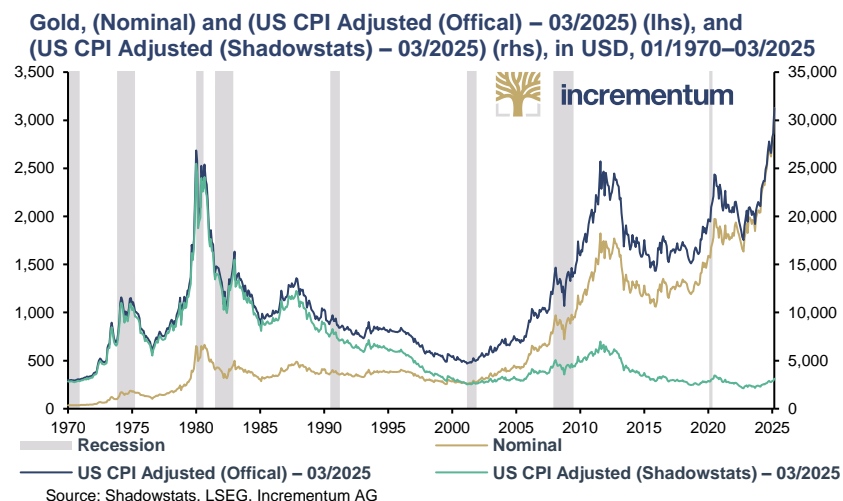
In reality, there is no such thing as an inflation of prices, relative to gold. There is such a thing as a depreciated paper currency.

Lysander Spooner

Exter was convinced that paper money would only function if it could be fully redeemed in gold at any time; otherwise, a collapse was inevitable. The widening gap between the money supply and gold reserves illustrates how far the financial system has strayed from a solid foundation. Exter's warning is more relevant than ever in times of substantial monetary experimentation: **What would happen if financial assets, believed always to be highly liquid, suddenly lost their liquidity and found themselves with no bid?** Then Exter's pyramid would collapse.

In our view, an absolute price comparison of a good denominated in a fiat currency is misleading, especially over extended periods. The quality and purchasing power of a US dollar today differs significantly from a US dollar in 1980 or even a US dollar in 2000. When the gold price reached its all-time high in January 1980 of USD 850, the average American household income was around USD 17,000 per year. Today, such a household income would mean living below the poverty line. The level of debt has also changed significantly since then. **While the US was USD 863bn in debt at the time of the all-time high in gold in 1980, today it is already higher than USD 36bn, surging by a factor of 42.**

One way to solve the problem of the incomparability of prices over time is to use an inflation-adjusted time series. The following presents the gold price in nominal and inflation-adjusted terms. We adjust the gold price using the official CPI and the [Shadow Government Statistics inflation data](#) to consider two different perspectives. In the inflation-adjusted view based on the official CPI figures, gold exceeded its real all-time high of USD 2,684 from 1980 in October 2024. Based on the Shadowstats inflation calculation, the real all-time high of USD 25,480 has not been reached. As is so often the case, the truth probably lies somewhere in between.



Relative price comparisons are another method of valuation. These indicate the exchange ratios of two goods over time. This representation is particularly advantageous when comparing the exchange ratio of two goods with standardized quality.

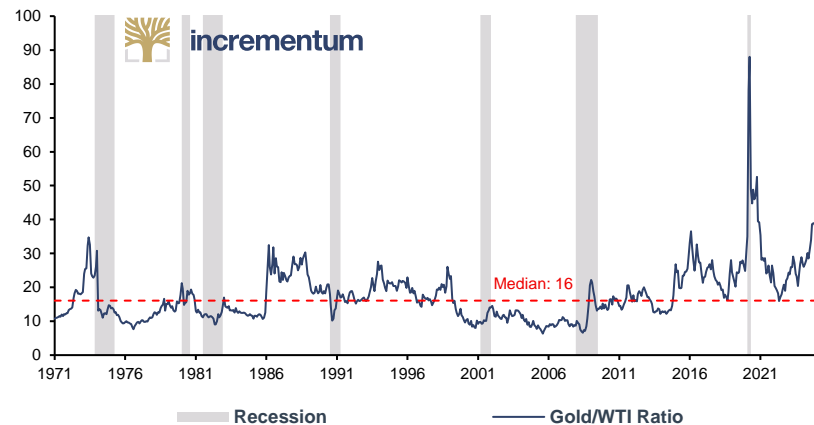
The most important of these rules is the first one: the eternal law of reversion to the mean (RTM) in the financial markets.

John Bogle

The gold/oil ratio: extreme value reached

A key exchange ratio is the relationship between the price of gold and the price of oil. While gold is a monetary commodity, oil is the world's most crucial consumer commodity. Following the oil price collapse in the wake of the outbreak of the tariff conflict and the associated economic concerns, one ounce of gold was worth 56 barrels of oil at the end of April. This is well above the long-term median of 16. **In this respect, oil appears to be highly undervalued compared to gold.**

Gold/WTI Ratio, in USD, 01/1971–04/2025



Source: Nick Laird, LSEG, Incrementum AG

Oil fuels the world; gold calms it.
Market saying

What is the story behind this discrepancy between "current energy" (oil) and "stored energy" (gold)? The main reason is the changing perception of gold as a store of value. From the early 1980s to 2015, the gold/oil ratio was usually between 9 and 20 barrels per ounce; since 2015, it has mostly been 20 to 40.

Gold itself is nothing but energy transformed.

Charles Gave

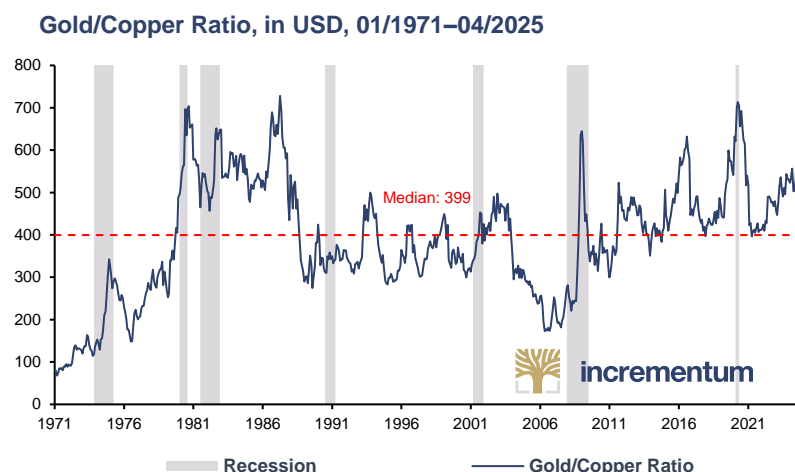
With a gold price of USD 3,288 at the end of April and a normalization of the gold/oil ratio towards the median of 16, the oil price would be USD 205. **Obviously, such an oil price would strain the fragile global economy to its limits, though the likelihood of that scenario seems about as remote as Leicester City's miraculous 2016 Premier League triumph. But we all know what happened.**

The gold/copper ratio: an economic ratio

Copper is the industrial metal par excellence. It has numerous applications in various value chain areas for multiple products. It is interesting to note that in the past, highs have been reached in times of both inflationary and deflationary crises. The ratio has been on an upward trend since 2006. The median stands at 399, well below the current level, which recently reached historical extremes of around 720. **From a long-term perspective, copper appears significantly undervalued relative to gold.**

If Dr. Copper has a PhD in economics, and is an expert on the business cycle, then gold is a professor with a Nobel Prize in monetary debasement.

Charlie Morris



Source: Nick Laird, LSEG, Incrementum AG

The ratio between gold and silver has been a market barometer for thousands of years.

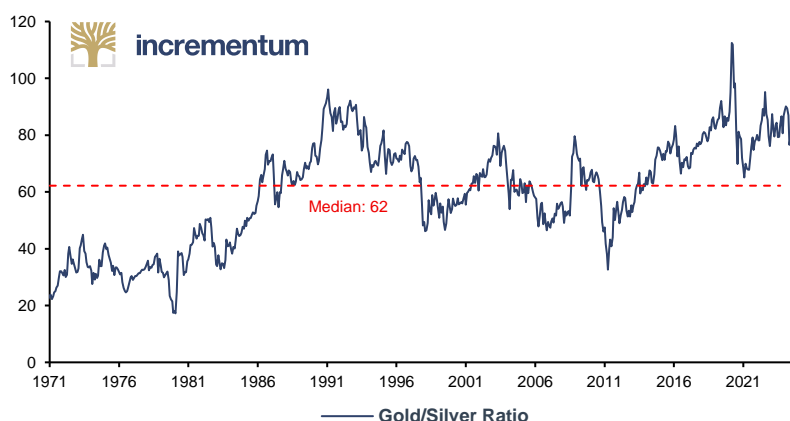
James Rickards

Gold/silver ratio: the inflation-deflation indicator

The ratios described so far were cyclical indicators. The gold/silver ratio²⁶ is a special case, as it serves as an excellent indicator of the interaction between inflation and deflation. The economic background is plausible: silver has a hybrid character with monetary properties on the one hand and industrial demand on the other.²⁷ The relatively small silver market reacts sensitively to money flows from the financial markets; the silver price usually rises even more strongly than the gold price during gold bull markets.²⁸ However, gold also benefits in deflationary phases. Therefore, the gold/silver ratio can also be described as a deflation/reflation ratio.

The ratio, which has been rising since 2011 and is now extremely high at 100, signals that inflation concerns have been priced out and that recessionary forces are growing.

Gold/Silver Ratio, 01/1971–04/2025



Source: LSEG, Incrementum AG

²⁶ See "Breakout or Fake-out: Is this Silver's Golden Moment?," "The Gold-Silver Ratio as an Indicator Measuring Inflation Momentum," In Gold We Trust report 2015

²⁷ For a thorough analysis of silver see chapter "Searching for the Silver Bullet: An Analysis of Silver Price Catalysts" in this In Gold We Trust report

²⁸ See "Silver's Time to Shine?," In Gold We Trust report 2023

Conclusion: Some Parallels Between The Big Short and The Big Long

I may be early, but I'm not wrong.

Michael Burry

The hot hand fallacy occurs when people expect random sequences to exhibit systematic reversals less frequently than they actually do, causing them to perceive streaks as predictive of future success.

Richard Thaler

The moment your interest payments exceed tax revenue, your country officially becomes a Ponzi scheme.

Michael Burry

The parallels between *The Big Short* and *The Big Long* are striking; both are based on a fundamental mispricing of the markets. While in 2008 a small group of Wall Street outsiders recognized that the real estate market was based on a mirage of systematically mispriced risks and excessive debt, today we are faced with an even greater mispricing of the value of fiat currencies, the global debt burden, and ultimately, gold itself.

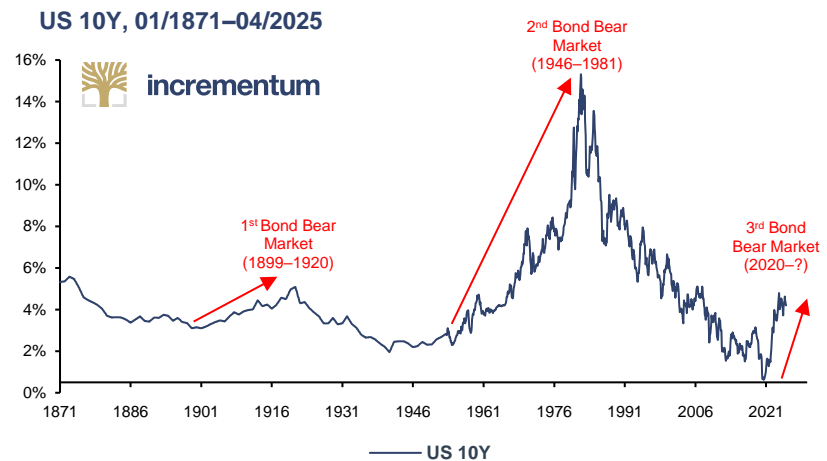
A common cognitive bias, humorously illustrated in *The Big Short*, is the so-called *hot-hand fallacy*, the mistaken belief, studied by Nobel laureate Richard Thaler, that recent trends will likely continue. Considering a potential paradigm shift in financial markets, this assumption reveals how dangerous it can be.

One example is the supposed infallibility of MAG 7 shares, which has been proven wrong recently. Another prime example of the hot-hand fallacy is the dominance of the US dollar in the global financial system. In past decades, the US dollar was unchallenged as the world's reserve currency. However, to conclude that this status will last forever means completely ignoring monetary history. Lead currencies such as the Florentine fiorino d'oro, the Spanish real, the Dutch guilder, and the British pound have come and gone, and lead currencies will continue to come and go. The gradual de-dollarization process fits in seamlessly with these ups and downs.²⁹

Another example of the hot-hand fallacy is the supposedly irrefutable negative correlation between positive real interest rates and the gold price trend. For decades, it was a given that rising real interest rates weakened gold, while negative real interest rates boosted gold. But this iron law no longer seems to apply.

This is where our *In Gold We Trust* report 2024 “*The New Gold Playbook*” comes in: The old correlations and investment certainties are becoming less and less meaningful. The recent price action has again shaken the assumption that government bonds are risk-free. It also shows that inflation was not a short-term phenomenon that could be brought back under control by aggressive interest rate hikes. **The mechanisms to slow down gold could even be reversed in the new era of financial repression.**

²⁹ See “Enter the Dragon: De-dollarization and the Eastern Push for Gold,” In Gold We Trust report 2024; “From Wedlock to Deadlock: The East-West Divorce – Debate between Brent Johnson und Louis-Vincent Gave,” In Gold We Trust report 2024; “De-Dollarization: The Final Showdown?,” In Gold We Trust report 2023; “Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order,” In Gold We Trust report 2023; “A New International Order Emerges,” In Gold We Trust report 2022



Source: Yale.edu, Incrementum AG

*I'm standing in front of a
burning house, and I'm offering
you fire insurance on it.*

Steve Eisman

Our analyses have shown that gold is more than just a commodity – it represents conserved energy, labor, and time units. Gold offers a real store of value as a debt-free asset, whereas fiat money and other monetary systems are based on debt, which must constantly grow. In times of dwindling confidence in the US-centered monetary and world order, more and more central banks are focusing on expanding their gold reserves to ensure the stability of their currency reserves.

In Gold We Trust Extra: Incrementum Gold/Oktoberfest Beer Ratio³⁰



With kind permission of:
Exithamster

Without question, the greatest invention in the history of mankind is beer. Oh, I grant you that the wheel was also a fine invention, but the wheel does not go nearly as well with pizza.

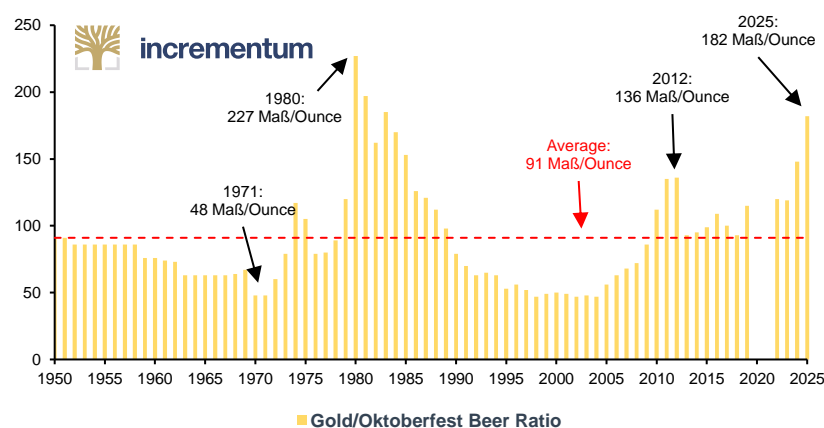
Dave Barry

On September 20, it will again be “O’zapft is!”. And even if the price of a Maß of beer at Oktoberfest 2025 has not yet been announced, one thing is sure: Due to the massive increase in the purchasing power of gold, gold-loving Oktoberfest fans will have to be careful not to put their health at risk. This is because the gold price frenzy makes a special kind of beer frenzy possible, even if the price of a Maß of Oktoberfest beer also continues to rise. Last year, the EUR 15 mark for one Maß was broken for the first time.

With 182 Maß of Oktoberfest beer per ounce of gold, at an estimated EUR 15.70 per liter³¹, gold investors will be able to treat themselves to 34 more Maß at the upcoming Oktoberfest than last year and 63 more than in 2023.

So is gold at the Wiesen already excessively overpriced? Despite the marked increase in the purchasing power of gold, the current ratio is still well below the high of 227 Maß in 1980. However, the current Oktoberfest beer purchasing power is now well above the 76-year average of 91 Maß.

Gold/Oktoberfest Beer Ratio, 1950–2025



Alcohol is like Photoshop for real life.

Will Ferrell

Anyone who has bet on gold in recent years will not be sitting on dry land at the Oktoberfest. Especially given the pronounced gold price rally, they can also enjoy the other culinary delights of the Oktoberfest, such as roast chicken, Obatzda, and beer radishes in addition to their beer.

³⁰ We take a closer look at the Gold/Oktoberfest Beer ratio every fall in an In Gold We Trust special, when the Theresienwiese is a hive of activity. For last year's In Gold We Trust special, see "O'zapft is! – The Gold/Oktoberfest Beer Ratio 2024", In Gold We Trust special, October 2024

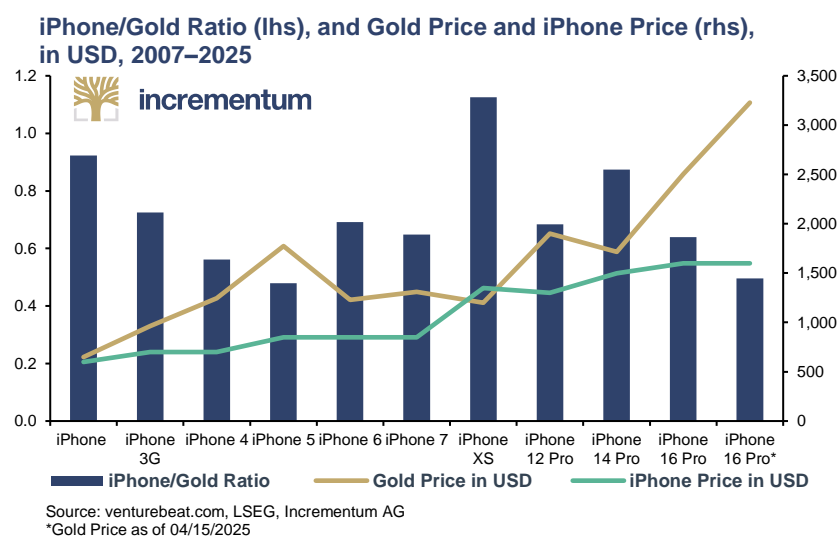
³¹ We assume that the price of a Maß of beer will increase by 2.7% this year, as in the previous year.

In Gold We Trust Extra: Incrementum iPhone/Gold Ratio³²

You realize how old you are when you tell a kid you had phones attached to the wall. They look at you like you just said you rode dinosaurs to the iPhone store.

Chris Rock

“What costs nothing is worth nothing!” – or in other words, quality has its price. In line with this motto, gold investors may now think the iPhone has lost quality. After all, in gold terms, the price of an iPhone has plummeted in recent years. As of mid-April, the current model, the iPhone 16 Pro with 1 TB of memory, costs just 0.50 ounces of gold. At its market launch in the fall, it was still 0.64 ounces. In 2007, the very first iPhone cost 0.92 ounces of gold. The average price since 2007 is 0.74.



For significantly less gold, however, the buyer gets significantly more iPhone. The performance of the iPhone 16 is entirely distinct from that of the first iPhone generation.

	2007	2012	2017	2024	2024 vs. 2007
	iPhone	iPhone 5	iPhone X	iPhone 16 Pro	
Working memory	128 MB	512 MB	4 GB	8 GB	64 x
Memory	16 GB	16 GB	512 GB	1 TB	64 x
Megapixels	2	8	12	48	24 x
Cameras	1	2	2	3	3 x
Battery	1150mAh	1440mAh	3174mAh	3577 mAh	3.1 x
Resolution	480 x 320 (163 ppi)	640 x 1136 (326 ppi)	2436 x 1125 (458 ppi)	2622 x 1206 (460 ppi)	2.8 x

They’ve done it again. The new iPhone is thinner, lighter, and faster. Because what we all really need in life is less physical presence and more speed.

Conan O’Brien

The price development in USD, however, tells a very different story.

The introductory model in 2007 cost USD 599; today’s model is USD 1,599, which is more than 150% more. This corresponds to an annual iPhone inflation rate of 5.9%. **As you can see, gold increases its purchasing power even for technologically advanced products.**

³² We will return to the iPhone/gold ratio in more detail this fall in an In Gold We Trust special when the new iPhone is presented. For last year’s In Gold We Trust special, see [“Hello Again! – The iPhone/Gold Ratio”](#), In Gold We Trust special, September 2024.

In Gold We Trust Extra: Incrementum Gold/Ski Ticket Ratio³³

*And when the snow dusts /
And when the sun shines /
Then I have all the happiness
united in me / I stand on the
summit, look up into the valley /
Everyone is happy, everyone
feels good.*

**“Schifoan”, Wolfgang
Ambros**

No friends on powder days!
English slope wisdom

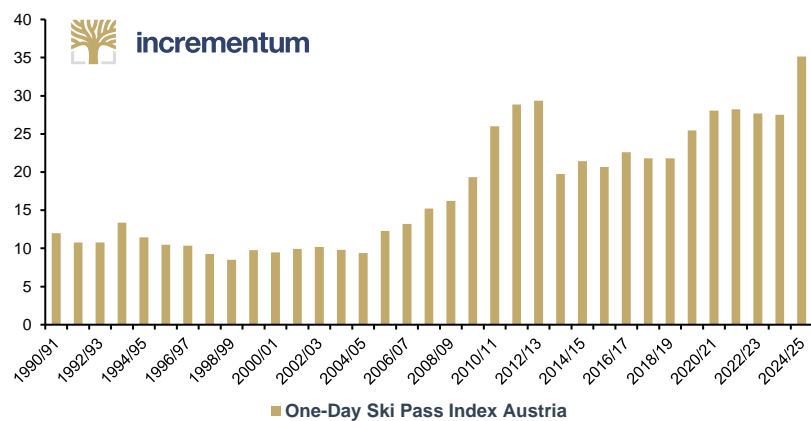
Although the 2023/24 winter season was not particularly snowy, at least in the Alps, it had an above-average amount of sunshine. This flood of sunshine certainly compensated all those who paid for their ski tickets in euros because ski ticket prices rose significantly this year.

At an equally weighted index of 11 ski resorts in Salzburg, Tyrol, and Vorarlberg,³⁴ tickets rose by an average of 6.0% compared to the 2023/24 winter season. This is less than the 10.2% rise in the previous year and the 8.1% in the 2022/23 winter season, but still significantly more than the long-term average since the 1990/91 winter season of 3.5%.

Gold investors not only enjoyed the sun this winter season but also a sharp fall in ski ticket prices. **While in the last two winter seasons an ounce of gold bought 27.6 day tickets, this year it was 35.2 day tickets, that is, 7.6 tickets or 27.5% more**, thanks to the sharp rise in the price of gold in euros of 35.6% in calendar year 2024.

Therefore, the 2024/25 winter season was the most extensive ski season for gold investors. The previous record of 29 day tickets from the 2012/13 winter season was pulverized this year. Compared to the 1998/99 winter season, when an ounce of gold only bought 8.5 day tickets, you could schuss down the slopes for more than four times as long this year. It should also be noted that the quality of the Austrian ski resorts (lift facilities, kilometers of runs, mechanical snowmaking, etc.) is improving year on year.

Gold/Ski Pass Ratio, WS1990/91–WS2024/25



³³ For the In Gold We Trust special from this winter, see “Schifoan – The Gold/Ski Pass Ratio 2025”, In Gold We Trust special, January 2025. We will publish an update again next year in time for the Hahnenkamm Races in Kitzbühel at the end of January.

³⁴ The eleven ski resorts are: Stubai Glacier, Kitzbühel, Obertauern, Kleinwalsertal, Arlberg, Wilder Kaiser, Sölden, Wagrain/Snow Space, Fiss, Steinplatte and Schmitenhöhe. We would like to thank Günther Aigner from ZUKUNFT SKISPORT for the data. Mr. Aigner is one of the most renowned experts in the field of Alpine winter tourism.

In Gold We Trust Extra: Incrementum Gold/Gasoline Ratio³⁵

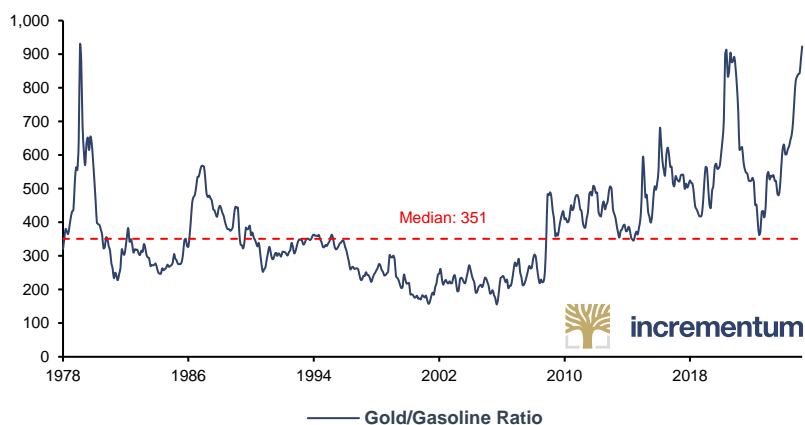
The one thing that unites all human beings, regardless of age, gender, religion, or ethnic background, is that we all believe we are above-average drivers.

Dave Barry

In a few weeks, it will be that time again. As in every year, countless people will travel across the US to celebrate the 4th of July holiday with friends and family. The car remains the most important means of transportation in the US, so the price of gasoline strongly influences satisfaction with politics and consumer confidence. The less money spent on gasoline, the more cash remains for other expenses.

This is especially true for gold investors, for whom gasoline is cheaper than it has been in a long time. **In March, one ounce of gold could buy 923 gallons of gasoline.** This just missed the old record set in February 1978.

Gold/Gasoline Ratio, 01/1978–03/2025



Source: Federal Reserve St. Louis, World Gold Council, Incrementum AG

The freedom of the open road is seductive, serendipitous, and absolutely essential to the American spirit.

Jack Kerouac

For drivers, the decisive factor is not how many gallons they can buy with an ounce, but how far they can drive with it. And the range per ounce of gold depends on the – rapidly falling – average miles per gallon. At the end of the 1970s, one gallon would take you just under 17 miles; today it is almost twice as far. This means that in 1978, one ounce of gold would let you travel around 5,200 miles, whereas in March, you could drive more than 30,000 miles, or almost six times as far.

This shows once again for gold investors: From the Oktoberfest to the Apple Store, from ski resorts to gas stations, gold investors enjoy exclusive discounts compared to those who spend euros or dollars. Their gold buys them far more than traditional currencies ever could. **This reaffirms our longstanding conviction: Gold excels at preserving purchasing power over time. That is, and always has been, its greatest strength.**

³⁵ We are publishing a detailed presentation in time for the US Independence Day celebrations on July 4. For last year's In Gold We Trust special, see "On the road again – The Gold/Gasoline Ratio 2024" In Gold We Trust special, July 2024

1970s, 2000s, 2020s....: Déjà Vu in Two Acts – Act Two

The chase is better than the catch.

H.P. Baxxter

- Golden prospects for a continuation of the bull market: numerous enantiodromic developments are creating an environment that favors gold – characterized by uncertainty, volatility and a loss of confidence. What is becoming a stress test for the classic 60/40 portfolio is the ideal stage for gold's relative strength.
- A look back at history highlights the potential of the coming years: in both the 1970s and the 2000s, the gold price multiplied after the first half of the decade.
- Performance gold in the form of silver and gold mining stocks could benefit disproportionately in the wake of gold and become The Big Long of the second half of the decade alongside gold.
- The moderate performance of the commodities sector so far in the current decade opens up scope, especially if structural bottlenecks, geopolitical fragmentation, and investment restraint come to a head.
- Following the recent rally, the decade-end target of USD 4,800 in the base scenario announced in 2020 is rapidly approaching. Depending on macroeconomic developments, the gold price is likely to settle in a corridor between USD 4,800 and USD 8,900 – the inflationary scenario – by the end of the decade.
- The new 60/40 portfolio has significantly outperformed the old 60/40 portfolio since the publication of last year's In Gold We Trust report. Current conditions suggest that this trend is likely to continue in the future.

The Enantiodromic Moment of Gold

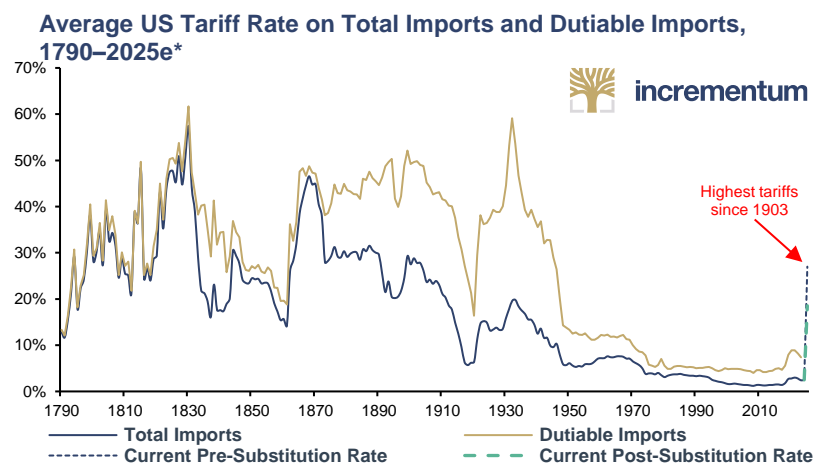
*Everything flows, nothing stays.
Panta rhei, ouden menei.*
Heraclitus

History teaches us with a quiet but insistent voice: Where extremes prevail, the potential for reversal grows. States that are overstretched or exhausted tip over into their opposite. **This principle, known by Heraclitus as *enantiodromia*, can be seen today as if through a magnifying glass in numerous political, social, and economic developments. We are witnessing the turning of an old script into a new chapter.**

Globalization, once the unstoppable pulse of the world economy, is increasingly being overshadowed by the beat of protectionism. A prime example is the new US customs regulations introduced by the Trump administration, which are causing great unease in trade policy.

The state is that great fiction by which everyone tries to live at the expense of everyone else – especially through tariffs.
Frédéric Bastiat

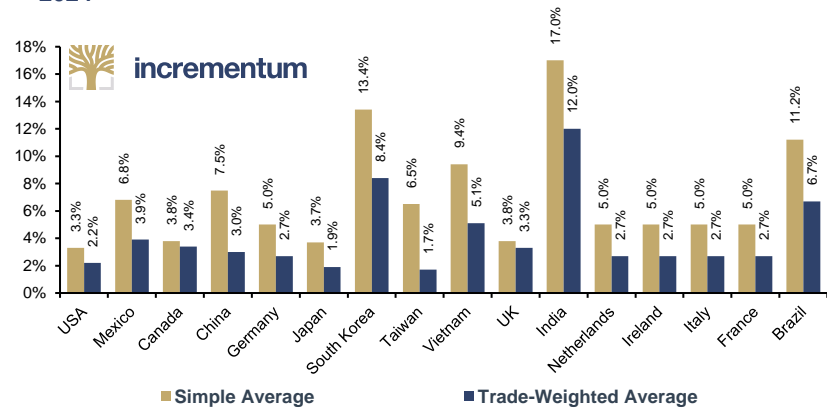
According to the [Yale Budget Lab](#), the average tariff rate on US imports is expected to reach 27% (pre-substitution rate as of April 9), a level last seen over 100 years ago. However, the calculations should be treated with caution, as neither a withdrawal of the announced and delayed tariffs nor the introduction of new trade barriers can be ruled out. The post-substitution rate, i.e., the rate that would be realized after estimated substitution effects, is 18.54% as of April 9, according to calculations by the Yale Budget Lab.



Deals are my art form. I like making deals, preferably big deals.
Donald J. Trump

At the same time, it should be noted that the US was one of the Western countries with the lowest average import tariffs until recently. In this respect, the reorientation of trade policy can be interpreted at first glance, at least in part, as an attempt at a reciprocal policy. However, this idea is only partially effective: The new measures overshoot the mark and are not based on the actual tariff rates of other nations, but take the US trade deficit as the political benchmark. Reciprocity thus becomes less of a balanced mechanism and more of a justification for a far-reaching, structurally more aggressive trade policy.

Average Tariff Rates of the USA and Its Top 15 Trading Partners, 2024



Source: David Lawder, WTO, Incrementum AG

An eye for an eye makes the whole world blind.

Mahatma Gandhi

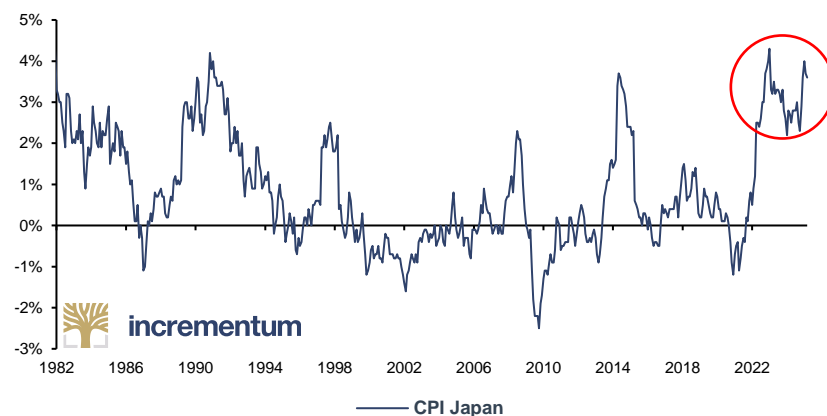
The chart shows that, before Liberation Day on April 2, US import tariffs on the 15 largest trading partners were generally lower than the tariffs those countries imposed on US goods, both on a simple average (3.3%) and trade-weighted average (2.2%) basis. Thus, on average, the USA was more open to imports than most other major economies. It is important to note that these are the tariff rates under the most-favored-nation clause — that is, the regular WTO tariff rates — not the actual bilateral tariffs. In cases where free trade agreements existed, such as with Canada and Mexico, tariffs were effectively zero for the covered product groups.

If you get on the wrong train, get off at the nearest station. The longer it takes you to get off, the more expensive the return trip will be.

Japanese proverb

The macroeconomic climate is about to change profoundly, while the fear of deflation that has lingered like a shadow over decades of monetary policy is giving way to the reality of new inflationary volatility, even in otherwise structurally deflation-plagued Japan.

CPI Japan, yoy%, 01/2000–03/2025



Source: LSEG, Incrementum AG

Not only the level but also the duration of inflation is historic. **For 36 consecutive months, Japan's CPI inflation rate has hovered above the 2% mark – the most-extended phase in over 40 years.**

The financial and monetary structure is not unaffected by self-regulating exhaustion. **Where centralization and regulation have long dominated,**

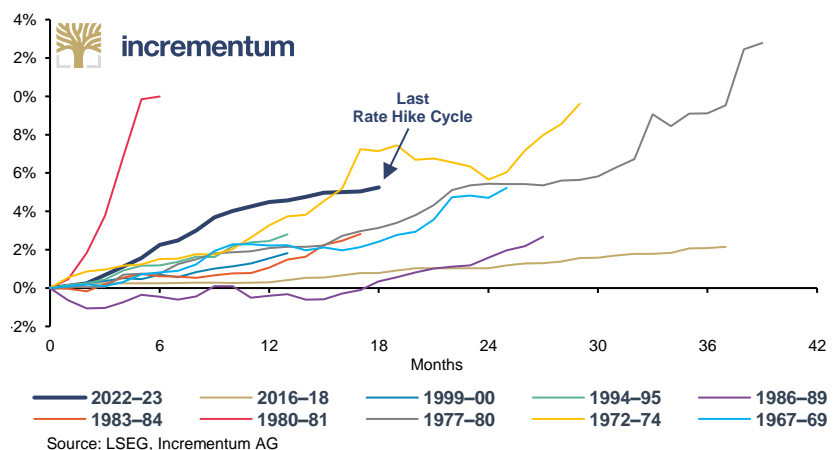
the pendulum is now swinging towards decentralization. This can be seen in the digital revolution of Bitcoin & Co. and political debates about national sovereignty and the streamlining of the state apparatus. The most prominent example of this development is the newly created **Department of Government Efficiency (DOGE)**, whose aim is to reduce bureaucracy in the US significantly. **A look at Argentina** demonstrates that this change in political attitude is not limited to the US: President Javier Milei is pursuing a similar course, albeit with much tighter reins and more ideologically uncompromising rhetoric. However, it can be assumed that the success of this project will be like that of a sunlight diet undertaken by The Notorious B.I.G.

I'm not afraid of death; I just don't want to be there when it happens.

Woody Allen

Enantiodromia is unfolding its peculiar drama on the financial markets. Markets go through extreme boom-bust cycles – from overvalued tech stocks to neglected commodities. **Periods of sluggish volatility are followed by phases in which geopolitical tensions and inflation fears take over. The zero interest rate policy era, fueled by seemingly inexhaustible liquidity, is over. Instead, we have recently experienced one of US history's most rapid interest rate turnaround cycles.**

Fed Rate Hike Cycles, Federal Funds Rate, 1967–2023



While central banks are experimenting with multipolar currency architectures, the longing for stability is growing. Decades of trust in paper money are being visibly eroded. And so, a commodity that had supposedly fallen out of time is coming back into the light and experiencing its own enantiodromic moment: **gold. From a non-interest-bearing relic to the ultimate store of value for investors and institutions in a world reorganizing itself or at least trying to.**

Under the Spell of Uncertainty

The multitude of enantiodromic developments creates an environment that is particularly favorable to gold, as the current climate is one thing above all: uncertain. Inflation fears, an exploding debt burden due to fiscal carelessness, persistent geopolitical tensions, and the regularly recurring fear of a recession create a climate tantamount to a super-GAU for traditional assets. Not so for gold. **What represents a stress test for the classic 60/40 portfolio is the ideal stage for gold.**

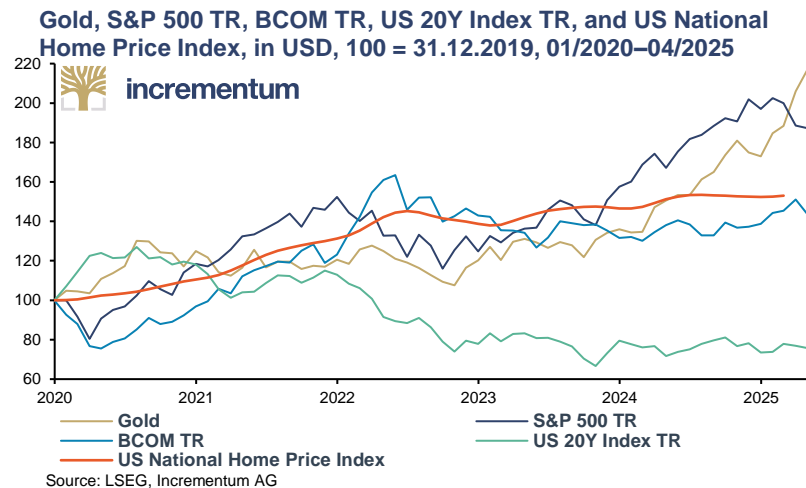
Man plans and God laughs.

Jewish proverb

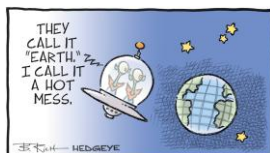
To confront a person with their shadow is also to show them their light. If you experience standing between the two opposites a few times, you begin to understand who you are. Those who perceive their shadows and their light at the same time see themselves from two sides and thus come to the center.

Carl G. Jung

It is hardly surprising, or at least it shouldn't be, that gold has become the leading asset among the major asset classes this decade. **Since 2020, when we postulated “The Dawning of a Golden Decade”, gold has not only outperformed tangible assets such as real estate and the broad commodities market, but also US government bonds and US equities, even after considering dividends.**

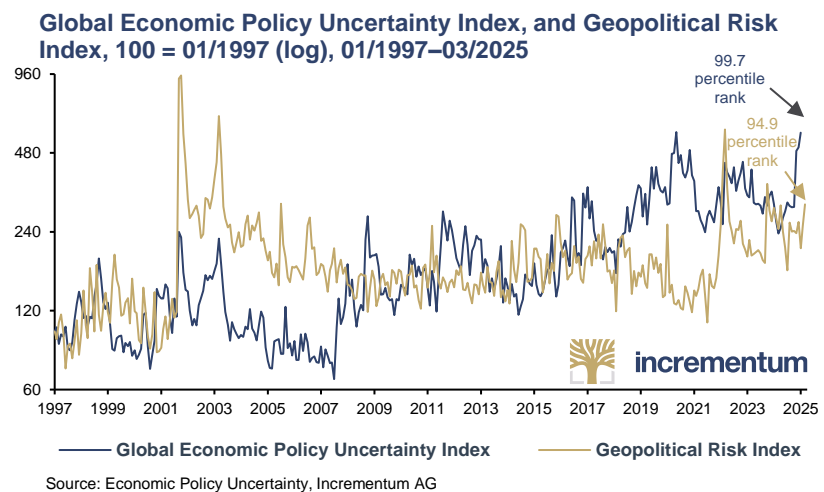


Nevertheless, this has caught many market participants on the wrong foot. Even the price performance of the past 12 months surprised many institutional investors. A look at the World Bank Group's forecasts in its publication of the “**Commodity Markets Outlook in April 2024**” underlines this: **An average gold price of just USD 2,100 was expected for 2024, with a decline to USD 2,050 in 2025.** In retrospect, the gold price expectations were as realistic as the budget plan for constructing the new Berlin Airport.



Courtesy of Hedgeye

The Economic Policy Uncertainty Index and the Geopolitical Risk Index provide a reliable measure of global economic and geopolitical uncertainty. The combination of both indicators makes it clear that **the current market environment is characterized by an exceptionally high level of uncertainty, driven by economic and geopolitical factors.**



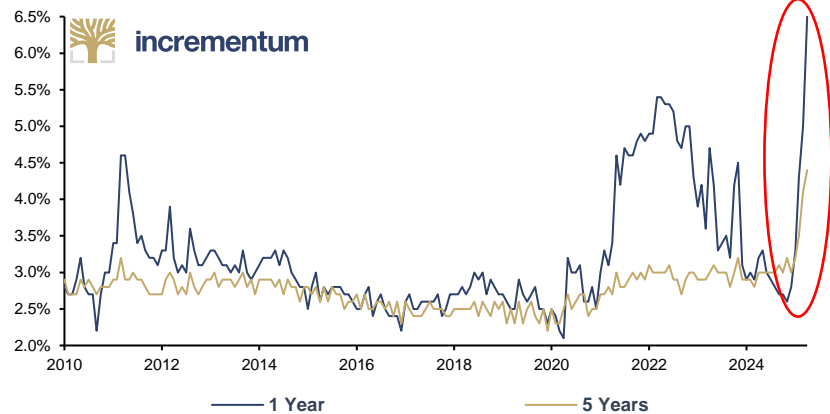
Inflation is always and everywhere a monetary phenomenon.

Milton Friedman

Monetary exodus

Enantiodromia threatens to become a systemic stress test in a system that has long relied on permanently low interest rates and constant liquidity. **Recent data from the University of Michigan shows that consumers' inflation expectations for March 2026 have risen to 6.5%, a marked increase compared to 2.8% at the end of 2025. Long-term expectations for the next five years climbed to 4.4%, the highest level since the early 1990s.**

US Median Inflation Expectations over 1 and 5 Years, 01/2010–04/2025



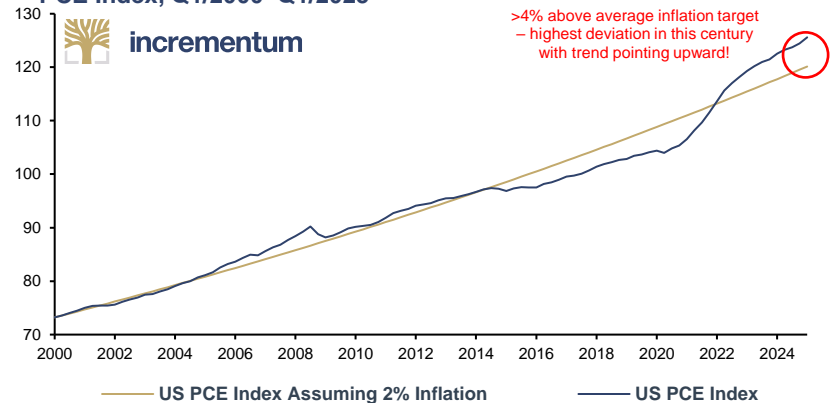
The fact that an opinion has been widely held is no evidence whatever that it is not utterly absurd.

Bertrand Russell

Even if forecasts and survey figures on macroeconomic indicators should always be interpreted with a certain degree of caution, a clear picture is emerging: The perception of currency devaluation and the associated uncertainty are deeply rooted in the collective consciousness and are therefore likely to have a significant influence on financial decisions, particularly on investment.

Despite interim interest rate hikes, the Federal Reserve has not yet succeeded in anchoring the inflation target of 2% in the long term. Over the long term, the PCE inflation path is currently above the average target of 2% set by the Federal Reserve. This puts the central bank in an awkward position: **The attempt to ensure stability over the years through cheap money now results in its opposite.**

US PCE Index Assuming Target Average of 2% Inflation, and US PCE Index, Q1/2000–Q1/2025



Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

Lyn Alden

Not a sound but the wind. There are no goblins near, or my ears are made of wood.

Gimli

The key to winning is poise under stress. We prepare for that. We have a playbook, and we trust it.

Nick Saban

I was seldom able to see an opportunity until it had ceased to be one.

Mark Twain

At the same time, the US national debt is reaching new record highs. At the beginning of March 2025, it amounted to USD 36.56trn or around 124% of GDP. **The rapid growth in debt is significantly increasing the federal budget interest burden. For the 2024 financial year, interest payments amounted to around USD 1.1trn, around 16% of total government spending.**

These developments pressure the Federal Reserve to adjust its monetary policy. Rising inflation expectations could limit the scope for interest rate cuts, while the high debt burden limits the scope for fiscal policy action. At the same time, Donald Trump, a president who is a proponent of low interest rates and a weak US dollar, is sitting in the White House and regularly trying to interfere in the independent decision-making process by any means necessary.

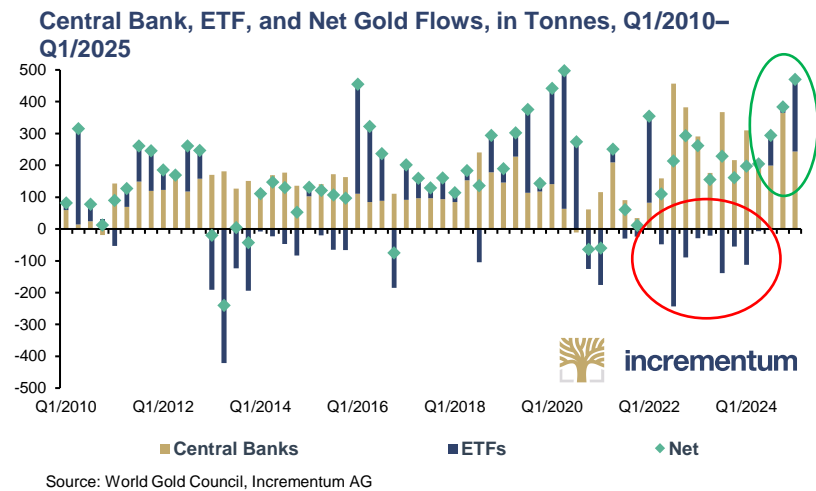
One thing is sure: The monetary exodus has begun. Not as a panic flight, but as a rational march, borne by the realization that systems cannot resist their internal equilibrium forever. Those who recognize the wind before the storm breaks can set their sails in good times: in the direction of stability, in the direction of substance, **in the direction of gold.**

New playbook meets old playbook

For a long time, the gold market followed an almost mechanical logic: If real interest rates fell, the gold price rose; if interest rates rose, the gold price came under pressure. This "old playbook" shaped the behavior of Western financial investors for decades. What is currently emerging on the gold market goes beyond these linear relationships. **We described the fundamental changes in the In Gold We Trust report 2024 as "The New Gold Playbook", which is increasingly complementing the old one, but not replacing it.**

Driven by the expectation of falling real interest rates and growing geopolitical uncertainty, capital flows from Western financial investors into physical gold, ETFs, and futures positions are increasing significantly again. **After years of restraint, the institutional West is beginning to rethink and expand its strategic gold allocation.**

The latest data from the World Gold Council shows that ETF inflows in Q3/2024 turned net positive again for the first time since Q1/2022. This shows a clear upward trend in aggregate net inflows from central bank demand, which has recently been driven primarily by demand from Asian central banks, and Western-dominated ETF demand.



The road not taken looks good now.

Taylor Swift

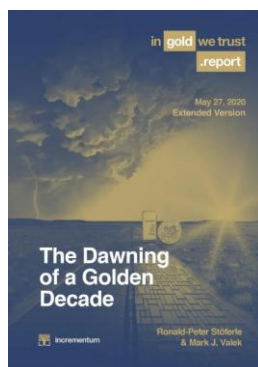
Coupled with the continued steady demand for gold from the East, which we described as one of the key factors in our *In Gold We Trust* report 2024, the return of Western gold investors should make the demand side as lively as the front row of a Taylor Swift concert in the future, even if the gold market tends to be less about glitter and fangirls and more about sterile central bankers and grey-templed asset managers.

Gold at USD 4,800 – Destiny or Illusion?

History is repeating itself – at least in part. This news should currently delight gold investors: **It is a déjà vu of a golden decade like the ones we experienced in the 1970s and 2000s.** Back in 2020, at the beginning of the current decade, we pointed out the increasing signs that gold could once again be on the verge of a structural upswing, when we wrote in “*The Dawning of a Golden Decade*”:

As unpleasant as the dynamics in general are, the conditions for gold could not be better, given massively overindebted economies, which, as a last resort, use the devaluation of their currencies to finance their deficits. For these and a number of other reasons, we take a broad view and foresee “The Dawning of a Golden Decade”.

Now, halfway through the 2020s, our assessment has proved correct. Since 2020, the price of gold has more than doubled in US dollars and set numerous new all-time highs in all currencies.



Gold, in USD, and New ATH Closes, 01/1970–04/2025



Source: 3Fourteen Research, World Gold Council, LSEG, Incrementum AG

The thrill isn't in the winning, it's in the climb, the struggle, the highs and lows of the journey.

Billie Jean King

The fact that the current gold bull market may still be far from over can be seen in the chart above, which shows all daily all-time highs for gold in US dollars on a closing price basis. **As of April 30, gold has already marked 76 new all-time highs since the beginning of the current golden decade. By comparison, there were 209 new highs in the bull market of the 1970s and 106 in the 2000s.** A look at these numbers suggests that the current cycle may still be far from having exhausted its potential.

The market environment and sentiment appear even more favorable today than at the beginning of the decade – a foundation that could pave the way for the second act of this golden chapter. **Gold is about to become the strategic *Big Long* of the coming years.** Here, we will try to answer whether this déjà vu will continue and, if so, what gold price can be expected by the end of this golden decade.

We will use our *Incrementum Gold Price Model* presented in the *In Gold We Trust* report 2020 “*The Dawning of a Golden Decade*” as a valuation benchmark **and update our base scenario formulated at that time with a target price of USD 4,800 by the end of this decade.**

People don't remember books; they remember sentences.

Morgan Housel

In this analysis, however, we will first look at the past: What parallels and differences can be identified between the gold bull markets of the 1970s and 2000s and the current cycle? What was the economic and political environment like in each case? And how did the gold price develop under comparable conditions? In addition, we examine the dynamics of performance gold, i.e. silver and mining stocks as well as commodities in a decadal comparison to analyze whether they also have the potential to become the *Big Longs* of the second half of the decade.

Gold bull market: then as now?

Significant macroeconomic developments marked each of the golden decades. Inflation and interest rates, changes in the money supply, and overall economic trends played crucial roles in influencing the gold price. **To provide a clear overview, we analyze the five most important macroeconomic**

Life can only be understood backwards, but it must be lived forwards.

Søren Kierkegaard

factors affecting the gold price: inflation, M2 money supply growth, debt trends, real interest rates, and real GDP growth.

Our analysis focuses on the US, where the best data and statistical comparability are available. Nevertheless, the historical gold bull markets were not limited to the US but had a global impact. In the 1970s, numerous countries suffered from high inflation and currency turbulence. During these years, gold recorded significant price increases in almost all national currencies. The gold boom was also present worldwide during the 2000s, even if the appreciation of the euro, pound sterling, and other currencies was sometimes somewhat dampened by the dollar's depreciation.

Bonds are the benchmark; gold is not just in a bull market but in a super bull market.

Charlie Morris

The current bull market fits seamlessly into this pattern: Gold has reached new all-time highs in all currencies. **This is a strong indication that the underlying drivers – pandemic, inflation, overindebtedness, and geopolitical tensions – are global in nature and influence the gold price not only regionally but worldwide.**

Inflation

The 1970s were characterized by the so-called *Great Inflation*, a long-lasting phase of high inflation rates. After the first oil price shock in 1973, inflation reached double digits. **In the US, it remained above 10% for several years and peaked at 14.8% in March 1980, the highest level in the post-war period.**

When it comes to money, everyone is of the same religion.

Voltaire

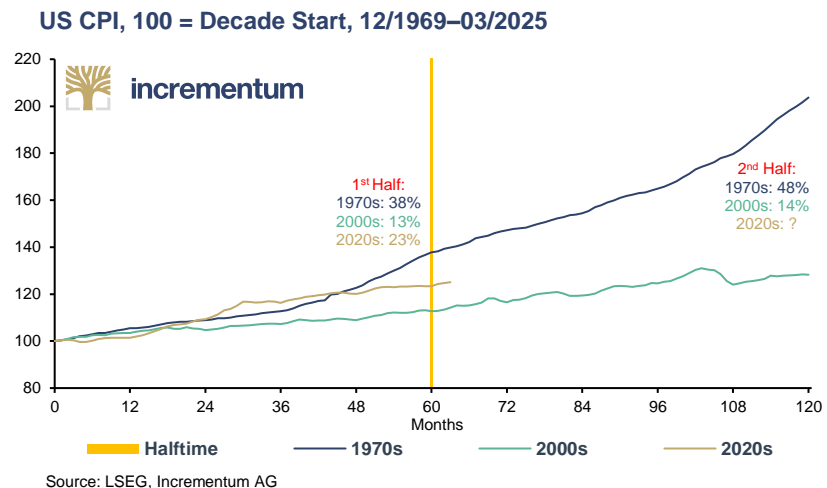
By contrast, inflation was moderate in the 2000s. Driven by globalization, technological efficiency gains, and disciplined monetary policy, the inflation rate in the US mostly hovered between 2% and 3%. It was not until the commodities boom in the mid-2000s that there was a moderate rise, with inflation reaching its highest level since the 1990s at 5–6% in the summer of 2008. Following the global financial crisis in 2007/08, however, the inflation rate briefly slipped into deflationary territory.

The 2020s saw a comeback of inflation: Initially dismissed as “transitory”, inflation soared to its highest level in 40 years in 2021/22 because of supply chain problems, pandemic-related catch-up effects, and massive stimulus. **In the US, inflation reached 9.1% in June 2022, the highest level since 1981. Inflation rates in Europe were even in double digits at times in 2022/23.**

I'm back. I don't know if this is a good thing or not.

Mario Lemieux

Let's look at the 2020s to date in a decade comparison. A remarkable pattern emerges: Cumulative inflation in the current decade has even exceeded that of the 1970s – the decade that is generally considered to be synonymous with inflation. Halfway through the decade, cumulative inflation is now between the level of the 1970s and that of the 2000s. What is striking is that **in both comparison periods, the second half of the decade was more inflationary than the first, whether due to geopolitical shocks, commodity shortages or fiscal stimuli.**



The first panacea for a mismanaged nation is inflation of the currency.

Ernest Hemingway

While inflation has recently fallen noticeably, core inflation rates remain stubbornly at elevated levels, raising the question of whether inflation could “seize up” as it did in the 1970s. If this is the case, it would represent a further strong tailwind for gold. **Several developments currently suggest that this pattern could repeat itself:**

- **Geopolitical tensions** continue to rise, from ongoing conflicts in Eastern Europe and the Middle East to the growing rivalry between the US and China.
- **Reindustrialization and deglobalization** are leading to rising production costs and structural supply shortages.
- **Wage-price spiral gains momentum:** Wages have risen significantly in the US and Europe, and companies are passing on the higher costs.
- **Energy prices remain volatile**, not least due to a reluctance to invest in the fossil fuel sector and uncertainties in global energy architecture.
- **Growth-oriented fiscal policy** in many industrialized countries are launching new spending programs despite high debt levels, for example in the defense, energy and social sectors.
- **Increasing political pressure is being put on central banks** to cut interest rates before inflation is fully contained.

Money supply growth

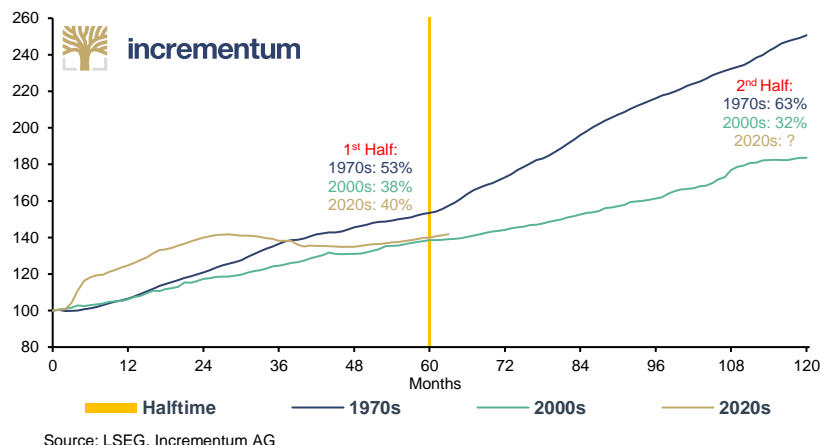
The development of the money supply and debt is also behind inflation. In the 1970s, the money supply grew significantly, not least due to the financing of the Vietnam War and social programs as well as the move away from the gold standard. Nevertheless, the increases of around 10–12% per year were not as extraordinary as those we saw at the beginning of the 2020s. **2020/21 saw historic records: M2 in the US grew by 27% yoy at times, faster than ever in the inflation-driven 1970s or under QE1–3.**

This unprecedented surge in liquidity was not only seen in the US but also in many other countries and laid the foundation for the subsequent wave of inflation. The year 2022 then saw a historic turning point: the US money supply shrank for the first time since the 1950s. **Now, at the halfway point of the decade, the cumulative growth in the money supply since 2020 is roughly at the level of the 2000s – despite the massive increase at the beginning.**

Giving money and power to government is like giving whiskey and car keys to teenage boys.

P. J. O'Rourke

US M2, 100 = Decade Start, 12/1969–03/2025



The 2000s initially saw moderate increases in the money supply. It was only with the QE programs after 2008 that money supply growth accelerated somewhat.

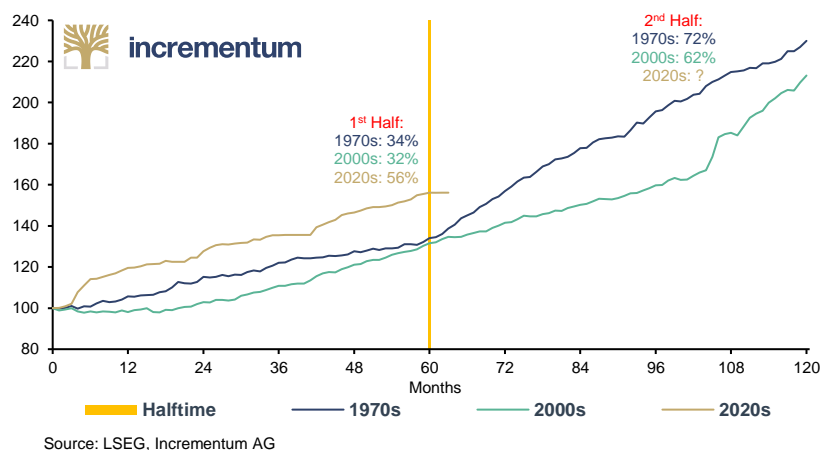
Debt development

Houston, we have a problem.

Jim Lovell (Tom Hanks)

The 1970s began with comparatively low debt ratios – US government debt was around 35% of GDP. Although high inflation devalued the existing debt in real terms, interest costs rose significantly at the same time. As can be seen in the chart, the debt bomb began to explode in the middle of the decade, when the US government responded with an expansive fiscal policy to stagnating economic growth (stagflation), structurally high unemployment, and rising defense spending under President Carter. The massive interest rate hikes under Paul Volcker to curb inflation contributed to debt expansion through higher financing costs.

US Debt, 100 = Decade Start, 12/1969–03/2025



In the 2000s, on the other hand, debt rose relatively steadily until the global financial crisis of 2007/08, before exploding due to the rescue packages and economic stimulus programs.

You cannot be serious!

John McEnroe

In the 2020s, however, we experienced the debt explosion at the beginning of the decade, driven by unprecedented fiscal stimulus in the wake of the COVID-19 pandemic, combined with emergency programs, helicopter money, and massive government spending.

How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.

Robert G. Allen

What makes something special is not just what you have to gain, but what you feel there is to lose.

Andre Agassi

This means that the debt trend in the current decade is already well above the level of the 1970s and 2000s at the respective halfway points.

It is also striking that in both previous decades, debt in the second half increased at around twice the rate of the first – is this a pattern that could continue in the current decade?

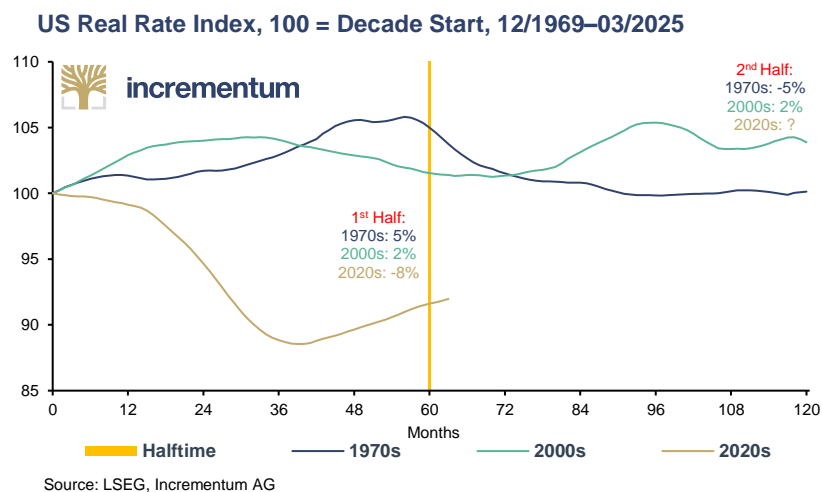
Real interest rates

In all periods under review, real yields were only just positive or even negative over long periods. In the 1970s, double-digit inflation in the second half of the decade literally ate up the real return on fixed-interest investments. In the 2000s, too, real value growth for savers was extremely meagre – even if moderate inflation rates and a comparatively moderate monetary policy ensured stable conditions for a while, until the 2007/08 global financial crisis.

At the beginning of the current decade, real interest rates were deeply negative – at times between -5% and -7% – because of the wave of inflation coupled with persistently low interest rates. It is not without reason that such an environment is considered “rocket fuel” for gold.

This is also shown in the following chart based on the development of the US real interest rate index, normalized to 100 at the beginning of each decade. In the first half of the 2020s, the real interest rate index fell by around 8%, while real interest rates in the first half of the 1970s and 2000s yielded slightly positive returns.

Thus, to date, the current decade marks the most negative real interest rate phase in our historical comparison.



Learn how to see: Realize that everything connects to everything else.

Leonardo Da Vinci

In the late 1970s, central banks – above all the Federal Reserve under Paul Volcker – finally succeeded in raising interest rates well above the rate of inflation. However, this came at the price of a deep recession. **In the 2020s, monetary policy leeway is much more limited: The sharp rise in debt and the vulnerability of financial markets make sharp interest rate hikes riskier.**

Real GDP growth

The 1970s are regarded as an economically lost decade: Several recessions, high inflation, and structurally weak growth led to the infamous stagflation. Triggers included the oil price shocks in 1973 and 1979, an inefficient supply side, and political uncertainty. Although real GDP grew by 14% in the first half of the decade, it was highly volatile. The second half brought more dynamic development with real growth of 21% – but under considerable inflation and interest rate pressure.

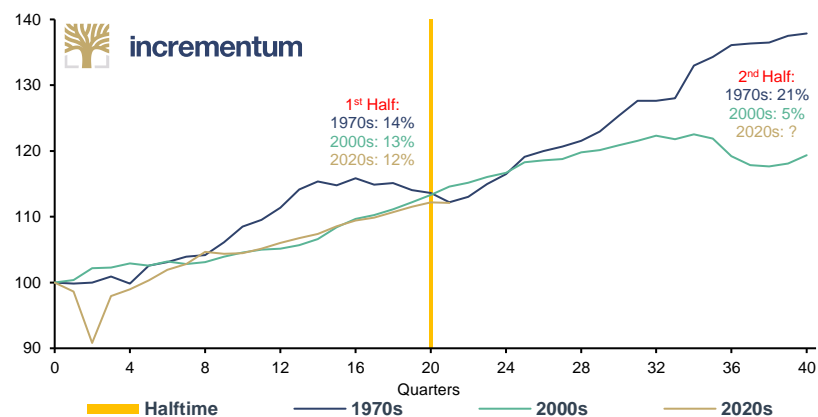
*I work all night, I work all day,
to pay the bills I have to pay.
And still there never seems to be
a single penny left for me.
That's too bad.*

ABBA

The 2000s began with stable global growth, boosted by technologization, a moderate interest rate policy, and the economic rise of China. The commodities sector flourished, and gold benefited. In the first half of the decade, real US GDP grew by 13%, before the global financial crisis of 2007/08 caused cumulative growth to slump to 5% in the second half.

The 2020s have so far presented a hybrid picture: The pandemic-related slump was followed by a strong recovery thanks to fiscal and monetary stimulus – with overheating effects, supply bottlenecks, and inflationary pressure. There are now increasing signs of a renewed slowdown. **Cumulative real GDP growth in the first half of 2025 was 12%, slightly below the level of the two periods we are comparing.**

US Real GDP, 100 = Decade Start, Q4/1969–Q1/2025



Source: LSEG, Incrementum AG

*If it's debt financed, you cannot
increase GDP. You can only
increase components of GDP.*

Lacy Hunt

While the second half of the 1970s and 2000s were characterized by strong economic contrasts – the 1970s with an upswing under inflationary stress, the 2000s with an abrupt crash – it remains to be seen whether the second half of the 2020s will prove stronger or more fragile. The starting position is historically unique: **high debt, geopolitical uncertainty, demographic headwinds, and limited monetary policy maneuverability form a tension likely to shape the rest of the decade.**

With time: further imprints of three decades

In addition to the classic macroeconomic drivers such as inflation, monetary expansion, debt trends, real interest rates, and economic growth, other structural and psychological factors play a key role in the dynamics of the current gold decade:

Nothing is as fast as the speed of trust... when it's lost.

Stephen M.R. Covey

That's not writing, that's typing.

Truman Capote

The man who removes a mountain begins by carrying away small stones.

Chinese proverb

1. Shocks and crises as catalysts

Every historical gold bull market was accompanied by exogenous shocks that caused gold to appreciate as a crisis currency. In the 1970s, it was the oil price crises, the Vietnam War, and the tensions of the Cold War. The 2000s were marked by the terrorist attacks on September 11 and the global financial crisis. Finally, the 2020s were dominated by the Covid-19 pandemic, the war in Ukraine, and increasing geopolitical fragmentation. A recurring pattern emerged in all of these phases: **gold benefited from investors' uncertainty – the greater the mistrust, the greater the demand for stable stores of value.**

2. Loss of confidence in the monetary and financial system

A shake-up of confidence in the existing monetary system also accompanied each decade. The 1970s saw the decision to abandon the US dollar-gold peg (1971), combined with political crises of confidence. The 2000s saw bank collapses, the Lehman bankruptcy, and massive rescue packages by central banks – the term *helicopter money* became socially acceptable. In the 2020s, monetary expansion reached a new level of quality and quantity: massive money printing in peacetime, exploding deficits, and increasing polarization and dysfunctionality of political institutions. **In all cases, the need grows for a stable, system-independent reserve: gold.**

3. Market readiness and investor access

The structure and accessibility of the gold market itself have also changed significantly over the decades, with consequences for market reactions. In the 1970s, after decades of prohibition, the gold market was still young, illiquid and volatile. In the 2000s, gold became increasingly institutionalized, including by introducing ETFs such as the SPDR Gold Shares (from 2004), which resulted in significantly more capital flowing into the market. In the 2020s, gold can be traded around the clock worldwide, via derivatives, online platforms and digital forms of investment. At the same time, it is now competing with Bitcoin, as digital gold, for the role of alternative store of value. **This can lead to faster reactions but possibly also to less-explosive price movements than those that were possible in the 1970s.**

4. Central bank demand

Whereas in previous decades gold often had to rise against the resistance or at least the indifference of central banks, today it is supported by a second buyer front that is politically motivated, strategically oriented, and systemically important. **This makes central bank demand one of the key structural differences in the current gold decade. This trend is giving the gold market a new foundation: instead of counter-cyclical selling, we are now seeing strategic accumulation.**

5. Commodities environment and supercycles

In the past, gold often did not develop in isolation but rather in the context of a broad commodity boom. In the 1970s, not only precious metals but also oil, industrial metals, and agricultural commodities rose significantly, creating a veritable inflation and commodities supercycle. The 2000s were similar, led by the Chinese growth miracle, which caused global demand for commodities to explode.

In the 2020s, on the other hand, the picture is mixed. Although there were record prices for energy and metals in 2021/22, demand shocks, geopolitical interventions, and the energy transition have had a dampening effect. **However, should a new, structural commodity bull market establish itself – for example due to a supply shortage, investment restraint, or geopolitical stockpiling – this could catapult gold back into an inflation-driven collective rise with other commodities. However, if this fails to materialize, gold may be relatively alone among the hard assets.**

The Big Long: Safe-Haven Gold, Performance Gold, or Commodities After All?

After the superb rally of the past twelve months, investors and market participants are increasingly asking the question: **“Is it still worth investing in gold, or is it already too late?”**

The big money is not in the buying and selling, but in the waiting.

Charlie Munger

To answer this question, we will compare the current decade's gold price performance to the major gold bull markets of the 1970s and 2000s. The aim is to classify the performance to date in historical terms and to gain an assessment of the potential that gold could still develop in the second half of the current decade, considering the macroeconomic factors discussed above. Considering these developments, we will broaden our perspective and analyze whether silver, gold mining stocks, and commodities also have the potential to emerge as the *Big Long* of the second half of the decade.

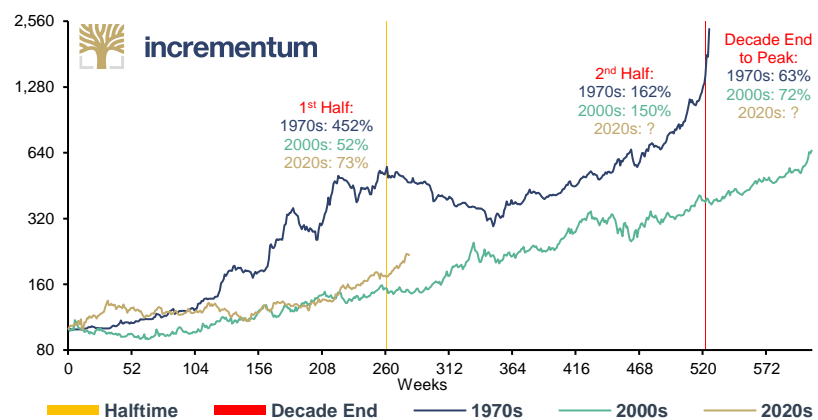
Gold

Buy the ticket, take the ride.

Hunter S. Thompson

The dynamics of the first half of the current gold decade are strikingly like those of the 2000s. Nevertheless, the performance of the past five years, at +73%, was significantly higher than the +52% performance at that time. In comparison, the decade's first half in the 1970s was robust, with an increase of 452%. In addition to a drastic expansion of the money supply and high inflation, this was mainly due to the liberalization of the gold market.

Gold (log), in USD, 100 = Decade Start, 12/1969–04/2025



The second half of the past two gold bull markets showed remarkably similar price dynamics: In the 1970s, the gold price rose by 162%, while in the 2000s it increased by 150%. **If the current cycle continues in a similar fashion, the**

Gold has worked down from Alexander's time. When something holds good for two thousand years, I do not believe it can be so because of prejudice or mistaken theory.

Bernard Baruch

gold price would increase from USD 2,624 at the midpoint of the decade at the end of December 2024 to around USD 6,800 by the end of the decade.

The two previous gold bull markets lasted roughly a decade and ended in a parabolic rise shortly after the end of the decade. Intermediate phases with strong corrections occurred in 1975–76, 2008, and 2021 without breaking the overarching upward trend. In the case of the 1970s bull market, the high was reached just three weeks after the end of the decade. However, these three weeks were quite something, as the gold price rose by 63%. In the bull market of the 2000s, the increase at the end of the decade was even more positive at +72%. However, the 2000s bull market lasted until September 2011. **If the gold price shows similar momentum after the end of the 2020s decade, it would rise to over USD 11,000.**

Silver

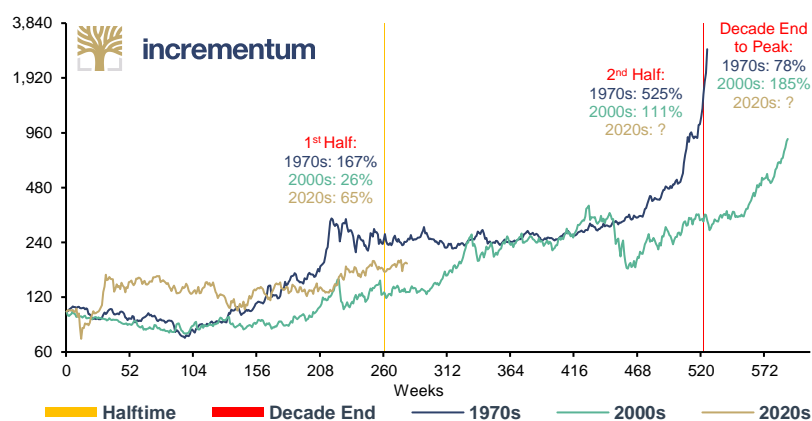
A look at the silver price trend in the three major gold bull market decades reveals a recurring pattern: **The strongest momentum typically unfolds in the second half of the decade, often accompanied by a parabolic finale.**

When silver moves, it moves like it's on steroids.

David Morgan

In the first half of the current decade, silver gained 65%, significantly more than in the 2000s (+26%). The dynamic in the 1970s was much more pronounced, with silver rising by 167% in the first five years. This solid but not yet explosive performance left room for a stronger second half. The historical benchmarks underline this perspective: **In the second half of the decade, the silver price rose by an impressive 525% in the 1970s and by 111% in the 2000s.** Both phases were characterized by a growing fear of inflation, uncertainty about the financial system's stability, and an increasingly speculative market structure. These conditions can also be found in the current decade.

Silver (log), in USD, 100 = Decade Start, 12/1969–04/2025



Trading silver is a tough way to make an easy living.

Rich Ross

It is also worth looking at what happened after the official end of the decade: In the 1970s, silver gained a further 78% in a closing phase that lasted only a few weeks. In the 2000s, there was an increase of 185% after 2010, up to the cyclical high in spring 2011. Such excess movements are typical of late bull market phases and underline silver's tendency towards extreme swings in a short period.

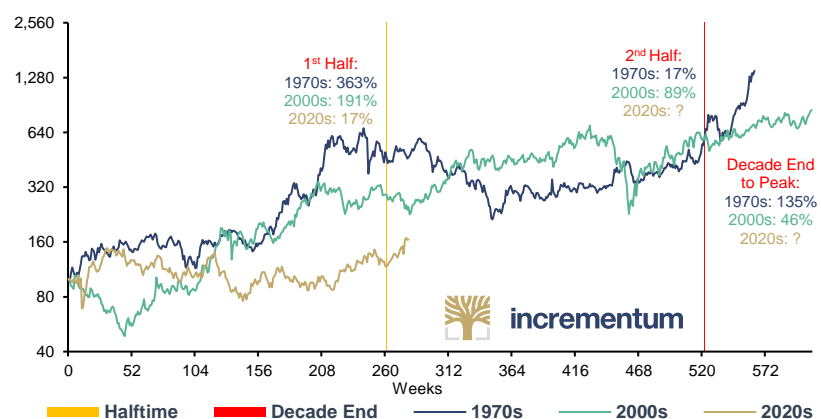
If the price trend continues along the lines of the 2000s, silver would rise from its mid-term closing price of USD 28.87 to around USD 60 by the end of the decade and thus reach a new all-time high. Including a comparable parabolic final spurt as in 2011, a rise to around USD 170 would be conceivable. If, on the other hand, the much more dynamic course of the 1970s bull market is taken as a guide, the price level of silver would already be around USD 180 at the end of the decade and could climb to around USD 320 by the cycle's peak. These historical comparative values illustrate the considerable catch-up and break-out potential that silver can develop in an advanced phase of a commodity cycle.

Mining stocks

You get the biggest bang for your buck with miners – but only if you can stomach the volatility.
Doug Casey

A look at the performance of gold mining shares over the past three major gold bull market decades shows some very different phases. The first half of the decade in the 1970s was characterized by a veritable price fireworks, with a mining stocks performance of +363%, while they gained +191% in the 2000s. In the current decade, on the other hand, the start has so far been much more subdued: **A gain of just 17% has been recorded at the halfway point, which represents a significant underperformance compared to previous cycles.**

Gold Mining Stocks* (log), in USD, 100 = Decade Start, 12/1969–04/2025



All investing is value investing, the rest is speculation.
Joel Greenblatt

In contrast, the second half of the two historical bull markets was less dynamic. In the 1970s, growth was surprisingly low at 17%, while mining stocks gained 89% in the latter half of the 2000s. **This shows that a strong first half does not necessarily have to lead to an equally strong continuation, and, conversely, a weak first phase, as is currently the case, can certainly offer scope for catch-up effects.**

Historically, gold stocks have been among the most cyclical and speculative assets. When they run, they run wild.
James Dines

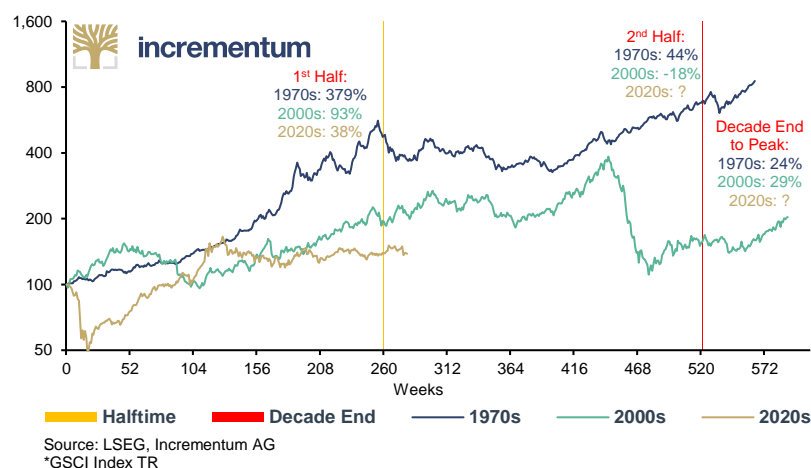
The final phase after the official end of the decade is particularly striking. In the 1970s, share prices exploded by a further 135%. In the 2000s, they rose by 46%. This shows again that gold mining stocks, which are traditionally seen as a cyclical lever for the gold price, often react with a delay, but then disproportionately so. If the gold price rally continues or even accelerates in the second half of the 2020s, mining stocks could once again become the focus of investors, as in previous cycles, and develop dynamically from their current valuation levels.

Based on the half-decade closing price of the Gold Bugs Index (HUI) of 275, a new all-time high should also emerge for the mining share index at the end of the current bull market. In both historical comparison scenarios, the index level would rise to around 760 at the cycle peak. It is noteworthy that gold mining stocks have lagged significantly behind the developments of the past decades in the first half of the current decade, but also significantly behind gold and silver. This circumstance now opens up considerable catch-up potential for the second half of the cycle. **The combination of low initial valuation, relative underperformance, and increasing gold price strength is a powerful lever for mining stocks in the final phase of the bull market.**

Commodities

While the 1970s and 2000s saw significant upward phases in commodities, the current cycle has been much more subdued.

Commodities* (log), in USD, 100 = Decade Start, 12/1969–04/2025



Commodities are the last honest asset class in a world of financial repression.

Luke Gromen

In the first half of the 1970s, commodities rose by an impressive 379%, driven by oil price shocks, inflationary pressure, and a broad commodity supercycle. In the 2000s, the first half of the decade was also dynamic with growth of 93%, driven by Chinese development, catch-up effects after the dotcom bubble burst, and expansionary monetary policy.

In comparison, the trend in the first half of the 2020s has been much more moderate, with a growth of just 38%. This is a result of the more complex market environment: On the one hand, there were price surges due to the Covid-19 disruptions and the war in Ukraine, while on the other hand, demand concerns, monetary policy tightening, and geopolitical uncertainties had a dampening effect.

Sometimes you're the dog, sometimes you're the tree.

Mario Götze

The divergence in the second half of the decade is even more striking. While commodities gained a further 44% in the 1970s, the trend in the 2000s was negative at -18%, primarily attributable to the global financial crisis and the subsequent cyclical weakness. The trend in the second half of the current decade remains open so far, but the low starting point certainly indicates potential for a recovery or even a straggler cycle. Even in the final phase after the end of the decade, the swings in commodities were somewhat limited by historical standards:

Neo, sooner or later you're going to realize, just as I did, that there's a difference between knowing the path and walking the path.

Morpheus (Matrix)

All models are wrong, but some are useful.

George Box

The works must be conceived with fire in the soul but executed with clinical coolness.

Joan Miró

+24% in the 1970s and +29% in the 2000s. **In contrast to gold and silver, there was no parabolic closing phase.**

Historically, commodities often benefit particularly strongly when an inflation cycle sets in. This is particularly true when supply shocks, geopolitical upheavals, and subdued investment activity coincide. In contrast to gold or silver, however, the commodity complex reacts more differentiated and sector-dependently. The moderate performance in the current decade opens considerable potential, especially if structural bottlenecks and geopolitical fragmentation intensify.

Mid-Term Review of the Proprietary Decade Forecast

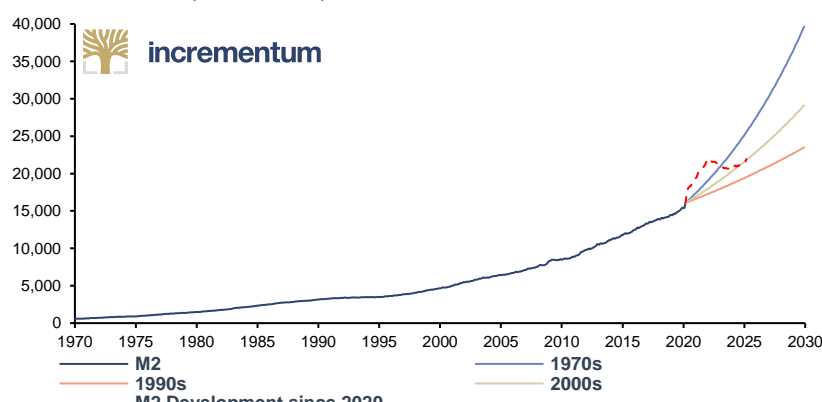
Our proprietary *Incrementum Gold Price Model*, presented in the *In Gold We Trust* report 2020, “*The Dawning of a Golden Decade*”, aims to provide a well-founded projection of the gold price until the end of the decade. Five years after the initial forecast, it is time to take stock. In doing so, we look at the development of the gold price to date and the development of the underlying factors to better understand their significance in the current market environment.

The model is based on two key parameters: the money supply (M2) and the so-called implicit gold coverage ratio. As the US dollar continues to be the global reserve currency and thus exerts a significant influence on the gold price, our analysis is based on US data, from which we derive a target price level in US dollars.

Three M2 growth scenarios were modeled for the future development of the money supply. The respective growth rates are based on historical decades and were additionally weighted with probabilities of occurrence:

- **high M2 growth: 9.7% p.a.** (1970s); probability of occurrence: 15%
- **low M2 growth: 3.9% p.a.** (1990s); probability of occurrence: 5%
- **average M2 growth: 6.3% p.a.** (2000s); probability of occurrence: 80%

M2 Scenarios, in USD bn, 01/1970–12/2029



Source: LSEG, Incrementum AG

As the chart illustrates, after a brief phase of overshooting, the current growth in the M2 money supply is now essentially following the path of the 2000s, to which

Black Swan events are characterized by their extreme rarity, severe impact, and the widespread insistence that they were apparent in hindsight.

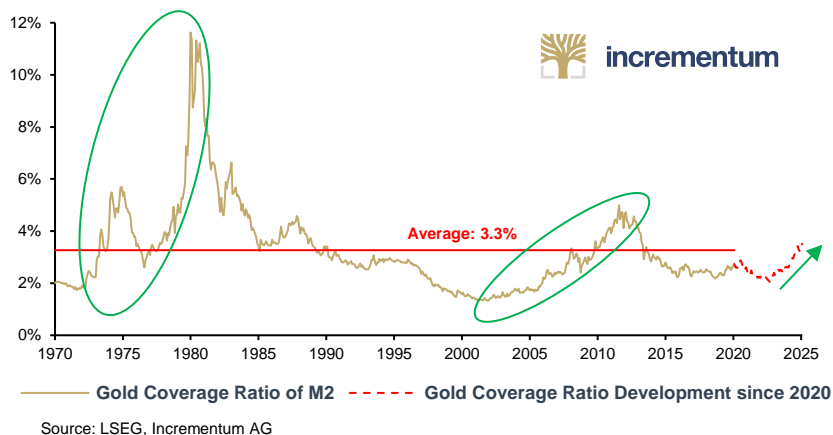
Nassim Taleb

we have assigned the highest weighting with a probability of occurrence of 80%.

As of March 2025, the annual growth rate is 7.0% p.a.

The implicit gold coverage ratio indicates what proportion of the money supply is covered by the gold reserves of a central bank, valued at the current market price. Historically, this value has fluctuated around 3.3% but rises significantly in phases of declining confidence in the monetary system, such as during the stagflationary 1970s, the global financial crisis of 2007/08, and the subsequent recession. **The implicit coverage ratio currently stands at 3.8%, indicating a moderate increase so far and may be just the beginning of a more significant trend.**

Gold Coverage Ratio of M2, 01/1970–03/2025

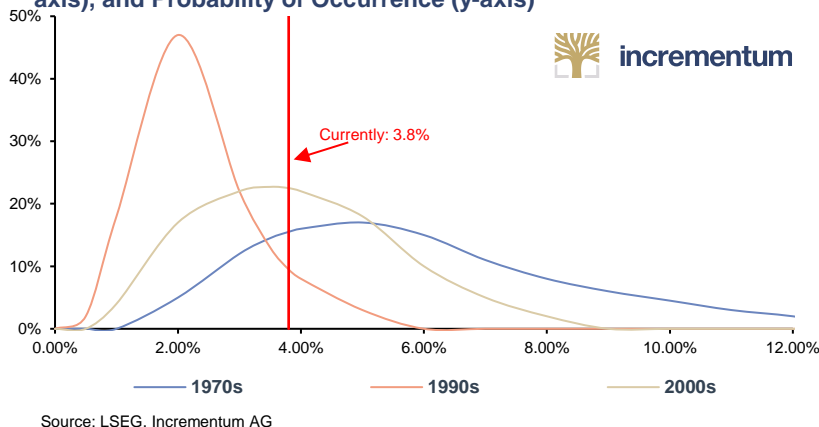


Without data, you're just another person with an opinion.

W. Edwards Deming

Based on these three scenarios, we have created a probability-weighted distribution function based on historical data. The most likely scenario is a gold coverage ratio between 3% and 4% with an M2 development as in the 2000s. **This is precisely where the current value of 3.8% is, which speaks for the calibration and forecasting quality of the gold price model.**

Probability Function of Scenarios: Gold Coverage Ratio of M2 (x-axis), and Probability of Occurrence (y-axis)

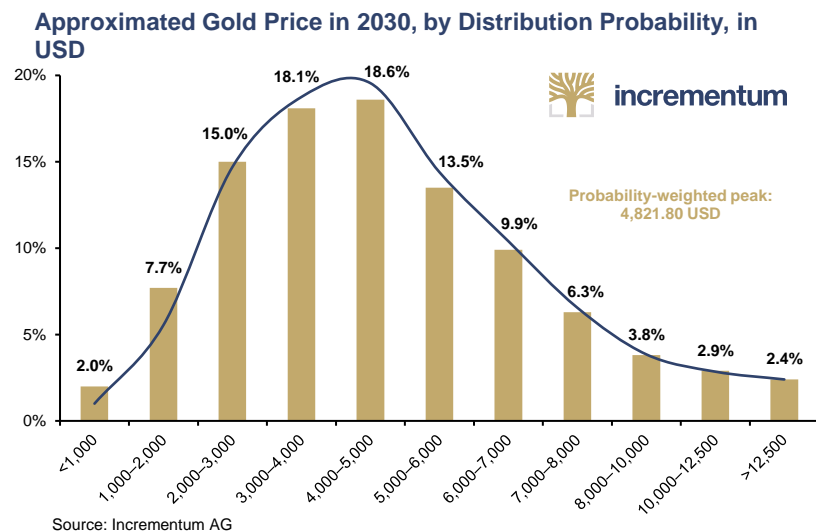


People prefer the certainty of misery to the misery of uncertainty.

Virginia Satir

The cumulative distribution results in an expected gold price of around USD 4,800 at the end of the decade, the price target that we have consistently advocated since the model was introduced in 2020. **It is essential to point out the clear right skew of the distribution, which makes higher price levels more likely**

than lower ones. For example, the probability of a gold price above USD 6,000 is over 25%, while a price above USD 4,000 has a probability of 57.4%.

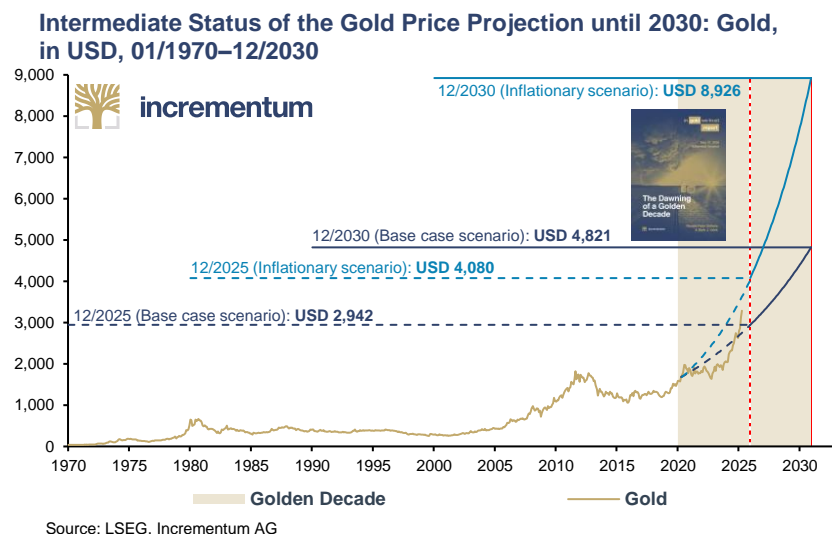


We don't aim to predict the next tail event. We strive to survive it.
Mark Spitznagel

What many dismissed as utopian, irrational, or even esoteric at the beginning of the decade now seems far more tangible. The number of bullish gold forecasts is growing: Yardeni Research expects a gold price of USD 4,000 by the end of 2025 and even USD 5,000 by the end of 2026, assuming that central banks continue to buy gold at a comparable pace. Goldman Sachs has revised its year-end 2025 gold price target again, recently raising it from USD 3,300 to USD 3,700. For a possible tail-risk scenario, Goldman Sachs now names a price target of USD 4,250 by the end of the year.

The beginning is half of the whole.
Aristotle

As of April 30, the gold price was already trading above the calculated interim target of USD 2,942, which we have defined for the end of 2025 on the path to our decade price target of USD 4,800. The annualized growth rate required for this is 7% – a figure that can be considered quite realistic under the current macroeconomic conditions.



As the gold price has recently gained substantial momentum, it seems sensible to consider the path that would result in a scenario like the inflationary or stagflationary environment of the 1970s, i.e., a potential tail-risk scenario with intense upward pressure. **In this case, the gold price would rise to around USD 8,900 by the decade's end, corresponding to an annualized growth rate of around 19%. In this scenario, the corresponding interim target for the end of 2025 is USD 4,080.**

Conclusion

The eternal return of the same.
Friedrich Nietzsche

A comparison of the three major gold bull markets confirms that while history does not repeat itself, it does rhyme. Despite differences in the bull markets, the structural similarities of the underlying conditions outweigh the differences. In the past two decades analyzed, gold proved to be a safe haven during inflation, economic turmoil, and confidence crises and achieved enormous gains in value during these "golden decades". Many of the ingredients present at the time, from negative real interest rates to excessive monetary expansion and geopolitical tensions, are present again in the 2020s.

Macroeconomic Comparison: 1970s vs. 2000s vs. 2020s

	1970s	2000s	2020s
Inflation	Ø ~7% p.a.; double-digit from 1974; peak 03/1980: 14.8%	Ø ~2-3% p.a.; mostly low; peak 07/2008: 5.6% (oil price boom)	Initially moderate, rising sharply in 2021-22; peak 06/2022: 9.1% (40-year high)
Money supply growth (M2)	Significantly increased (in some cases >10% p.a.)	Moderate (~5-10% p.a.), increases after 2008 due to QE	Record high 2020/21: Feb. 2021 +26.9% YoY (highest increase since 1959); 2022 first M2 contraction in >60 years
Debt	US government debt rises, especially from the middle of the decade, but remains below 40% of GDP	Initially, a moderate increase in the US debt ratio; from 2008/09, a sharp rise to ~80% of GDP (GFC)	Debt explosion (COVID-19 pandemic); from 106% (end of 2019) to over 130%; debt increases by over USD 4.5 trn in 2020 USD
Key interest rate	Beginning of the 70s ~4%; drastically increased to 20% by 1980 (Volcker shock)	2000: ~6.5% → reduction to 1% (2003) → increase 5.25% (2006) → 0-0.25% from the end of 2008 (ZIRP)	2019: ~2.5% → 0% 2020 (pandemic) → rapid increases from 2022 (highest level since 2007); currently ~4%
Real interest rate	Negative for almost the entire decade (inflation > interest rates); strongly negative at times (1974-79)	Slight fluctuations: partly +1-2% (mid-2000s), but negative after 2008 (zero interest rate with ~2% inflation)	Extremely negative in the early 2020s (2021: -5 to -7% p.a.), gradually rising from 2023 (rising interest rates + falling inflation)
US dollar	Phases of substantial devaluation (abolition of the gold standard in 1971); weakest USD phases in the early/mid 1970s	Sharp USD decline after 2002 (~40% until 2008), followed by moderate recovery	2020-2022 substantial increase (DXY >110); trend weaker since 2023; geopolitical challenges to USD hegemony
GDP	Phases of strong recovery, but two recessions/stagflation; real GDP growth 1970s Ø ~3% p.a., but accompanied by high inflation	Solid until 2007 (~2-3% p.a.), then deep slump in 2008/09 (US GDP 2009: -2.6%); GFC led to prolonged underutilization of capacity	Crash in 2020 (-3.4% US, -6.3% EU), catch-up boom in 2021, downturn tendencies from 2022; risk of stagflation: weaker growth with high inflation
Recession	27 months (+6 months from 01/1980-07/1980)	26 months	2 months

Source: LSEG, Incrementum AG

It's like déjà vu all over again.
Yogi Berra

Developments to date support the theory that we are experiencing déjà vu and that the 2020s could become the third golden decade. Gold has already reached numerous historical highs in all currencies. If the cycle continues in line with previous decades, the second act of the 2020s decade is likely to see a further acceleration of the upward trend, which could culminate in a peak around

the end of the decade. Past bull markets have always ended in overshoots within around 9 months, with a doubling of prices.

The following table provides an insightful comparison of the average annual performance (CAGR, annualized return) of gold, silver, mining stocks and commodities over the decades of the 1970s, 2000s and 2020s, divided into first and second halves and for the period. Even though the data for the second half of the 2020s decade is naturally still incomplete, some interesting patterns can already be identified.

CAGR of Gold, Silver, Mining Stocks*, and Commodities**, in Bull Market Decades, in USD, 12/1969–04/2025

	1970s			2000s			2020s		
	1 st Half	2 nd Half	Total***	1 st Half	2 nd Half	Total***	1 st Half	2 nd Half	Total***
Gold	40.66%	21.24%	36.88%	8.78%	20.11%	17.46%	11.63%	93.02%	15.65%
Silver	21.66%	44.22%	39.04%	4.68%	16.06%	21.25%	10.58%	35.18%	12.02%
Mining Stocks	35.82%	3.15%	27.62%	23.78%	13.58%	20.06%	3.25%	170.12%	9.85%
Commodities	36.76%	7.57%	21.88%	14.07%	-4.00%	6.42%	6.72%	-0.61%	6.23%

Source: LSEG (as of 04/30/2025), Incrementum AG

*BGMI 12/1969–05/1996, HUI 05/1996–. **GSCI Index TR. ***Start of decade until high.

In times of uncertainty, gold is not just a safe haven – it's a signal.

Jeffrey Gundlach

Gold has been the most stable performer over all three decades. In the 1970s, it achieved an annual increase of more than 40% in the first half and still more than 21% in the second half. The pattern reversed slightly in the 2000s. At +20% p.a., the second half was much more dynamic than the first, at just under 9% p.a. The CAGR development to date in the 2020s is particularly striking: After an annualized return of just under 12% in the first half of the decade, gold has so far achieved an average annual performance of 93% p.a. in the second half. On the one hand, this extraordinary momentum is due to the still-short observation period, which is statistically more susceptible to outliers. **On the other hand, it is a clear sign of cyclical momentum.** Even if it cannot be assumed that gold will maintain its current pace over the entire further course, the development impressively underlines the intact upward momentum and the growing interest in the precious metal in an increasingly fragile macroeconomic environment.

Silver traditionally presents itself as a cyclical laggard with a tendency towards explosive late phases. In the 1970s, the second half was significantly stronger at over 44% p.a. than the first half at +21% p.a. A similar pattern emerged in the 2000s. A strong trend has also been observed in the current decade, but the historical parallels indicate that the dynamic part of the cycle may only be just beginning.

Markets often go from underreaction to overreaction; the pendulum swings, and parabolic moves manifest that.

Howard Marks

Gold mining shares are regarded as a more volatile leverage variant of the gold price, with sometimes spectacular swings. In the 1970s, gold mining shares achieved over 35% p.a. in the first half of the decade before losing much of their momentum in the second half. In the 2000s, the first half was much stronger than the second at just under 24% p.a. **The 2020s appear to be breaking this pattern for the time being: After a disappointing first half with just 3.25% p.a., the mining sector is currently recording a veritable comeback with an annualized gain of over 170% in the first**

months of the second half of the decade, which is a strong signal for a revaluation.

Finally, commodities show a strongly cyclical picture. In the 1970s, they excelled in the first half with over 36% p.a., driven by oil price shocks and inflationary pressure. In the 2000s, performance was weaker overall, with the second half even turning negative due to the 2007/08 global financial crisis and bringing the commodity supercycle to an abrupt end. In the 2020s, the first half has been somewhat subdued so far. **The second half began with a slight setback, posting an annualized return of -0.61%, triggered by the Trump shock.**

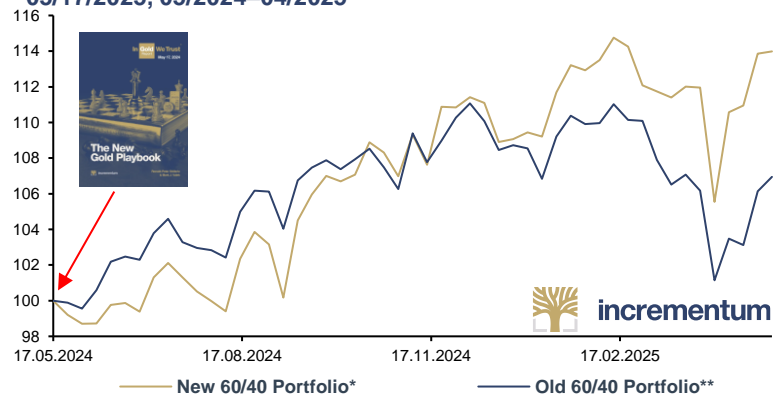
The historical analysis of past bull markets shows that gold, silver, mining stocks, and commodities are resilient in fragile macroeconomic and geopolitical phases. Based on this insight, we presented our new 60/40 portfolio as an up-to-date, more robustly structured alternative to the traditional model in last year's *In Gold We Trust* report, "**The New Gold Playbook**". The aim was to take account of the changed framework conditions and outline a contemporary allocation strategy.

Moderation is the best thing.
Cleobulos

In contrast to the traditional allocation of 60% equities and 40% bonds, the new model deliberately considers the changed landscape and expands the allocation framework to include liquid, alternative assets that cannot be inflated at will: **45% equities, 15% bonds, 15% safe-haven gold, 10% performance gold, i.e. silver and mining stocks, 10% commodities, and 5% Bitcoin.**

How this reallocation has proven itself in practice since the publication of last year's *In Gold We Trust* report is illustrated by a look at the performance over the past twelve months compared to the classic 60/40 portfolio.

New 60/40 Portfolio*, and Old 60/40 Portfolio, in USD, 100 = 05/17/2025, 05/2024–04/2025**



The essence of investment management is the management of risks, not the management of returns.

Benjamin Graham

A comparison of the two portfolios over the period from May 2024 to April 2025 clearly shows that **the new 60/40 portfolio significantly outperformed its traditional counterpart over long periods.** After an initially subdued start, the performance of the new 60/40 portfolio picked up noticeably, continuously outperforming the traditional 60/40 portfolio. **While the conventional 60/40 portfolio came under increasing pressure as the year progressed, the new model remained much more stable and resilient, particularly during the volatile market phases of the current year.**

The performance advantage over the period under review underpins the thesis that a modern portfolio architecture based on sound money components and inflation-resistant assets is superior to the traditional model, both in terms of stability and return potential. While gold has already reached new all-time highs, silver and mining stocks are still in the slipstream. However, experience shows that they catch up in the late phase of the cycle, which brings additional catch-up potential for performance gold.

Time is your friend, impulse is your enemy.

John Bogle

Against this backdrop, the new 60/40 portfolio presented last year not only remains relevant but also proves to be a strategically well-thought-out response to the requirements of an increasingly complex market environment. It combines sound-money principles and reflects the insight that runs through all bull markets: **The historical pattern suggests that the first half builds, the second escalates, and the curtain finally falls amid applause.**

Dollar Milkshake Meets Mar-a-Lago

A strong nation, like a strong person, can afford to be gentle, firm, thoughtful, and restrained. It can afford to extend a helping hand to others. It is a weak nation, like a weak person, that must behave with bluster and boasting and rashness and other signs of insecurity.

Jimmy Carter

- The global monetary system has split into competing blocs (US, EU, BRICS+), with middle powers pivoting. All increasingly anchor their systems to gold and hard assets as universal trust mechanisms.
- The Trump administration is crafting a "Mar-a-Lago Accord", a bold economic and security pact featuring aggressive tariffs, binding defense commitments, and gold-backed bonds designed to overhaul the global monetary order. The goal? To resolve the Triffin dilemma, which Washington claims has long distorted trade and eroded US dominance.
- A strategic trifecta emerges: tariffs as leverage, a Plaza-style currency reset, and gold bonds as a credibility anchor.
- Beyond policy efforts, market forces may trigger a 20–30% dollar decline as capital shifts from US assets, ending the long-standing premium on American exceptionalism.
- Geopolitical fragmentation gives gold dual upside: direct holdings hedge instability, while select miners gain as gold rises and costs stabilize. Gold now offers both defense and offense.
- The Big Long unfolds: a macro bet on a future system anchored not in credit but in scarce, unprintable collateral.

Introduction

The new administration appears to grasp what previous ones missed: trade imbalances persist in today's financial system because massive capital flows overwhelm traditional trade relationships.

The US runs persistent deficits not because it consumes too much or produces too little, but because it absorbs too much of the world's excess savings.

Policy success will require addressing this root cause. Either through negotiated adjustment – a Mar-a-Lago Accord – or unilateral capital flow restrictions, the goal is to reduce foreign purchases of US financial assets and increase their purchases of US goods and services.

Michael McNair

I think we're in a long-term bull market in Gold. We're seeing reserve accumulation by Central Banks. I follow it closely. It's my biggest position. Even I was surprised when the Central Bank of Poland said they want to take their Gold reserves to 20%.

Scott Bessent

We now stand on the brink of a geo-political and monetary rupture.

Russell Napier

De-dollarization is a process.³⁶ Yet, this process is neither linear nor one-dimensional. While BRICS+ nations and their allies implement alternative payment systems and currency swap arrangements and accelerate central bank gold purchases to reduce their reliance on Western financial markets, opposing forces fight to reinforce the greenback's dominance. As each network increasingly relies on gold and other hard assets as anchors of stability, **The Big Long emerges – an asymmetric macro bet that the future monetary system will be anchored in collateral you can't print.**

Like the environment preceding Federal Reserve Chair Paul Volcker's monetary "shock" in the 1980s, today's Western financial system requires a fundamental recalibration to restore lost credibility. However, unlike the Volcker era, contemporary debt levels prevent the Federal Reserve from raising rates high enough to produce a similar outcome to what Volcker achieved, necessitating a pivot to hard assets.

This chapter examines the fracturing global economic order through various theoretical lenses, assessing their relevance and applicability in practice. We start by shedding light on the rising tensions between the America-First-driven policies of the United States and the BRICS+ nations – most notably China's pursuit of greater monetary autonomy. This dynamic signals a broader shift in international relations, moving from multilateral cooperation to more bilateral engagements.

³⁶ See "Enter the Dragon: De-dollarization and the Eastern Push for Gold," In Gold We Trust report 2024; "De-dollarization: The Final Showdown?," In Gold We Trust report 2023; "A New International Order Emerges," In Gold We Trust report 2022; "De-dollarization 2021: Europe Buys Gold, China Opens a Digital Front," In Gold We Trust report 2021

Building on this, we critically examine the possibility of a significant realignment in the global monetary and trading system, mirroring historic agreements such as the Plaza and Louvre Accords. Since the publication of Stephen Miran's blueprint "[A User's Guide to Restructuring the Global Trading System](#)",³⁷ the term *Mar-a-Lago Accord*, named after Donald Trump's resort in Florida, has become the common appellation for this potential fundamental realignment. We will explore various efforts to bring about this recalibration, including mechanisms such as gold-backed bonds and financial repression.

De-Westernization: The Fracturing Global Economic Order

It may be dangerous to be America's enemy, but to be America's friend is fatal.

Henry Kissinger

What began as *de-dollarization* has evolved into a broader movement toward *de-Westernization*, with gold emerging as a primary beneficiary. Two forces are driving this transformation: the East and Global South pivoting to alternative economic frameworks, and internal fracturing within the Western alliance following President Donald Trump's return to the Oval Office.

As contrarian investors positioned themselves against prevailing narratives in 2007, forward-thinking investors are now reassessing their core assumptions about currency dynamics, trade relationships, and global power structures. This shift will manifest in abrupt changes to asset allocation and international capital flows. **The foundation of trust in the international system is gradually, but now also suddenly, eroding.**

What was once East versus West is now US vs. EU vs. BRICS+, with certain nations in the Middle East and Global South positioning themselves as neutral or semi-allied middle powers. As the G7 faces unprecedented disunity, the expanded BRICS+ bloc (Brazil, Russia, India, China, and South Africa, plus Egypt, Iran, UAE, Ethiopia, and Indonesia) is forging ahead into the new multipolar system, increasingly underpinned by gold to establish universal trust.

America First: Bilateral vs. Multilateral

The message is unambiguous: access to the US market is a privilege, not a right – and one that comes at a cost.

Macro Alchemist

President Trump's *America First* approach to economic policy rejects the notion that the US must stabilize global trade. By prioritizing bilateral deals over multilateral frameworks, Trump is delivering on his campaign pledge to overturn what he sees as decades of US negotiations from weakness. This strategy marks a clean break with past administrations, favoring immediate national gain over long-term global system stability.

The retreat from multilateralism impacts US monetary mechanisms. "[Swap lines won't be free anymore. They'll come with strings, or maybe chains,](#)" writes Brent Johnson. Trump could transform the Federal Reserve's dollar swap lines (which

³⁷ See Stöferle, Ronald (@RonStoeferle): "THREAD: A User's Guide to Restructuring the Global Trading System" is probably the most important paper that you've never heard of!...", X, March 2025

Want liquidity? Dance!
Brent Johnson

provided USD 500bn to foreign central banks in 2020 to help prevent a liquidity crisis) from cooperative infrastructure into negotiating leverage. **The underlying message is clear: Access to dollar liquidity is no longer automatic but conditional on meeting specific policy requirements.**

Further, the Trump administration's withdrawals from multilateral institutions like the WHO, the Paris Climate Agreement, and the UN Human Rights Council signal a retreat from global cooperation. This weakening of Western cohesion has pushed European partners toward more euro-centric strategies, including Germany's military spending increases and the ECB's development of a digital euro that would reduce reliance on US financial infrastructure.

The US Dollar Milkshake in Action

The *Dollar Milkshake Theory* provides a framework for understanding current market dynamics.³⁸ It originates from our friend Brent Johnson, who kindly agreed to describe the essence of the theory in his own words.

The Milkshake Theory is a realpolitik framework for understanding the global monetary system – a model grounded not in how we might wish the world to operate, but in how capital actually moves through it. It focuses on the hard constraints of liquidity, credit, and sovereign debt – forces that override political idealism and economic theory in moments of crisis. Far from only offering a forecast of specific outcomes, it provides investors with a pragmatic lens for interpreting market behavior when the realities of global debt burdens collide with the structural demand for US dollars. In a world shaped by self-interest, scarcity, and competition for capital, this is not about what we want to happen – it's about what the mechanics say will happen when stress emerges.

...the US dollar is the world's reserve currency and is likely to remain so—in times of global stress, the world runs to the dollar, not away from it.
Christopher Waller

The theory explains why the US dollar usually strengthens during systemic shocks. Even though – or precisely because – the global financial system is based on the US dollar, it benefits during severe turbulence, as international capital flows toward America's liquid markets, robust financial system, and established rule of law.

We saw this in action through Panama's *BRI-xit* in February 2025 when Panama formally withdrew from China's Belt and Road Initiative (BRI) under pressure from the Trump administration, prioritizing bilateral trade with the United States instead. This illustrates how the Dollar Milkshake works: By shaking up established trade relationships, the US successfully redirected financial flows back toward dollar-denominated commerce.

This pattern extends beyond Panama. Since Trump's inauguration, an escalating tariff war has forced even G7 members to confront the US economic might in bilateral trade negotiations. Even Canada and Mexico – America's closest trading

³⁸ See "From Wedlock to Deadlock: The East-West Divorce – Debate between Brent Johnson und Louis-Vincent Gave," In Gold We Trust report 2024

The tension between economic autonomy and global stability in a US-led bilateral trade system represents one of the most consequential economic dilemmas of the modern era.

Macro Alchemist

This weaponization of the US dollar was no surprise to anyone – Trump had already weaponized it against Iran in particular.

Russell Napier

The philosophy of protectionism is a philosophy of war.

Ludwig von Mises

partners and neighbors – have not been exempt from Trump's hardline position. The **early evidence** supports the Milkshake effect, as major multinationals from Asia, Europe, and the Middle East committed hundreds of billions in new US investments post-2025:

- The UAE agrees to USD 1.4trn in US economy investments over 10 years.
- Taiwan Semiconductor (TSMC) pledges USD 100bn for US-based chip manufacturing.
- Apple commits USD 500bn to US-based AI and manufacturing initiatives.

Trump's tariffs threaten trade flows that have historically generated dollar revenues, creating an even greater dependence on American capital markets for access to dollars. **The question is not whether the Milkshake effect exists but how it might be deployed as a tool of economic statecraft.**

However, Trump's dual pursuit of a weaker dollar to boost exports creates tension with his insistence on US dollar dominance in global trade. This inconsistency destabilizes the dollar's ability to serve as an economic anchor, elevating gold's role amidst currency volatility and policy unpredictability.

Economic Statecraft Leading to De-Dollarization?

The evolution of economic warfare

Besides the tariffs that have shocked markets and dealt severe blows to the world economy, the freezing of Russian assets and the weaponization of the financial system through the US-controlled SWIFT system have demonstrated that every country is vulnerable to Western financial power. These actions can be characterized as *economic statecraft*, where nations deliberately leverage their economic resources as instruments of power projection rather than solely for wealth creation. For this reason, countries that may seem antagonistic to US hegemony have sought alternative means to transact and save, accelerating de-dollarization that had been gradually advancing since the Global Financial Crisis.

The economic statecraft concept was explored in an excellent report by Michael Every at Rabobank. When analyzing its key characteristics, one recognizes it is at odds with the precepts of economic policy. This is protectionism rebranded – a case of old wine in a new bottle.

While economic policy uses fiscal, monetary, and trade tools to achieve financial goals, such as inflation or budget-deficit targeting, economic statecraft employs economic means – sanctions, export controls, tariffs, investment restrictions, and price caps – to advance foreign policy and national security goals. **Thus, understanding a state's national interests, one might surmise how it would use economic statecraft to achieve its goals.**

Crucially, economists discuss these policy developments while being unfamiliar with the “economic statecraft” under which they more traditionally sit. This knowledge gap means economic analysis lacks a conceptual framework for how or why policy choices are made.

Michael Every

The West dreamt of the BRICS as a lapdog, that they would accumulate dollars and recycle them into Treasuries, but instead of that, they are renegotiating how things are done.

Zoltan Pozsar

BRICS was not created to be an instrument of defense, but to be an instrument of attack... Further, we will have our own currency to become independent from the US dollar in our trade relations.

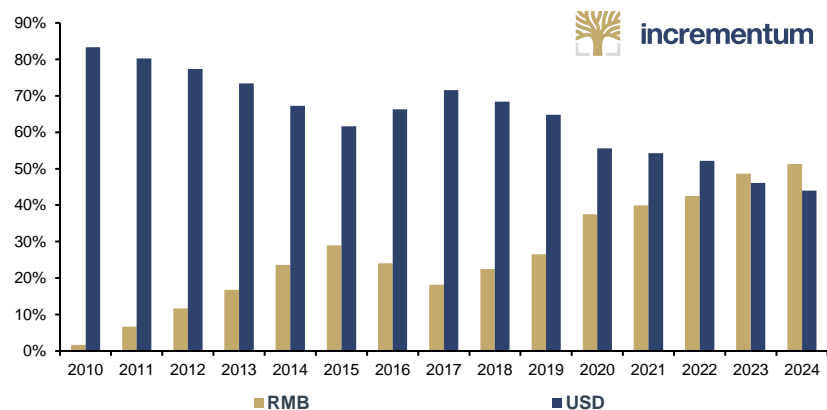
Brazilian President Lula

Despite Trump’s post on his Truth Social that any BRICS+ country moving away from the US dollar system, or even attempting to create a BRICS+ currency, would “face 100% Tariffs, and should expect to say goodbye to selling into the wonderful US Economy”, there was no need to make such a threat. Given Indian External Affairs Minister Subrahmanyam Jaishankar affirming that “we have absolutely no interest in undermining the dollar at all”, after declaring in mid-November that “India has never been for de-dollarization”, the US would appear to have nothing to worry about. **Without sanctions, there would not have been such serious attempts at ditching the US dollar.**

China’s Strategic Autonomy

Meanwhile, China methodically cements its autonomy from Western finance. By March 2023, the renminbi accounted for 53% of China’s cross-border payments, overtaking the US dollar’s 43% – down from 83% in 2010. “China is not seeking to topple the dollar’s global dominance. That comes with much responsibility and accepting certain vulnerabilities. China’s motives here are primarily about autonomy and resilience,” writes Syracuse University professor and Atlantic Council senior fellow Daniel McDowell.

Share of China's Cross Border Payments and Receipts, 2010–2024

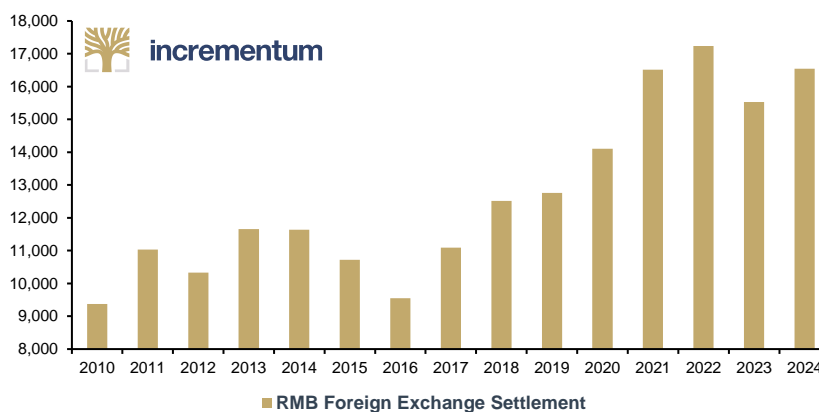


The People’s Bank of China reported that this shift was led by 12,400 new market entities in Shanghai choosing the RMB for cross-border settlements in 2024. The city’s cross-border RMB settlement under trade in goods increased by 30% yearly, while the settlement of commodities such as precious metals, iron ore, and grain doubled during the same period.

By September 2023, China had signed bilateral local currency swap agreements with 30 Belt and Road Initiative (BRI) participating countries and established RMB clearing arrangements in 17 BRI countries.³⁹ The Cross-border Interbank Payment System (CIPS), launched in 2019, now reaches over 3,000 banking institutions across 167 countries and regions, creating an alternative to the Western-dominated SWIFT system.

³⁹ See “Enter the Dragon: De-dollarization and the Eastern Push for Gold,” In Gold We Trust report 2024; “The Rise of Eastern Gold Markets: An Impending Showdown with the West,” In Gold We Trust report 2023; “A New International Order Emerges,” In Gold We Trust report 2022

RMB Foreign Exchange Settlement, in RMB bn, 2010–2024



Source: Chinese State Administration of Foreign Exchanges (SAFE), Incrementum AG

The Energy and Commodity Nexus

We are leaving the dollar-dominated space and developing the mechanisms and tools for a truly independent financial system.

Igor Morgulov, Russian Ambassador to China

Energy and commodity trading are leading the shift toward alternative payment systems. According to the Russian ambassador to China, 92% of Russia-China trade settlements in 2024 were conducted in local currencies (rubles and yuan).

Saudi Arabia's 2024 decision to join the Bank for International Settlements (BIS) and Project mBridge – a collaborative effort led by BIS and China to settle trades using multiple central bank digital currencies – marked another significant development. Josh Lipsky, who runs a global CBDC tracker at the Atlantic Council, **observed:**

The most advanced cross-border CBDC project just added a major G20 economy and the largest oil exporter in the world... This means in the coming year you can expect to see a scaling up of commodity settlement on the platform outside of dollars.

mBridge isn't just a payments rail—it's a Trojan horse for dedollarization. For the first time, the Fed's exorbitant privilege faces a functional alternative.

Zoltan Pozsar

Project mBridge represents one of the most advanced alternatives to dollar-dominated payment systems. By mid-2024, the project **reached the minimum viable product (MVP) stage**, with participating central banks deploying validating nodes and commercial banks conducting real-value transactions. Saudi Arabia's 2024 entry has coincided with the Kingdom's growing interest in reducing dollar dependence, including its **USD 6.93bn currency swap agreement** with China in late 2023. The platform's growing observer membership now includes 31 entities, ranging from the European Central Bank to the Reserve Bank of India and the Bank of Brazil. This reveals the seriousness with which monetary authorities are exploring dollar alternatives. **This development provides oil exporters with infrastructure to support petrodollar alternatives and bypass Western payment rails.**

Stablecoins: A Counterforce to De-Dollarization?

It seems that stablecoins are here to stay, and will likely continue to grow untrammelled unless policymakers globally launch a coordinated campaign to destroy them... stablecoins will force a rethinking of the standard sanctions toolkit employed for foreign policy objectives.

Nic Carter

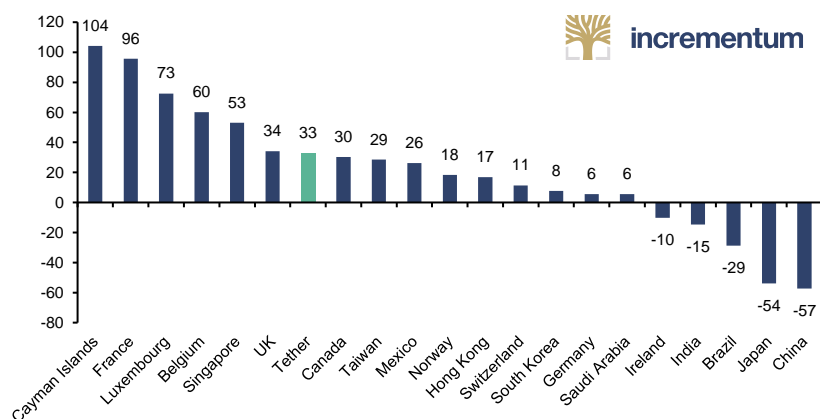
As BRICS countries push forward with de-dollarization efforts and explore alternatives to the US dollar, stablecoins have emerged as a noteworthy counterbalance – particularly in the Global South. As a digital technology solution, they offer an entry point into US dollar-based liquidity, strengthening the demand for the world's reserve currency in emerging markets.

With a market capitalization of roughly USD 230bn and settling of over USD 10trn of transactions (cross-border remittances, exchange trading, on-/off-ramping into other cryptocurrencies, and payments) annually, stablecoins already act as a crucial dollarizing force. Federal Reserve Governor Christopher Waller recognized the dollarizing aspect of stablecoins in early 2024, noting that

...most trading in decentralized finance (DeFi) involve trades using stablecoins, which link their value one-for-one to the US dollar. About 99 percent of stablecoin market capitalization is linked to the US dollar, meaning that crypto-assets are de facto traded in US dollars. So it is likely that any expansion of trading in the DeFi world will simply strengthen the dominant role of the dollar.

The Trump administration has recognized this opportunity, with Treasury Secretary Scott Bessent explicitly stating at the 2025 White House Digital Asset Summit: “As President Trump has directed, we are going to keep the US the dominant reserve currency in the world, and we will use stablecoins to do that.”

Change in US Treasury Holdings, in USD bn, 2024



Source: U.S. Department of the Treasury, Coindesk, Incrementum AG

Russia, China, and Iran are not going to accept a US dollar stablecoin. I predict they will counter the USD stablecoin with a Gold one.

Max Keiser

What makes stablecoins noteworthy in the de-dollarization context is their reserve composition. Tether, the largest stablecoin issuer, with nearly USD 100bn in circulation, emerged as the seventh-largest buyer of US Treasury securities in 2024. Yet its reserves include approximately 82% in cash and cash equivalents, 3.7% in precious metals, 5.5% in Bitcoin, and the remainder in other investments.

Gold-backed stablecoins have also begun to emerge. Tether launched USDf in 2024, a stablecoin backed by another Tether token, XAUt, which is directly backed by – and can be redeemed for – physical gold bars. Though market share for gold-backed stablecoins remains modest compared to USD-pegged stablecoins such as USDT, as former VanEck executive Gabor Gurbacs notes: “Tether Gold is what the dollar used to be before 1971.”

History Repeats Itself? The Plaza Accord and Louvre Accord

Understanding the 1980s currency interventions

In contrast to an externally driven demand shift in the US dollar’s role as the global reserve currency, a realignment could also be embedded in a strategic repositioning of the new US administration. Chatter referring to a “Mar-a-Lago Accord” is gaining momentum as the overvalued dollar impedes Trump’s trade and economic policy. In June 2024, Scott Bessent suggested that a “grand economic reordering” could occur in the upcoming years. Before exploring this subject further, we should examine the Plaza Accord of September 22, 1985, and the Louvre Accord, adopted on February 22, 1987.⁴⁰

The context behind the Plaza Accord

The Plaza Accord of 1985 marked a pivotal moment in post-Bretton Woods monetary relations. After Nixon decided to close the gold window in early 1971, currencies began to float freely. However, the absence of an external anchor introduced volatility and encouraged competitive devaluations. By the early 1980s, under the influence of tight US monetary policy and high real interest rates, the US dollar appreciated dramatically, by as much as 150% against the French franc and nearly 100% against the Deutschmark over five years. The real trade-weighted US Dollar Index reached a historical peak in early 1985, reflecting a significant overvaluation of the US dollar relative to the currencies of its major trading partners. This surge made US exports uncompetitive, led to a deterioration of the US current account balance, and mirrored a reverse trend in surplus nations like Germany and Japan, which saw their current account balances improve.

If there is trust, trade works. If trust is gone, it doesn’t.

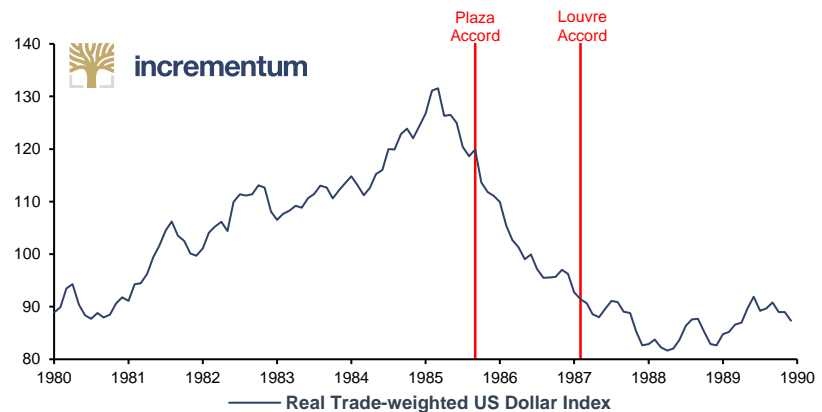
Dale Copeland

As far as I know, the Plaza Accord has neither led to changes in fiscal policy nor in trade or structural policy.

Paul Volcker

⁴⁰ See “History Does (Not) Repeat Itself – Plaza Accord 2.0?,” In Gold We Trust report 2019

Real Trade-weighted US Dollar Index, 01/1980–01/1990



Source: Federal Reserve St. Louis, Incrementum AG

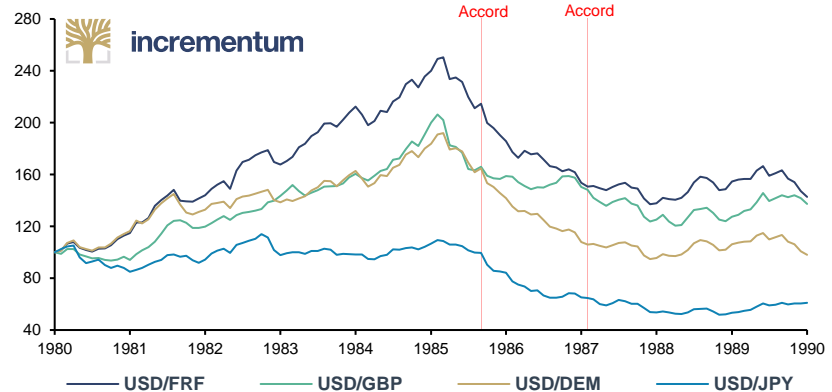
Never let the other fellow set the agenda.

James Baker

Outcomes and limitations of the Louvre Accord

Recognizing the unsustainable nature of these imbalances, the G5 nations (United States, Japan, Germany, France, and the United Kingdom) met at New York's Plaza Hotel on September 22, 1985, to coordinate a strategic response. Under the leadership of US Treasury Secretary James Baker, they agreed that exchange rates should reflect underlying economic fundamentals and that a concerted devaluation of the US dollar was desirable. The Plaza Accord thus marked an unprecedented level of coordination among leading economies, engendering the zeitgeist of multilateral approaches to solving international economic stability issues. **The effects were immediate: The US dollar fell sharply, and currencies like the yen and the Deutschmark surged.** Yet markets had already begun adjusting months before the agreement, and the pace of depreciation continued even after the targeted range had been achieved.

USD Exchange Rate Against FRF, GBP, DEM and JPY, 01/1980 = 100, 01/1980–01/1990



Source: fxtop.com, Incrementum AG

This prompted renewed concern about disorderly currency movements, leading to the Louvre Accord in February 1987, signed by the same group of nations. The objective this time was to halt the US dollar's excessive slide and stabilize exchange rates.

As currency accords are typically named after resorts where they are negotiated, like Bretton Woods and Plaza, with some poetic license I'll describe the potential agreement in the Trump Administration as others have done as the prospective "Mar-a-Lago Accord."

Stephen Miran

Despite commitments to align fiscal and monetary policies, currencies like the yen and pound continued to appreciate well beyond these bands. Both agreements highlighted the challenges of managing exchange rates in a world of capital mobility and sovereign economic policies. Ultimately, exchange rates are driven by fundamentals – real interest rate differentials, trade balances, investment climates, and fiscal positions. The inherent spontaneity of markets prevents them from being steered to a desired result.

Gold prices, inversely tied to the US dollar, managed a trend reversal within the challenging environment of positive real interest rates in the 1980s and rallied after each accord, **reinforcing gold's status as a hedge against dollar uncertainty and monetary instability.**

Time for a Mar-a-Lago Accord?

Such an architecture would mark a shift in global markets as big as Bretton Woods or its end.

Stephen Miran

The question is no longer “Will the US remain the global hegemon?” It’s “How far is the US willing to go to keep it?”

Brent Johnson

The current situation shares striking parallels with the situation preceding the Plaza Accord: a persistently overvalued US dollar, widening trade and current account deficits, and mounting economic tensions between the US and key partners. However, unlike the coordinated efforts of allies in the 1980s, today’s emerging currency realignment will likely unfold amid heightened geopolitical tensions and a more fragmented international landscape.

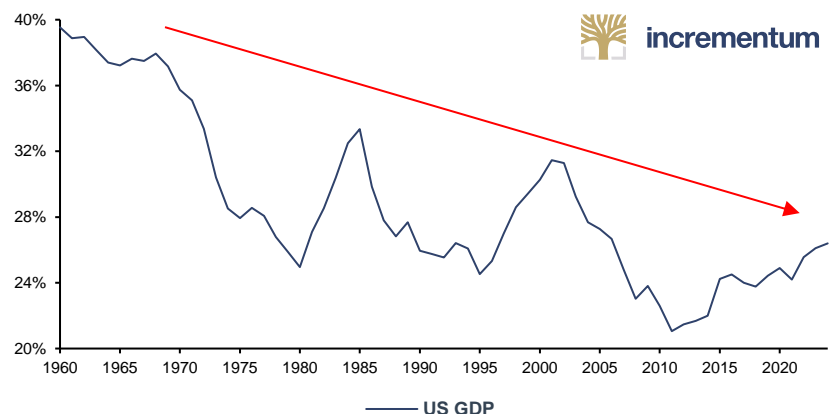
Stephan Miran’s framework and the Triffin dilemma

The Trump administration has made it clear that trade and financial policy will now be guided by a single principle: America First. To dismiss this departure from cosmopolitanism as mere haphazard tribalism would be reductive. Beneath the veneer of the outdated mercantilist theory lies a calculated strategy, as outlined in *“A User’s Guide to Restructuring the Global Trading System”*, by one of the leading architects of Trump 2.0’s economic stance, the chairman of the Council of Economic Advisers, Stephen Miran.

Miran centers his analysis around the Triffin dilemma, which we have written about on several occasions.⁴¹ He points out that possessing the global reserve currency can be both a blessing and a curse. While issuing the reserve currency entails the privilege to borrow extensively without significantly raising yields, as global demand for the issuer’s debt remains relentless, the strong currency causes chronic twin deficits and an unsustainable debt accumulation, gradually eroding trustworthiness and reserve status.

The dollar’s dual mandate, serving simultaneously as the world’s reserve asset and sustaining America’s trade balance, has become an impossible paradox. As the global economy outpaces US growth, this contradiction intensifies: Foreign demand for dollar-denominated reserves forces perpetual dollar appreciation, skewing trade flows toward imports and accelerating the erosion of domestic industrial capacity.

US GDP, as % of Global GDP, 1960–2024



Source: LSEG, Incrementum AG

⁴¹ See “Inflation and Investment,” In Gold We Trust report 2016

...because America today, while it's still a global superpower, is not the unrivaled force it was 20 years ago when it went into Iraq. It's certainly not the hyperpower it was 30 years ago, in no way, shape, or form.

Michael Every

As global growth eclipsed US expansion, the world's hunger for dollar reserves created a vicious dynamic: Demand for Treasury securities and dollar-denominated assets ballooned beyond any rational alignment with America's economic footprint. This structural imbalance exerted inexorable upward pressure on the dollar's exchange rate – artificially cheapening imports while pricing US exports out of competitiveness. The inevitable consequence? A slow-motion unraveling of domestic productive capacity, as manufacturing atrophied under the weight of financialized distortions.

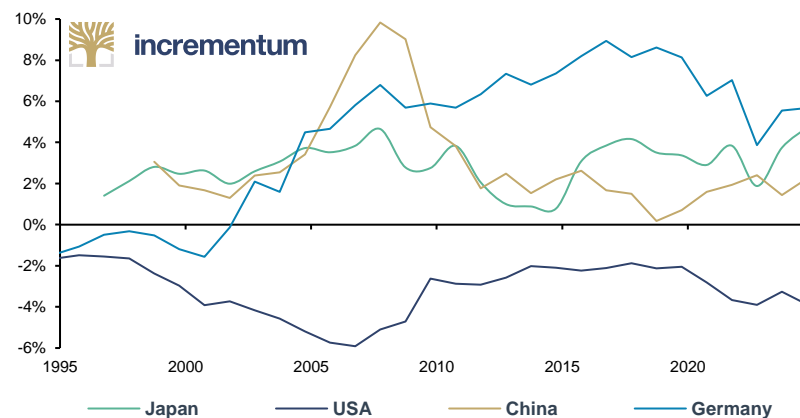
US Dollar Index, in USD, 01/2010–04/2025



Source: LSEG, Incrementum AG

Just as thirty years ago, the US today has a significant and persistent current account deficit, while Germany, Japan, and China have substantial surpluses.

Current Account Balance, as % of GDP, 1995–2024



Source: LSEG, Incrementum AG

The “tipping point”, as described by Triffin – where unchecked twin deficits ultimately destroy the reserve currency’s hegemonic status – has yet to be reached, and the Global Financial Crisis alleviated some of the system’s inherent imbalances and temporarily stabilized the US share of global GDP. Yet, these underlying dynamics persist today, and the current administration is neither willing to risk a sudden de-dollarization tipping point nor to shoulder the burden of sustaining the system, as the US had done so far.

Current imbalances

A Mar-a-Lago Accord may offer a solution “to improve America’s position within the system without destroying the system”, as Miran stated. The attempt is to merge US trade and security policy effectively. **Miran enumerates three key pillars:**

- Countries under the US security umbrella would be required to purchase US government bonds to maintain the security zone as a global public good.
- These countries would be expected to exchange short-term bonds for ultra-long-term century bonds, not short-term bills.
- Noncompliance would trigger tariffs.

This approach divides the world into *friends and foes*, with no room for nuance. Nations must either align with the new economic and security order (gaining privileged market access) or face marginalization through aggressive tariffs, capital controls, and financial isolation. Such tactics wouldn’t merely contradict the spirit of the Plaza and Louvre Accords; they would actively dismantle their multilateral foundations.

Even with a concerted effort, it remains uncertain whether the scale of financing required for effective implementation could realistically be mobilized. Since the Plaza Accord was signed in 1985, global foreign exchange trading volumes have surged more than tenfold and now exceed USD 5trn daily. As both 1980s accords demonstrate, there is limited ability to resist the underlying fundamental forces that ultimately drive the markets.

Those outside the security umbrella will also find themselves outside friendly arrangements for international trade and easy access to the US consumer.

Stephen Miran

Not everyone is a fan of Miran’s plan. Beyond the practical implementation challenges, fundamental doubts persist about whether this restructuring of global financial relations can unfold orderly. **Barry Eichengreen** highlights Miran’s controversial proposal for a “usage fee” on foreign holders of US Treasuries, effectively confiscating a portion of interest payments. Such a measure would violate the principle of equal treatment for investors and mark a radical departure from established financial norms. **Eichengreen warns of a dangerous domino effect:** Attempts to restrict foreign bond purchases could backfire, accelerating de-dollarization rather than managing it as intended.

Tools for Global Economic Restructuring

A broader strategy — anchored in swift, complementary measures rather than isolated policies — will be essential to reshape global economic relations while advancing domestic objectives. **A recent piece by Michael McNair** compellingly outlines how additional policy tools could execute the Miran Plan, reinforcing that trade and capital flows structurally compel the US to run massive deficits. **These imbalances are driven not only by the dollar’s reserve currency status and resulting appreciation but also by the unique position of the US as the only country with unrestricted capital mobility and a financial system large enough to absorb global inflows.**

We're also at a unique moment geopolitically, and I could see in the next few years that we are going to have some kind of a grand global economic reordering, something on the equivalent of a new Bretton Woods or, if you want to go back, like something back to the Steel Agreements [...] or the Treaty of Versailles. There's a very good chance that we are going to have that over the next four years, and I'd like to be a part of it.

Scott Bessent

We're going to monetize the asset side of the US balance sheet for the American people. There'll be a combination of liquid assets, assets that we have in this country, as we work to bring them out for the American people.

Scott Bessent

McNair elaborates on reinstating the 30% foreign withholding tax, abolished in 1984, which could “kill [...] two birds with one stone”, as he describes it. With estimated foreign holdings of USD 30trn in US securities, such a tax could generate approximately USD 360bn annually, or USD 3.6trn over a decade, offsetting the projected cost of extending the Trump tax cuts and discouraging excessive foreign reserve accumulation. Since most countries already impose similar taxes, the risk of retaliation or large-scale capital reallocation would remain limited.

The legal foundation for implementing this “user fee” on foreign holders of US Treasuries already exists in the **International Emergency Economic Powers Act (IEEPA)**, which provides the President with authority over international transactions in response to foreign-origin threats to US national security, foreign policy, or the economy.

Miran's proposal to accumulate foreign reserves as a unilateral tool for trade rebalancing could play an even more critical role. This approach reveals the strategic logic behind the Trump administration's creation of a US Sovereign Wealth Fund (SWF). By selling dollars to purchase foreign currencies or assets, the US government could increase demand for those currencies, raising their value and reducing the trade imbalance.

McNair substantiates this possibility as follows: “**The White House's own fact sheet on the SWF explicitly states that its purpose is to pursue President Trump's economic policies — including the pursuit of fair and balanced trade**”. This direct connection to trade policy alignment strongly suggests the SWF is meant to serve as a tool for addressing trade imbalances through capital flows, as outlined in Miran's framework.

While the Treasury's **Exchange Stabilization Fund (ESF)** already provides a legal mechanism for currency operations, its limited size – under USD 40bn – necessitates *creative expansion*. Additionally, the merger of the SWF and the *US International Development Finance Corp.*, which is even being considered to absorb key USAID functions that have been radically restructured by the Department of Government Efficiency (DOGE), could create a unified vehicle that scales the capability to execute financial operations to unprecedented heights.

Imagine capitalizing this consolidated fund using US Treasury gold reserves, currently valued at approximately USD 800bn. Given the DFC's ability to operate with bank-like leverage ratios of 10 to 20 times its equity capital, such capitalization could support between USD 8.4trn and USD 16.8trn in lending and reserve accumulation capacity – without requiring a formal revaluation of Treasury's gold, which remains recorded at USD 42.22 per ounce. This approach would provide an extraordinary tool to align trade and capital flows and implement Miran's plan to rebalance global economic relations. **McNair explains the mechanism as follows:**

The US SWF operates through a different mechanism [than traditional SWF's]: instead of recycling trade-earned dollars, it would create new dollar

reserves to purchase foreign assets. However, from a balance of payments perspective, the economic impact is identical to traditional reserve accumulation or sovereign wealth funds. Whether through a central bank converting trade-earned dollars into reserves, a commodity-based SWF reinvesting oil revenues, or the US creating new dollars to purchase foreign assets, all these activities represent capital outflows that must be matched by corresponding trade flows.

[This paper is] a recipe book, and I am trying to evaluate how useful or not useful [...] those various recipes are to make. Some of them are easy, some are tough, some are [...] filling, satisfying meals and some will leave you hungry again in half an hour. [...] to be clear, I am not the chef, the president is the chef.
Stephen Miran

Recent unprecedented activity in the physical gold market – record COMEX deliveries, rising US vault holdings, depleted London inventories, and the US shifting to net gold imports – has raised speculation that the Treasury may be quietly accumulating gold to capitalize this merged DFC/SWF. **Such purchases would be legally permitted under 31 USC 5116, despite the Treasury not having bought gold since 1968.**

While the consistency of this broader strategy is striking, it should not obscure the significant risks associated with its implementation. A carefully balanced combination of tools may prove essential to its success. **In the following section, we will explore some of the more unconventional approaches currently under consideration.**

Gold-Backed Bonds

Against debt-soaked sovereigns pushing the world toward a genuine monetary paradigm shift, Judy Shelton, a longtime advocate of gold's monetary role, has resuscitated a proposal for gold-convertible Treasury securities. **While once viewed as aspirational, this approach appears feasible as trust in hard assets rises and could reintroduce a golden anchor to the formal monetary architecture.**

Historical context of gold-backed bonds

During the classical gold standard era, government bonds functioned within a monetary system where **currencies maintained fixed conversions to gold**. While these bonds were not typically redeemable directly in gold, they functioned within a system where currency stability was guaranteed through gold convertibility. **With Britain leading this system as the world's financial center, consolidated annuities, aka consols, represented the benchmark for sovereign debt.** These bonds' purchasing power **remained stable** due to the pound sterling's gold backing.

The predictability of this arrangement allowed **governments to borrow** at historically low interest rates. The British government **could issue** perpetual consols at around 2.5–3% during much of the 19th century, while US long-term bonds typically yielded 3–4%.

The climax is the worldwide spread of gold as a measure of value that fostered the 18th and 19th century triumphs of the industrial revolution and the British Empire. Enabled were 200 years of unprecedented growth and progress, and centuries of perpetual government bonds and “consols” in many nations bearing interest rates under 4 percent.
George Gilder

During the 1976 campaign, Carter assured us that "Ah feel yo' pain," and such is his enthusiasm for this empathy that he has gone out of his way to inflict pain ever since.

Murray Rothbard

It's not so unusual to run out of someone else's currency.

Jeffrey Sachs

The abandonment of the Bretton Woods system and the discipline of gold left us without an anchor. We had to rebuild credibility from scratch.

Paul Volcker

The Carter bonds emergency

Fast-forward to more recent times. Between 1971 and 1981, the M2 money supply more than doubled. Monetary expansion led to stagflation – the previously “unthinkable” combination of high inflation and economic stagnation that Keynesian economists struggled to explain. Americans faced the worst of both worlds: double-digit inflation alongside rising unemployment. Consumer price inflation, which had averaged just over 2% annually in the 1960s, surged, reaching over 14% by 1980. As inflation accelerated, the US Treasury faced a genuine crisis of confidence. Foreign central banks and investors increasingly questioned the wisdom of holding dollar-denominated assets.

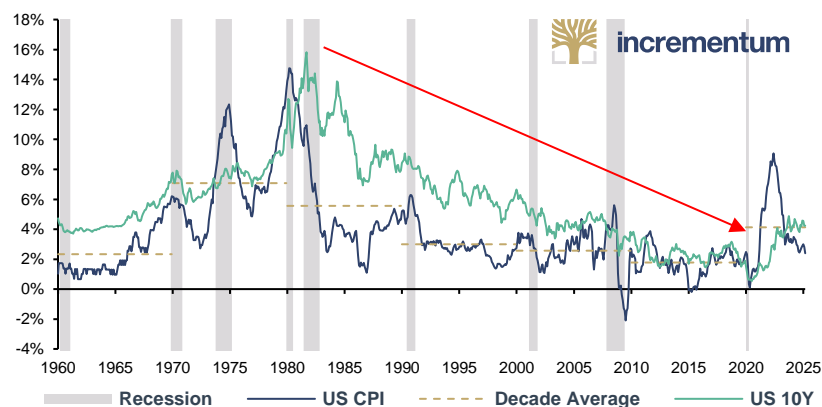
In this context, the Carter administration issued government bonds denominated in foreign currencies – specifically Swiss francs and German Deutsche Marks. These *Carter bonds* represented an admission of the dollar's diminished standing and the Treasury's difficulty financing deficits in domestic markets at favorable interest rates.

In 1978 and 1979, the Treasury **issued almost USD 10bn** in German mark- and Swiss franc-denominated securities. The world's reserve currency issuer was effectively acknowledging it could no longer reliably finance itself in its currency – a move typically associated with banana republics, not the global financial superpower. Market participants recognized the issuance for what it was: an emergency measure reflecting severe distress in America's financial position.

Aftermath and “The Great Moderation”

The appointment of Paul Volcker as Federal Reserve Chairman in August 1979 marked the beginning of a painful but effective restoration of monetary credibility. Volcker's vigorous interest rate hikes – pushing the federal funds rate above 20% in 1981 – precipitated a severe recession but broke inflation's back. Consumer price inflation fell from 13.5% in 1980 to 3.2% by 1983. As inflation expectations recalibrated, bond yields began a secular decline. The 10-year Treasury yield peaked at 15.8% in September 1981 and entered a four-decade-long bull market, known as *The Great Moderation*.

US CPI, yoy, and US 10Y, 01/1960–03/2025



Source: LSEG, Incrementum AG

We now understand better how little we understand about inflation.

Jerome Powell

Similarities to the 1970s

Recent developments in global financial markets bear resemblances to the 1970s experience of monetary uncertainty, inflation, and international questioning of dollar primacy. The credibility of central banks has suffered significant damage. Structurally, US fiscal deficits have become entrenched at levels that would have been unimaginable in previous decades. In a non-recessionary period, the 2023 federal deficit reached USD 1.7trn or 6.3% of GDP. Interest costs on federal debt in the US now surpass military spending.

Differences from the 1970s

Despite the parallels, today's situation differs fundamentally from the 1970s in several critical aspects. Most notably, the United States now operates with debt levels previously associated with wartime emergencies. Total public debt exceeded 120% as of Q4/2024, compared to hovering in the low 30% range throughout the 1970s. This constrains monetary policy.

Moreover, the US now faces a deficit of more than 6% of GDP vs. 2–3% in 1980, a net international investment position of -79% of GDP vs. +10–15% under Reagan, and a true interest expense totaling 108% of fiscal year-to-date receipts.⁴² **In this context, the Trump administration is left with a singular policy path: drastic and rapid debt-to-GDP devaluation through profoundly negative real rates over a short period, a reality that both policymakers and investors appear to be navigating somewhere between denial, anger, and bargaining.**

Perhaps most significantly, the international monetary system has evolved from the relatively simple bipolar Cold War structure to a multipolar arrangement with multiple currency blocs and regional financial systems. **China's emergence as an ambitious yet passive-aggressive economic superpower marks a stark departure from the 1970s.** Meanwhile, innovations like central bank digital currencies, stablecoins, and Bitcoin further complicate matters by offering technological alternatives that did not exist in previous crises.

Flashback to 2017

Ironically, the only thing the IMF explicitly forbids a country from doing is pegging its currency to gold [...] If the next Bretton Woods conference takes place at Mar-a-Lago, I am very happy.

Judy Shelton

When we interviewed Judy Shelton in the *In Gold We Trust* report 2017,⁴³ she emphasized that today's post-1971 "non-system", with currencies floating in a "do your own thing" style, lacks a reliable anchor. Shelton lamented that this "incoherent architecture" inevitably led to currency manipulation by big players like China, compromising the real economy in advanced nations – especially the US manufacturing base. Already in 2017, **she advanced the concept of a gold-linked bond:**

I was recently at a conference [...] I presented a proposal for a gold-linked Treasury bond [...] That would be a vitally important signal that the US intended to move toward a stable dollar. It would suggest an inclination to

⁴² Gromen, Luke: "Bessent, Powell hint at 'Not-QE QE' as Trump Administration policy contradictions mount", FFTT, March 25, 2025

⁴³ "The De-Dollarization: Good-bye Dollar, Hello Gold?," *In Gold We Trust* report 2017

establish new currency arrangements – and would represent a first step toward building a new international monetary system.

Shelton stressed that it needn't be a pure gold standard from day one; however, issuing a portion of government debt convertible into gold restricts dollar overissuance. If the government inflates away the bond's face value, it risks losing gold from its national coffers.

In those 2017 remarks, Shelton also mentioned the possibility of a new "Bretton Woods-style" conference where the US dollar's gold linkage might be partially restored. Little did we realize that 2025 might see the reemergence of these exact ideas, with President Trump and his cabinet pursuing a reset of the global monetary system, with Shelton being mentioned as a **potential successor to Jerome Powell** as Chair of the Federal Reserve.

The absence of gold as an intrinsic part of our monetary system makes our century, the one that just passed, unique in several thousand years... I firmly believe gold will be a part of the international monetary system sometime in the twenty-first century.

Robert Mundell, in his Nobel Prize speech

Why are our neighbors, who live and breathe off our economy, not taking care of America?
Howard Lutnick

Core elements of gold-backed bonds

Shelton's plan is straightforward and includes two primary components: gold convertibility and revaluing the United States' current gold reserves. Selected Treasury issuances – for example, 50-year maturities – would include an option for the bondholder to redeem in gold at a pre-specified ounce allotment per USD 1,000 face value.

The US holds 261.5 million ounces (Moz) of gold. These official reserves look small on Treasury accounts at the book price of USD 42.22/oz. However, at current market prices and an official gold hoard of 8,133 t, the revaluation profit would amount to roughly USD 800bn, effectively an underutilized national treasure. Shelton proposes using that advantage to anchor debt issuance to new gold T-bonds.

Astute commentators from **Luke Gromen** to **Myrmikan's Dan Oliver** argue that gold remains cheap relative to the Fed's balance sheet. **As a share of the Federal Reserve's assets, the official gold stock is at historic lows, even lower than in 1969, months before the US dollar's final Bretton Woods crisis.**

US Gold Reserves, as % of Fed Balance Sheet, 01/1918–04/2025



Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

If the governments devalue the currency in order to betray all creditors, you politely call this procedure 'inflation'.

George Bernard Shaw

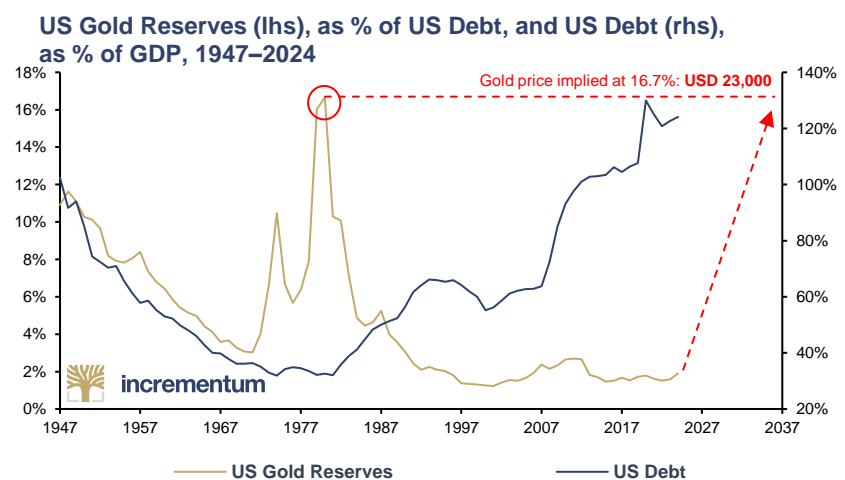
Further, gold-backed Treasuries would fit within the vision of the above-mentioned Mar-a-Lago Accord as an ideal vehicle for locking allies into long-duration UST holdings, since they offer a reallocation incentive that operates without coercion.

Gold-Backed bond mechanics

A modern gold-backed Treasury bond would carry a face value of, say, USD 1,000, and a built-in redemption option at maturity of, say, 50 years. Holders might choose either the nominal payout or a specified amount of gold. Because this gold redemption clause protects against inflation, the Treasury can offer a lower coupon, potentially saving billions in interest expenses. **Even issuing a small fraction, e.g. 5–10%, of total debt in gold-linked form could anchor perceptions of the dollar's stability and influence the entire yield curve.**

This possibility of a gold revaluation recently gained attention after government officials publicly acknowledged that the measure is being considered. For instance, Cynthia Lummis, chair of the Senate Banking Subcommittee on Digital Assets, proposed utilizing revaluation gains to fund a Strategic Bitcoin Stockpile: “We have reserves at our 12 Federal Reserve Banks, including gold certificates that could be converted to current fair market value. They are held at their 1970s value on the books.”

Still, as our friend Tavi Costa recently revealed, even at the mark-to-market adjustment, the US Treasury gold reserves currently account to a mere 2% of total outstanding government debt. This is one of the lowest levels in history.



Why this time might be different

A Mar-a-Lago Accord might combine trade alliances, defense commitments, and partial gold exchangeability, reminiscent of discussions around Bretton Woods III. President Trump has repeatedly stressed that US allies should share more of the burden for their defense. 50–100-year gold-backed bonds can encourage allies to hold US debt, locking in defense and trade benefits. If a handful of allies, such as Japan and EU nations, buy gold-

This time could be different, because while the dollar is still the king of currencies, it is becoming clear that gold is the monarch of money.

Andrew Hecht

We don't really have a solvency crisis; we're well beyond that. We have a refinancing crisis.

Doomberg

At the close of this crisis cycle, the rules surrounding money and banking, and what those systems look like in the future, will have changed.

Lawrence Lepard

I told them: Score one, and everything changes. But three? That was madness.

Rafa Benítez

backed bonds, a new system could emerge – not a proper *gold standard*, but with a *gold reference* at least, enhancing discipline.

“What could better symbolize America’s vision for a new Golden Age than issuing gold-backed bonds on July 4, 2026 — America’s 250th birthday — to mature 50 years later on our country’s 300th birthday?” Shelton writes for the *New York Sun*. With his reelection and a strong mandate for “fair trade”, President Trump may push more aggressively for fiscal and monetary realignment.

Tariffs, currency negotiations, and gold-backed bonds form a trifecta.

Tariffs provide negotiation leverage; currency deals (like a new Plaza Accord) might be hammered out in the process; and the gold bond is the *hard anchor*, ensuring any new arrangement is credible.

Put differently, gold-backed bonds could be a key part of a carrot-and-stick approach with regard to the US leveraging its balance sheet and military to nudge countries to roll their short-term debt into long-term bonds. The Treasury’s current debt profile skews toward short-term maturities, which creates rollover risk and makes it vulnerable to interest rate fluctuations. Without triggering market disruption, the debt maturity profile could be transformed by incentivizing allied central banks and sovereign wealth funds to exchange their short-term holdings for a long-duration gold-backed instrument.

Such a move would provide the US with breathing room while giving foreign creditors an increased sense of security in an era of monetary uncertainty. For allies concerned about dollar devaluation, these instruments provide protection. And, for the Treasury, the gold-backed bonds offer a mechanism to extend debt maturities at potentially lower interest costs than conventional long-dated bonds.

In this sense, Judy Shelton’s plan co-opts gold to reverse the decline of the West’s debt-based system. It thus represents a repeal of much of the anti-gold 20th and 21st century “wisdom” that has led to such widespread strife. What might have sounded fringe (as elites often call things they don’t have good counterarguments against) when we interviewed Shelton in 2017 feels almost inevitable in 2025.

Conclusion

Nation-states have realized that their currencies could one day play the role of a global reserve, which could undermine their objective of shaping stable and resilient economies. **Indeed, everyone has understood that solving the Triffin dilemma is an ordeal too great and burdensome to pursue.**

Therefore, a global economic reconfiguration is in the cards. Whether it will be characterized by the emergent BRICS+ group calling the shots or a revived American dominance leading the way remains to be seen. **At any rate, we can expect that gold’s monetary role will stage a remarkable comeback, like Liverpool’s Miracle of Istanbul in 2005.**

Practical considerations for investors

“We may be on the cusp of generational change in the international trade and financial systems,” Stephen Miran bluntly states. Going big and long on gold positions investors to front-run other market participants into the new world we are entering, as the dollar’s dual role as trade and reserve currency has created an unsustainable tension that must be resolved.

Efforts to find alternatives to the dollar and dollar assets will intensify... alternative reserve assets like gold or cryptocurrencies will likely benefit.

Stephen Miran

Any Mar-a-Lago Accord, using America’s carrot-and-stick approach to influence exchange rates, would likely trigger significant volatility in currency markets. It is foreseeable that central banks and sovereign wealth funds will accelerate their reallocation into tangible assets if the US devalues its currency and attempts to pressure foreign states into shifting into longer-duration US dollar-denominated securities, especially if those are partially backed by gold. Measures such as the recent announcement by Poland’s central bank to raise its gold reserves to 20% are likely to become the norm, particularly outside the Western world.

More specifically, geopolitical fragmentation has created a two-track opportunity in gold: Direct ownership benefits from currency debasement and systemic instability. At the same time, select mining equities will experience substantial earnings expansion as gold prices rise while input costs stabilize. **Gold has now entered a rare window where it provides both portfolio defense and offense.**

Beyond gold, equity sectors positioned for reshoring and domestic manufacturing should do well. President Trump’s March 2025 executive order to increase American mineral production adds gold, copper, uranium, and potash to the list of defined minerals while expediting permitting on federal lands, in addition to those already included in 30 USC. 1606(a)(3), and any other as determined by the chair of the National Energy Dominance Council (NEDC).

It is imperative for our national security that the United States take immediate action to facilitate domestic mineral production to the maximum possible extent.

Donald Trump

China’s immediate response – authorizing additional state spending for mineral production – and Canada’s call for accelerated pipeline construction and mineral extraction signal a global race for resource dominance. Tech-forward defense firms, infrastructure developers, and commodity producers will benefit from this competitive dynamic. Meanwhile, multinationals dependent on global supply chains face significant margin compression as trade barriers rise.

For bonds, the Treasury yield curve will transform. If Miran’s vision materializes, forced purchases of ultra-long century bonds by allies will create demand at the long end of the curve. At the same time, short-term rates remain elevated – potentially inverting the curve for an extended period. According to Miran, an agreement whereby US trading partners term out their reserve holdings into ultra-long-duration UST securities will:

- alleviate funding pressure on the Treasury and reduce the amount of duration it needs to sell into the market;
- improve debt sustainability by reducing the amount of debt that will need to be rolled over at higher rates as the budget deteriorates over time; and

- solidify that providing a defense umbrella and reserve assets is intertwined.

Emerging markets will either align with the Western bloc and accept unfavorable terms or accelerate de-dollarization and face short-term economic pain. This binary creates trading opportunities in EM currencies and sovereign debt, particularly for the middle powers with resource endowments that can pivot between blocs.

The lesson is clear. Inflation devalues us all.

Margaret Thatcher

The path forward in a multipolar world

From the perspective of Main Street, the outlook appears challenging.

Implementing such a plan could run counter to fundamental economic laws. It remains to be seen whether Trump might recognize that policies potentially undermining citizens' purchasing power and relying heavily on centralized planning might not effectively address the imbalances within the US economy. Under these conditions, pursuing the America First agenda could risk exacerbating existing stagflationary pressures.

Ultimately, intertwined trade and security policy and higher economic uncertainty create a feedback loop benefiting gold and other hard assets. Noticeably, the forces reshaping the monetary system have already been set in motion. As our friend Matthew Piepenburg reminds us, **"History is very kind to gold". Investors who position themselves now will benefit as gold reasserts itself; the only variables are time and magnitude.**

A natural US dollar adjustment?

Importantly, not all market strategists believe a formal agreement is necessary to achieve US dollar devaluation. Marko Papis contends that **"American exceptionalism is the bubble"** already popped by the Trump administration's policies. He argues that the US dollar's overvaluation stems from excessive fiscal spending rather than structural trade imbalances alone. In this view, a significant 20–30% decline in the US dollar will occur organically as global capital recognizes and adjusts to this reality, rendering elaborate new currency accords unnecessary. Papis observes: **"The funny side note here, is that all of the proponents of a Mar-a-Lago Accord that you interview over the next year will tell you they were correct. But, you know, they will not be correct. There wasn't a need for a grand bargain."** This market-driven reality is now playing out in real time: The DXY has plunged nearly 10%, breaching the 100 level for the first time since 2022. It seems that the dollar's reckoning is arriving not through diplomacy but through the cold calculus of capital flows.

At a global level, there is just one really big surplus (China) – and one really big deficit (the US). That, in a sense, makes global adjustment easy.

Brad Setser

A complete implementation of the Mar-a-Lago Accord in the form discussed by Miran is unlikely. He is aware of this and recently stated in an interview that Trump focuses more on tariff policy than on the other tools in his playbook. Rather than attempting to manipulate the US dollar through clever tricks, the US government must tackle the problem at its root. Fiscal consolidation would reduce reliance on foreign savings to finance government spending. The resulting decline in the capital account surplus would correspond with a reduction

in the current account deficit. However, this fundamental insight appears to be lacking – both in Miran’s thinking and, presumably, in Donald Trump’s as well.⁴⁴

For investors, the multipolar shift underscores gold’s resurgence as a safe-haven asset, further justifying this year’s theme of *The Big Long*. Even if the US dollar maintains global “dominance”, as the milkshake theory plays out in real-time, gold remains the long game in a fragmenting global order.

Surely, in a paradigm where the US dollar is weaponized as a tool of American economic statecraft, what other asset is there that could substitute for the dollar as a means of exchange in international trade, as well as serve as a store of value in the balance sheets of central banks? **Although there may be some suitable candidates to play this role, the best choice is that golden *barbarous relic*.**

⁴⁴ See Duarte, Pablo: „Mar-a-Lago-Abkommen: viel Lärm um nichts?“ (“Mar-a-Lago-Accord: Much Ado about Nothing?”), Flossbach von Storch, March, 28 2025

From Trade Restructuring To Monetary Reset? – Luke Gromen debates Louis-Vincent Gave

We closed the gold window on Sunday, August 15th, 1971. I think we just closed the dollar window on Wednesday, April 4th.

Luke Gromen

- At a time when severe distress is plaguing the global financial markets, Luke Gromen and Louis-Vincent Gave share their reflections on the epoch-making developments happening as they speak. To get a sense of what is happening in the markets, we delve into President Trump's high-stakes America First agenda and his plan to restructure international trade.
- The tensions arising from the White House's trade war is accelerating de-dollarization. This is a process that has been occurring for some time and is mirrored by the increase in demand for gold to be used as a monetary reserve.
- Not only have we witnessed a decline in the appeal of US Treasuries, which have historically been the backbone of the dollar's reserve status, but now the "Mag 7" tech stocks have been losing favor, too. Thus the question arises: What asset will now back the US dollar?
- Gold has been gaining recognition for its monetary functions, being positioned as a politically neutral reserve asset. The recent US policies appear designed to redirect foreign capital from Treasuries and tech stocks into gold, and there seems to be a historical precedent.
- The risky strategy of simultaneous fiscal tightening and trade conflict now being carried out by the US administration may lead to a deep recession, not just in the US, but in the world. Because of the close relation between government revenues and equity market performance, there could be a crisis of confidence in Treasuries, possibly triggering a "sudden stop" scenario.
- While the US is now trying to pivot toward economic self-reliance, China has already endured a painful restructuring and is showing higher resilience. Still, the two opponents seem to be misjudging each other's weaknesses and strengths, creating a dangerous setup for miscalculation.



Louis-Vincent Gave is the CEO of Gavekal, a Hong Kong-based company he co-founded over twenty years ago with his father Charles Gave and Anatole Kaletsky. Gavekal has grown to become one of the world's leading independent research providers to institutional investors around the globe. Louis has written seven books, the latest being *Avoiding the Punch: Investing in Uncertain Times*, which reviews how to build a portfolio at a time of rising geostrategic strife and when very low interest rates and stretched valuations on most assets announce constrained returns over the next decade.



Luke Gromen is the founder of FFTT, LLC (“Forest for the Trees”), a macro/thematic research firm catering to institutions and sophisticated individual investors. Luke's vision for FFTT was to create a firm that would address the opportunity he saw created by applying what customers and former colleagues consistently described as his “unique ability to put the big picture pieces together” during a time when they saw an increasing “silo-ing” of perspectives occurring on Wall Street and in corporate America.

The discussion between Luke Gromen and Louis-Vincent Gave, led by Ronald Stöferle and Nikolaus Jilch⁴⁵, took place on April 7, 2025, just a few days after Trump's *Liberation Day*, a day that is likely to mark a turning point for the world and the financial markets. The two well-known analysts discuss the implications of recent geopolitical and economic developments.



The debate addresses, among other things, the question of whether the US dollar will retain its status as a reserve currency in the coming years. The topic of the quality and attractiveness of US dollar-denominated assets inevitably comes up as well. In the end, both Luke Gromen and Louis-Vincent Gave provide investment recommendations for this new and unfamiliar investment environment.

We are publishing the highlights of this debate below. The full version of the debate is available for download [here](#). The video of the entire debate can be viewed on YouTube [here](#).

⁴⁵ Over the past few years, Niko Jilch has contributed numerous articles to the In Gold We Trust report. He works as a financial journalist and podcaster. You can follow him on www.nikojilch.com, X, and YouTube, among others.

I think it's perfectly normal for the reserve currency of the world to run a current account deficit with other countries. And basically, as we all know, there's just one big deficit, which is US with China. I think the rest are basically peanuts.

The other side, the side I tend to agree with, I hold up the dollar share of global FX reserves overall of just currencies, and it's gone from, call it, 70% share to 50, low 50% share over the last 15 years or so. And if you include gold into that, that market price, the dollar share of global FX reserves is under 50% now.

Just as equity markets have really been horrible this past week, US Treasuries have really done nothing, for all intents and purposes.

Ronnie Stöferle

We are very, very proud supporters and subscribers of both of your services. We deeply value your insights, your forward thinking, analysis on markets, on currencies, on geopolitical shifts, on commodities, on asset allocation. And today we'll examine the state of the US dollar, the future of gold, the evolving impact of Bitcoin, and the broader shifts in the world economy. Basically, no one else on this planet is better equipped to guide us through these really critical themes and topics that we're facing today. So, it's a real pleasure.

Today is April the 7th, 2025. Quite a lot of things happened over the last couple of days. We had the so-called *Liberation Day* – and I'm sure that whenever you will listen to this interview, quite a lot will have happened in the meantime. So, let us start with the big elephant in the room, which is basically the US dollar being the reserve currency of the world. **I think it's perfectly normal for the reserve currency of the world to run a current account deficit with other countries. And basically, as we all know, there's just one big deficit, which is US with China. I think the rest are basically peanuts.**

So, the big question from my point of view, with all those developments over the last couple of days and weeks, is, will the US give up this exorbitant privilege? Will they give up the role of the US dollar as the world reserve currency? And taking a step back and analyzing the big picture, gentlemen, do you think that the US dollar will still be the world reserve currency in five years?

Luke Gromen

I think it depends how you define it, because when I get in these debates or these questions, one side says, *It's still used in 90% of global transactions, it's still dominant*; which is true. Then, **the other side, the side I tend to agree with, I hold up the dollar share of global FX reserves overall of just currencies, and it's gone from, call it, 70% share to 50, low 50% share over the last 15 years or so. And if you include gold into that, that market price, the dollar share of global FX reserves is under 50% now.** So, in terms of usage, if that's how we want to define the debate, I think yes, it absolutely will still be the primary or one of the primary used currencies in the world.

But, at the FX reserve level, I think in five years, the dollar's share is going to be below 50%. And when you add gold in there, I think it's going to be well under 50%, because I think what we are in the early stages of watching is a messy attempt to basically restructure the system in a way that gold runs the deficits, so to speak, instead of the United States. And there's huge executional risk and volatility associated with that.

Louis Gave

I don't disagree with anything that Luke just said, which I know for the purpose of this conversation, I fear that Luke and I agree on a lot more than we disagree on. I just want to add something, going back to your question on the reserve function. For me, one of the more important developments is that if you look at the past four years, you've had four consecutive down years on US Treasuries. **And just as**

equity markets have really been horrible this past week, US Treasuries have really done nothing, for all intents and purposes. I think the TLT is actually down today.

Behind the US dollar was always the US Treasury market. If you had excess dollars, if you were Saudi Arabia, China, Japan, whoever, if you had excess dollars, you bought US Treasuries. And in the past four or five years, that's no longer been the case. You had excess dollars, you didn't want to buy US Treasuries. You didn't want to buy US Treasuries for one of two reasons. Either you were afraid that they would get confiscated, if you're China, Russia, or essentially any non-democracy, or you were just looking at the US following extremely expansionary fiscal policies even in the face of low unemployment. It's like, *why would I own bonds when you're adding two trillion a year into the supply?*

What's happened in recent years is, instead of owning Treasuries, people abroad who had excess dollars decided, *Forget Treasuries, I'm just going to buy the Mag 7; I can buy Microsoft, I can buy Apple, I can buy Google.* They've got great liquidity. These are trillion, two-, three-trillion-dollar companies. They're actually better than Treasuries because they've got an inflation hedge embedded in them.

But now all of a sudden there's a realization, *Hold on, is Mag 7 that great?* They just spent hundreds of billions supposedly on AI, and that's probably going to be a massive write-off. They're about to get taxed, not only by the US administration but by the foreigners as well, as part of this new trade war. So, their margins aren't going to be what I thought they were. For me, that's the shift we're going through right now. To have a reserve currency you need to be backed by an asset that people want to own.

The US makes stuff up. That's the US comparative advantage. They're the best financiers in the world. So, you don't want a Mag 7. Don't worry; we've got something else sexy for you.

Now, you could say it doesn't matter, the US is great at coming up with the next thing. It'll be mortgage bonds, it'll be something. **The US makes stuff up. That's the US comparative advantage. They're the best financiers in the world. So, you don't want a Mag 7. Don't worry; we've got something else sexy for you.** There it is. I don't know what that something else is right now. I think Treasuries are done; I think Mag 7 is done. So, what's the next asset that's going to back up the US dollar? Not convinced.

Niko Jilch

Luke, you said "Gold is going to run the deficit." Could you explain that? Is gold the next asset that's going to back up the dollar? Is this also the reason why we're talking about a Bitcoin reserve right now?

Luke Gromen

I think the way Louis framed it was really... it's a great lead into this, because you're seeing for political reasons here, around the Trump administration and what they ran on and their electoral base, the steps taken by the administration, already year to date, have effectively told China, *we don't want your money in the Mag 7 anymore.* **When we had this America First investment policy memo, on February 21st – this is a significant paraphrasing, but it said,**

When we had this America First Investment Policy memo, February 21st – this is a significant paraphrasing, but it said, China, take your money and go home; we don't want you here anymore.

China, take your money and go home; we don't want you here anymore.

When you look at some of the proposals of the head of the Council of Economic Advisors, Stephen Miran, within that piece that he wrote about the reordering the global trading system, he talked about, and more importantly, this Trump America First Investment Policy memo explicitly discussed, bringing back a tax on Treasuries that China had been exempt from this whole time. So, you're talking about raising the cost of carry on Treasuries. You're talking about raising the cost of carry on foreign capital.

Additionally, curiously, within all of this trade war, there's one thing that didn't get tariffed in all this, and it was gold.

And the political side of it is, *We don't want foreigners buying our companies anymore; we don't want them buying our farmland anymore; we don't want them; they need to buy something else.* **Additionally, curiously, within all of this trade war, there's one thing that didn't get tariffed in all this, and it was gold.** The Trump administration made a point of not tariffing gold. If I just look at it as a straight, relative comparative, I'm going to have cost to carry up significantly, versus what it was on Treasuries, on Mag 7, on stocks. And if I'm China or other US trade creditors, the cost to carry on gold, in that context is nothing.

What I think is being brought back is something that was discussed in the '70s. You can find it in declassified State Department documents with Kissinger and Volcker, where they were having a similar problem.

When I say gold will run the deficits, ultimately, I think what we're going to see is the price of gold... basically, **these flows that went into Treasuries and then stopped, and then went into Mag 7; I think we are in pregame warmup, not even in the first inning of these flows going into gold.** As they do, you're talking about trillions in flows into an asset that's now up to a USD 20trn market cap.

When I say that gold is going to run the deficits, gold is going to be the neutral reserve asset, in my opinion.

But, there's still only new flows of USD 250bn year. **When I say that gold is going to run the deficits, gold is going to be the neutral reserve asset, in my opinion.** The Trump administration appears to be attempting to construct a set of incentives to redirect foreign capital, that first went to Treasuries and then to Mag 7, as Louis noted, into gold going forward.

Ronnie Stöferle

What's currently happening? Basically, it sounds a little bit like the wet dream for every gold bug. I mean, there's Luke now talking to Tucker Carlson about gold and explaining to him what gold means. We've got Scott Bessent saying that he's actually a gold bug. We've got things like an official audit of Fort Knox being discussed.

Louis Gave

Sure. You're right. It does seem to be a wet dream. And yes, when you start to see everything in the general media, then you get indeed to the question that Luke raised: Are we in the warm-up phase? Are we in the fifth inning? Are we in the

At this stage, to get fired up about gold here, you have to make the argument: It's different this time.

If you are a foreigner and you've got a bunch of US dollars and for years these US dollars were either going into US Treasuries or US equities, that was great and that did fine. Then, US Treasuries stopped working and now US equities are not working.

There is no doubt that the overall willingness of people to stay in the US is probably decelerating very, very fast. This is not a political statement; it's just a reality.

ninth inning? I think the challenge today, if you're a gold investor, is the very question we're discussing, and it's whether it's different this time.

Because, if you take a step back, you think gold relative to pretty much every commodity, whether energy, whether copper, whether silver, whether anything, gold today is expensive; gold relative to average hourly earnings in the United States or the price of US real estate. Gold is at the upper band of its historical trading zone against pretty much anything you care to look at. **At this stage, to get fired up about gold here, you have to make the argument: It's different this time.**

So, here it really depends on the global fundamental environment changing. I do fundamentally believe that today, **if you are a foreigner and you've got a bunch of US dollars and for years these US dollars were either going into US Treasuries or US equities, that was great and that did fine. Then, US Treasuries stopped working and now US equities are not working.** Now I'm like, *what do I do with these dollars?*

One option indeed is, *You know what, the world is a really uncertain place; I don't know what I'm going to do; I'm just going to buy gold.* I think that's what people in China have been doing. That's what people across the Middle East have been doing, and in India and lots of places.

There is no doubt that the overall willingness of people to stay in the US is probably decelerating very, very fast. This is not a political statement; it's just a reality. If you're a foreigner and you're looking at the US, you think, *What a dumpster fire, and what am I going to do with all these dollars? Do I still feel comfortable owning stocks in the US that are at the end of the day very expensive relative to stocks anywhere else? Maybe I shift them to gold; maybe I'll move to stocks outside the US; maybe I'll move to real estate outside the US.* There are other alternatives to gold, but gold is up there.

Niko Jilch

Luke, you talked about this discussion in the '70s, with Kissinger. I highly doubt that anybody in the US administration has read any transcript from that time. Do people still understand what gold really is? What role could gold play? Because last time I checked, it was a "tradition". Bernanke called it a tradition.

Luke Gromen

I do think there is still, at a certain level, an understanding of what it is and how it can be used. I do believe that. And I've, in various conversations, gotten certain levels of confirmation or comfort around that.

Louis Gave

Russia was kicked out of the US dollar, the euro, the Swiss franc, etc., obviously its trade with China went through the roof. Essentially, everything that Europe used to export to Russia, be it machine tools, be it cars, tractors, you name it, is now being exported by China.

If they truly believed that by imposing financial sanctions on Russia, they would turn the ruble into rubble and absolutely collapse the Russian economy because, lo and behold, it didn't have access to dollars, then I think they've just been reminded that, actually, if you have gold, you can settle your trade.

To the point of: do people still know what purpose gold serves? A lot of that trade ends up being settled in gold. If they had forgotten, if they hadn't read the Kissinger papers, **if they truly believed that by imposing financial sanctions on Russia, they would turn the ruble into rubble and absolutely collapse the Russian economy because, lo and behold, it didn't have access to dollars, then I think they've just been reminded that, actually, if you have gold, you can settle your trade.** You can buy stuff from abroad.

Ronnie Stöferle

Gentlemen, one major topic has changed over the last couple of days. On Wednesday, when the tariffs were announced, everybody thought we're having some sort of a further recalibration of portfolios, which will move assets out of the US into Europe. But, then I think over the next two days, it basically changed, because markets started to price in a US recession, but to some degree also a global recession.

Back in the day, we always said if the US sneezes, the whole world will catch a cold. Louis, you have got a very, very pronounced view on how less dependent China is on the US anymore. Would you say that we could see a US recession without moving into a global recession? Is that actually possible?

Louis Gave

Well, it depends how bad the recession is in the US, of course. And if it's a fairly shallow recession, then yes, it's absolutely possible. Right now, the US is trying to do, at the same time, fiscal consolidation, which arguably was very necessary. But it's saying, *We're going to do fiscal consolidation, and we're going to massively rearrange our trade relationships*, which, essentially, is saying, *We're going to crush the US consumer.*

Fiscal tightening at the same time as putting the squeeze on the US consumer – that's probably quite a recession.

When you look at it this way, you have to think that's quite a recession. **Fiscal tightening at the same time as putting the squeeze on the US consumer – that's probably quite a recession.** You could say that what's unusual about this one is that it's almost self-inflicted, right? It's a policy choice by the United States to go down this road.

So, if the US really is now saying, We're going to crush the US consumer, we're going to build our own industry – I'm very skeptical of their ability to do it, both politically and just physically of the ability to do it.

So, if the US really is now saying, We're going to crush the US consumer, we're going to build our own industry – I'm very skeptical of their ability to do it, both politically and just physically of the ability to do it. But if that's really the path of policy, then what does that mean if you're a European, Mexican, Chinese industrial and you've spent the past 20 years being used to selling to the US consumer? Now, not only are you going to lose that client, but you're going to gain a competitor. That doesn't seem like a super great recipe for growth, for investment, for risk-taking from the private sector, anywhere in the world.

Ronnie Stöferle

So far so good, one could say, because Treasury yields are down, the US dollar is down big-time, and the price of oil is down, of course.

I would say this detox period that he was referring to, it sounds great, but it's like the heroin addict who also has a cocaine and alcohol problem and a gambling addiction, says, OK, I'll stop it now; I'm becoming an Ironman and I'm becoming a vegan now.

The United States has 120% debt to GDP. The deficit is what it is. It's an economy, as we've shown in our work, that is highly sensitive to stock prices. Stock prices go down, receipts are going to fall.

What I mean by calling their bluff is that the unthinkable is suddenly very thinkable in the United States.

Louis Gave

Are they down that much, though? Are you rushing out to borrow money, now that bond yields have come down like 30–40 basis points?

Ronnie Stöferle

No, no, I agree. **That's kind of cherry picking by Scott Bessent. I would say this detox period that he was referring to, it sounds great, but it's like the heroin addict who also has a cocaine and alcohol problem and a gambling addiction, says, OK, I'll stop it now; I'm becoming an Ironman and I'm becoming a vegan now.** It sounds... not very realistic from my point of view. But the question is, when will the pressure from markets be actually too big? And the pressure on the Federal Reserve – because Trump was very quick putting some pressure on Mr. Powell and Powell said, *Not going to happen.*

Luke Gromen

I think the executional risk is the huge part of the risk, and they're almost between two trapezes, where they're kind of letting go of the trapeze of the old world and flying towards the next one on the come. China was able to do this and they still had, however, many hundreds of billions of dollars a year coming in from, as Louis said, their trade surplus. In that time, it went from USD 200-something billion to a trillion plus. So, you've got capital flowing in throughout that whole process for them. **The United States has 120% debt to GDP. The deficit is what it is. It's an economy, as we've shown in our work, that is highly sensitive to stock prices. Stock prices go down, receipts are going to fall.**

And your interest and interest-like obligations in the United States – that is gross interest expense, plus entitlements, plus Veteran's Affairs – are 108% of all-time high receipts, already as a starting point. And now receipts are going to fall pretty sharply in the next six months, with just what stocks have done.

As we sit here, April 7th, I think we are weeks, at most, maybe days, from the markets basically calling their bluff. **What I mean by calling their bluff is that the unthinkable is suddenly very thinkable in the United States,** which is an emerging market-like sudden-stop crisis. Scott Bessent and Trump have since February 26th knocked the S&P down by about 18%. That's USD 11trn in wealth out of the stock market. And they got 12 basis points since February 26, 12 basis points. I think it's very possible that by the end of this week they will have gotten zero basis points with even more stock declines. And by next week, they will have rates up with even more stock declines. And then what do you do? Does the Federal Reserve come in and cap yields?

Something that hit me over the week and I was thinking about: It was, what I'd been very vocal advocating, that there's an order of operations that must be respected, if the US is going to try to restructure in the manner that you highlighted earlier, Louis, which is you've got to devalue the debt first, if you're going to do this. And they didn't.

He is going to beat on those ribs until they submit. The broken ribs in this case are the debt for the US, which is going to feed on itself.

So now, because they didn't, to Louis' point, this is like an MMA fight, where one fighter knows the other fighter has badly broken ribs. What is he going to do? **He is going to beat on those ribs until they submit. The broken ribs in this case are the debt for the US, which is going to feed on itself;** and sort of everybody in the markets knows that.

Ronnie Stöferle

So, if we say that there's this MMA fight, China versus the US, China's strategy would basically be to stand firm, to resist and just wait for Trump's strategy to collapse. And it seems that actually China has a little bit more economic resilience, because they are actually facing more of a deflationary environment, currently. But the US might be facing a stagflationary development. Would you agree with that?

Louis Gave

China's been getting ready for this fight for the past eight years.

I definitely agree. **China's been getting ready for this fight for the past eight years.** That's the truth. When the US said no more semiconductors to China, it was a super-important moment for China. This was when China decided, *Okay, we're at economic war with the US; they've just fired the first salvo; now we get ready.*

The US didn't do this, to Luke's point. Once you told China no more semiconductors, the US should have said, *Let's spend a lot of money building up our own rare earths in Nevada or in Idaho or in Canada.*

Let's take a step back and also look at the leadership that you have in both countries. Xi Jinping is a guy who would have spent five years during the Cultural Revolution digging the earth with his bare hands in order to survive. He would have seen his friends, siblings, etc., literally starved to death. He's gone through a level of hardship that none of us on this call can even begin to understand or comprehend.

Obviously, they're now at each other's throats; and in any kind of negotiation, when you do a business deal or something, the worst setup is always when you think the other guy is weaker than he really is.

But this is where it gets interesting. The Chinese population has been taking pain for the past five years. They've had their real estate prices drop 30%. They've had no wage increases for the past five or six years. They've already taken on some adjustments in a way that the US just hasn't. I think, **obviously, they're now at each other's throats; and in any kind of negotiation, when you do a business deal or something, the worst setup is always when you think the other guy is weaker than he really is.** That's the worst setup, because when you think you have all the cards and you think the other guy is weak, that's not a good setup to get a deal done.

This whole media push of China is weak, it's about to implode, is so far from reality. You go to China today, you feel this is where the future is being built.

For the past five to ten years, all the media in the United States – and I keep writing about this – have kept saying China is about to collapse. It's this house of cards. You flick it and the whole thing is going to implode; it's on the verge of revolution, etc. **This whole media push of China is weak, it's about to implode, is so far from reality. You go to China today, you feel this is where the future is being built.** They've got flying cars; they've got trains that go at 450 km/h; they've got 6G telecoms. Literally, the engineering discoveries are

all happening over there now. But, the perception is that China is about to implode.

Meanwhile, if you go to China, their perception is that the US has zero tolerance for pain. The US is fundamentally just about having a good time. Which I'm not sure is true either. I think the tolerance for pain in the US is actually quite high. The US is fundamentally a warrior nation. All this to say that as I look at it, both sides completely overestimate the other guy's weakness and underestimate the other guy's strength. It's a terrible setup for any kind of compromise.

Niko Jilch

One thing that is completely baffling is that we have the world superpower basically trying to inflict this pain on itself. I would like your diagnosis of what their point of view is. What are they really doing? **Are they trying to basically let the air out of the stock market before it can collapse and then maybe try to collapse the yuan first?** China first? Is that the MMA game that they're playing here?

Luke Gromen

I think so. **I think the levels of pain tolerance in the US are sort of bifurcated, in the same way our society has been bifurcated.** We've got the 1%; we've got everybody else, based on the policies of the last 30, 40, 50 years. And it's interesting that we just had a famous billionaire come out on Thursday and say, *Hey, the best negotiations happen when the other party thinks you're crazy; so, this might work great.* And three days later, that same billionaire is like, *Hey, hey, whoa, maybe we need to pause tariffs for 90 days.* So, his pain tolerance was exactly 72 hours. You come out to flyover country and...

Louis Gave

I think you mean 10% on the S&P, more than three days. The pain tolerance was 10% on the S&P.

Luke Gromen

I thought it was a very under-reported story a few weeks ago: Walmart went to China. And our media in the West reported that Walmart was dressed down. To Louis' point, the world changed. Walmart went over there and was basically told, **bug off; you eat the tariff, or you pass it on to your consumers. That was not how this was supposed to go.**

There is no business out there that's sourcing from China that can take a 104% hit to their margins, without massive layoffs, etc. So, if I'm China... people are saying right now, *We're going to push China; they're going to devalue; we're going to force them to devalue and then they'll break.* **If I'm China, I'm not devaluing anything. I'm going to sit here and I'm going to let them swing.**

Are they trying to basically let the air out of the stock market before it can collapse and then maybe try to collapse the yuan first?

I think the levels of pain tolerance in the US are sort of bifurcated, in the same way our society has been bifurcated.

You eat the tariff, or you pass it on to your consumers. That was not how this was supposed to go.

If I'm China, I'm not devaluing anything. I'm going to sit here and I'm going to let them swing.

You know the old story of Napoleon saying to his officers, when the enemy makes a mistake, you don't interrupt them.

In the Marxist church, your catechism is that big shifts in history – revolutions, riots, etc. – occur, not because of individuals or ideas, but because of economic forces. And there is no more powerful economic force than inflation.

They're doing the tariffs and the US dollar, instead of going up, is going down. Which means that the inflationary impact of the tariffs will actually be double, because you're going to take the devaluation and you're going to take the tariffs.

The protests, the riots are going to start in the bond market, but that's not where they're going to stop. It's just where we're seeing it first.

What they're trying to orchestrate is pretty naïve, because they think they can fine-tune, not only the US economy but the global economy like a thermostat.

Louis Gave

You know the old story of Napoleon saying to his officers, when the enemy makes a mistake, you don't interrupt them. So, if you're China today, devaluing the renminbi would be, essentially, helping out the US that's going to be dealing with an inflationary head. I don't think the renminbi is going to devalue. They're going to see how the US wears the pain.

The reality, when you look at the Chinese leadership, they might not look and feel communist, but they were brought up in the Marxist church. **In the Marxist church, your catechism is that big shifts in history – revolutions, riots, etc. – occur, not because of individuals or ideas, but because of economic forces. And there is no more powerful economic force than inflation.** This is why the Chinese leadership are so paranoid about inflation at home. As soon as inflation steps up, they step on the brakes.

Going back to the point that Luke made, if you listen to Scott Bessent and Donald Trump and to JD Vance three months ago, the narrative was, *We're going to do 20% tariffs and half of that will be paid for by the rising US dollar anyway.* The US dollar is going to go up on the back of the tariffs and, so, the hit to the consumer will be very little. Meanwhile, the government will make more money.

They're doing the tariffs and the US dollar, instead of going up, is going down. Which means that the inflationary impact of the tariffs will actually be double, because you're going to take the devaluation and you're going to take the tariffs. That's why the bond market is not rallying even though equities are down 18-20%.

If we'd all gotten together a month ago and Ronnie, you would have told me, *Louis, I can guarantee you, hand on heart, stocks are down 20% over the next month, I would have said, Well, just load up on US Treasuries; you'll do great.* Nothing.

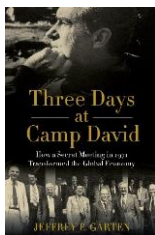
Luke Gromen

Nothing. To your point about where inflation drives unrest, I think that where we're seeing the unrest first in the US is in the bond market. Again, because they didn't devalue the debt first, they left broken ribs, not just exposed but basically just standing there with their hands up over their heads saying, *Hit me.* **The protests, the riots are going to start in the bond market, but that's not where they're going to stop. It's just where we're seeing it first.**

Ronnie Stöferle

Listening to Trump sometimes reminds me of this Tolstoy quote: *Because of the self-confidence with which he had spoken, no one could tell whether what he said was very clever or very stupid.* Sometimes I'm really confused with reading this stuff that Stephen Miran wrote, which is very, very interesting. Then listening to Scott Bessent, who's obviously a markets guy. Then, also listening to JD Vance, who made some very important points, actually, and the Europeans were, I think, quite annoyed to hear those inconvenient truths. But then at some point, I also think **what they're trying to orchestrate is pretty naïve, because they**

We closed the gold window on Sunday, August 15th, 1971. I think we just closed the dollar window on Wednesday, April 4th.



The alternative method, which is really kind of scary is, Worst case, if no one will play ball, then we'll just burn down the whole thing.

If that still doesn't work to start to scare people out of American assets into gold, to start really devaluing the dollar, fine; then maybe American banks will start to fail.

think they can fine-tune, not only the US economy but the global economy like a thermostat. It's a little bit more complex, I would say.

Luke Gromen

I don't think that's going to happen. I don't think there's going to be *the* sit-down. I would make the argument that the tariffs may have been the Mar-a-Lago Accord. Unilateral. In other words, I am increasingly coming around to the view that what happened on Wednesday was the Nixon Sunday night surprise. **We closed the gold window on Sunday, August 15th, 1971. I think we just closed the dollar window on Wednesday, April 4th.**

Ronnie Stöferle

Luke, may I just jump in? Did you read the book *Three Days at Camp David*? I loved it. People always think there was a big plan behind it, very structured. But actually, Nixon kind of made that up within a very short time. It basically confirms that many of the things that are happening, those things are actually not really planned.

Would you say that, with the tariff announcement, there's probably also not really a big plan behind it? They just said, *Okay, let's give it a try.*

Luke Gromen

I think there's one of two things. There is either a plan to try to sort of force people into it with tariffs – that is the preferred method. **The alternative method, which is really kind of scary is, Worst case, if no one will play ball, then we'll just burn down the whole thing; we'll start with this, markets will crash, people will look for a bailout, the Europeans will want swap lines.**

If that still doesn't work to start to scare people out of American assets into gold, to start really devaluing the dollar, fine; then, maybe American banks will start to fail. And when they start to fail, no bailouts for anybody over USD 250,000 deposit insurance. *You got over 250, it's gone. If that doesn't do it, then we'll just keep doing it until the world understands that we don't want this system.* Do I think it's the right thing to do? Do I think it's likely? It's not my base case.

However, if you would have asked me three months ago, what are the odds the United States would stand aside and let the Treasury market dysfunction and maybe even up to and including a Treasury auction failure to achieve the longer-term goal of basically shifting capital out of the US to significantly weaken the dollar, to try to achieve what they see as the end state, I would say there's zero chance of that. And I think it's still a tail risk. But I don't think it's a 0% risk for these types of extreme outcomes anymore.

I was a big proponent of the Mar-a-Lago Accord. I was a big believer in it. I wrote pieces. One of the reasons I was a big believer in it was that Scott Bessent himself kept talking about it.

If it's the US that ends up being isolated, then I think the Treasury market melts down. If it's China that ends up being isolated, obviously it's terrible news for Chinese equities, but they're cheap anyway.

Bessent goes out and says the US dollar is going to stay as the reserve currency of the world and we're going to use stablecoins to do it.

Initially, all this made a lot of sense to me, and since then it's kind of devolving a bit, because you've got Bessent saying, We're going to keep the dollar reserve currency through this, and the world is going to move into dollar-based stablecoins.

Louis Gave

I'll jump in as well. **I was a big proponent of the Mar-a-Lago Accord. I was a big believer in it. I wrote pieces. One of the reasons I was a big believer in it was that Scott Bessent himself kept talking about it.** And I thought, here's the narrative.

That was the goal. And I think that the process has now thrown them way off course. Because of the whole *Let's blanket tariffs on everybody and their penguin, let's rub Xi Jinping's nose in it.* Then, you leave him no options. I think that was the goal, but the process of how it was managed means that now it's not going to happen.

For me, the big question out of this, is it the US that ends up being isolated or is it China that ends up being isolated? That's the big question mark. **If it's the US that ends up being isolated, then I think the Treasury market melts down. If it's China that ends up being isolated, obviously it's terrible news for Chinese equities, but they're cheap anyway.** And I think the government will probably intervene at some point to just buy the market and crank it back up, because it's cheap enough and they can do it.

Niko Jilch

Luke talked about the ECB. We both love the ECB. The ECB is scared of stablecoins. They talk about the digital euro every day. **Bessent goes out and says the US dollar is going to stay the reserve currency of the world and we're going to use stablecoins to do it.** Are they really going to do that? Are we going to go "free banking" on crypto and anybody who wants can print some dollars and buy some Treasuries? And that's the way forward? Or is that just some other side show that gets blown out of proportion?

Luke Gromen

You know, this is another one where in November, even in the third quarter of last year, into November, it seemed to be really, sort of, a credible way to find balance sheet capacity to manage the Treasury market through stablecoins. If we grow the size of crypto, we grow the size of the stablecoin market and we grow this as a Bitcoin, really. Bitcoin goes up, stablecoin market goes up. Stablecoins: We regulate to buy in T-bills.

So, initially, all this made a lot of sense to me, and since then it's kind of devolving a bit, because you've got Bessent saying, We're going to keep the dollar reserve currency through this, and the world is going to move into dollar-based stablecoins. But the only way that's going to happen is if the US keeps running deficits to get dollars elsewhere, I would think. So, that doesn't make sense to me in terms of there being a real growth in stablecoins, dollar stablecoins, with which to flow back into Treasuries.

Ronnie Stöferle

Kierkegaard said that *Life can only be understood backwards, but it has to be lived forwards.* So let's say we've got Marty McFly. We've got this DeLorean in *Back to the Future*. Let's say it's now April 7th, 2030, and we're basically peering

I think a lot of what the Trump administration has done in the past three months since coming in has been a game changer. Trump is signaling that the age of US empire is over.

If you're Thailand today, if you're Malaysia, if you're Indonesia; even, frankly, if you're Japan or Korea and you see this US folding back, you're like, Maybe I don't want to piss off China.

back in time through our DeLorean windshield. With the knowledge from the future, what would you have bought on April 7th, 2025, and why? And then would you say, in hindsight, that this Liberation Day was actually just a short-term blip, or was it really something that will go down in history books?

Louis Gave

I think it's a game changer, actually. But, **I think a lot of what the Trump administration has done in the past three months since coming in have been a game changer. Trump is signaling that the age of US empire is over.** He's saying, *We're moving back into our own borders; we're going to build Fortress America. [Maybe you can call it Fort Monroe.] Greenland, Canada, come inside. We'll get the Panama Canal back. But essentially, these are now our borders. It's the Western Hemisphere.*

The US is folding back into its own borders, which is why, I think, in this whole question we're having, is it going to be China that's isolated or the US that's going to be isolated? **If you're Thailand today, if you're Malaysia, if you're Indonesia; even, frankly, if you're Japan or Korea and you see this US folding back, you're like, Maybe I don't want to piss off China.** *As the US falls back, I may want to be close to China.*

Bottom line for me is when I look at this, the more obvious trend for the coming years is a weaker US dollar. And then from there, what do you buy when the US dollar goes down? I think today you buy the EMs, you buy EM banks, you buy commodities, you buy all the things that, historically, do well when the US dollar goes down. You can build a diversified portfolio between a lot of these asset classes.

Luke Gromen

I would obviously add gold and Bitcoin to those things. And then, something I've been harping on, US electrical infrastructure and things that touch it. We are so behind; there is so much investment to be done. So, I think the US domestic electrical infrastructure industry; and I'd be looking at different, sort of, higher-end US agricultural properties, at some point.

Ronnie Stöferle

Gentlemen, thank you very, very much for taking the time. It's been a true pleasure.

These were highlights of our debate with Luke Gromen and Louis-Vincent Gave on "From Trade Restructuring to Monetary Reset?". The full transcript of this debate is available for download [here](#). The video of the entire debate can be viewed on YouTube [here](#).

BRICS and the Battle for a New Global Order: Geopolitical Shifts in 2025

We have to give the world the message that BRICS is not a divisive organization but one that works in the interest of humanity.

Narendra Modi at the BRICS Summit in 2024

- The expansion of BRICS to BRICS+ marks a significant step toward a bifurcated global order, with 11 member countries representing 37% of global GDP and 45% of the global population.
- De-dollarization initiatives, including the use of local currencies and commodity-backed mechanisms for barter exchanges and national trade, challenge the dominance of the US dollar in global trade. The US dollar has ruled for decades – BRICS+ is building the foundation for what comes next.
- Technological advancements, such as blockchain and digital currencies, provide BRICS+ with innovative tools to reshape cross-border financial systems.
- BRICS+ represents a cornerstone in the shift towards a geopolitically bifurcated world, where geoeconomic sovereignty and optionality redefine the global financial, economic, energy and trade system amid growing great power competition between the US, China and Russia.
- Internal divisions and geopolitical resistance from the US remain the key hurdles for BRICS+ in implementing a unified currency or payment system. This decade will determine whether BRICS+ is a historical footnote – or a defining force in the 21st-century global order.
- The global financial order is not set in stone – those who control the currency control the world. BRICS+ is rewriting the rules.



Velina Tchakarova

Velina Tchakarova is a geopolitical strategist, certified strategic foresight expert and founder of **FACE** in Austria. She offers analyses of geopolitical risks, trends and scenarios for the public and private sectors.

Introduction

There are no permanent friends or enemies, only permanent interests.

Lord Palmerston

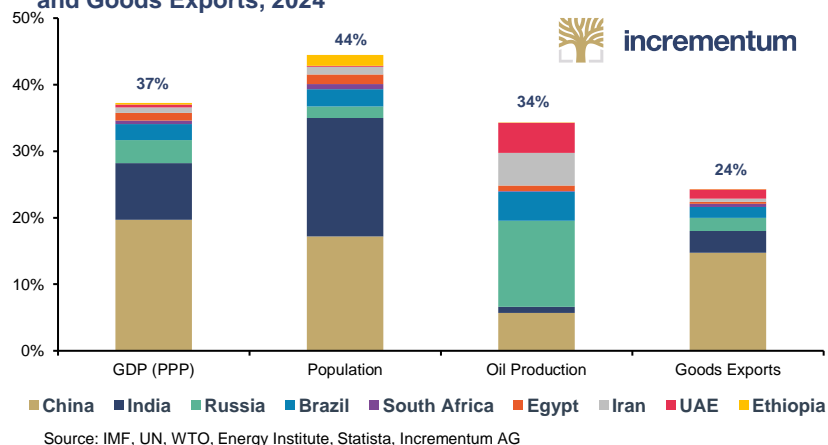
The BRICS countries collectively are bigger today, even in the most optimistic scenario I thought 15 years ago, and it's primarily because of China. Despite the problems Brazil and Russia face - and they're big - in the first decade of Brics they all grew way more strongly than I thought.

Jim O'Neill, 2016

The BRICS group continues its transformation into a formidable bloc within the evolving international order. The latest expansion, which saw Indonesia officially become a full member on January 7, 2025, underscores the bloc's ambition to solidify its influence in global governance, trade, and finance. This enlargement follows the historic decision in 2023 to invite six additional members – Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE – though Argentina later withdrew following Javier Milei's election as the new President, and Saudi Arabia has yet to confirm its membership. **The group's expansion demonstrates a concerted effort to represent the interests of the collective Global South, counterbalance Western-led institutions, and push for a more multipolar world.**

With Indonesia's accession, BRICS now represents nearly half of the world's population and a significant share of global GDP (measured by purchasing power parity). The country, as the largest economy in Southeast Asia and a leader within the Association of Southeast Asian Nations (ASEAN), brings strategic geographic, economic, and political advantages to the bloc. Indonesia's leadership in regional trade agreements and its growing role in global supply chains—particularly in critical minerals, energy security, and digital economy sectors—make it a valuable addition to the BRICS coalition. This expansion marks a significant moment in expanding the BRICS footprint.

BRICS+ Share of Global GDP (PPP), Population, Oil Production, and Goods Exports, 2024



Expanding the BRICS Footprint: The Next Wave of Potential Members

Beyond Indonesia, several other key nations from the Global South are actively considering BRICS membership. Among the most prominent contenders are:

- **Türkiye** has signaled increasing interest in aligning with BRICS as part of its broader strategy of diversifying foreign policy ties beyond NATO and the EU.

Indonesia believes that BRICS provides a valuable platform for fostering South-South cooperation and ensuring that the voices and aspirations of developing countries are heard and reflected in global decision-making processes.

Ministry of Foreign Affairs, Indonesia, 2025

- **Nigeria**, Africa's largest economy and most populous country, which sees BRICS as an avenue to enhance its geopolitical weight and access alternative financing for infrastructure and development.
- **Pakistan**, which shares deep economic and strategic ties with China, seeks an alternative to its reliance on Western-led financial institutions.
- **Bangladesh**, a rapidly growing economy with strong trade ties to BRICS members, particularly China and India, makes it a logical candidate for future inclusion.
- **Venezuela** has long expressed its desire to join BRICS, primarily as part of its strategy to counterbalance Western economic sanctions and deepen energy cooperation with China, Russia, and Iran.

These countries see BRICS as an opportunity to diversify trade relationships, access alternative development financing, and strengthen economic resilience amid shifting global power dynamics.

As BRICS grows in influence, its ability to reshape international trade and financial systems will increasingly challenge Western-centric institutions such as the IMF, World Bank, and SWIFT-dominated payment networks.

BRICS Footprint (2025)

Category	BRICS Statistics (2025)
Total Population	Over 3.3bn or approx. 40% of the global population
Total GDP (PPP)	Over USD 60trn
Share of Global GDP (PPP)	Around 37%
Key Economic Players	China, India, Brazil, Russia, Indonesia, South Africa, UAE
Strategic Geographic Regions	Latin America, Africa, Middle East, South & Southeast Asia – collectively known as the Global South
Key Economic Sectors	Energy, technology, manufacturing, critical minerals, digital economy
Critical Natural Resources	Oil (Russia, Saudi Arabia, Iran), gas (Russia, UAE), rare earths (China), lithium & nickel (Brazil, Indonesia), food commodities and agriculture (Russia, Brazil, India, China)
Geopolitical Significance	Counterbalance to Western institutions and organizations, push for multipolarity, strong G20 coordination, and strong South-South cooperation
Financial and Trade Reforms	New Development Bank (NDB), BRICS common payment system, de-dollarization efforts, trade in local currencies and commodities
BRICS partner countries	Algeria, Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Nigeria, Thailand, Turkey, Uganda, Uzbekistan, and Vietnam

Source: Velina Tchakarova

The initial phase of BRICS development

The term *BRIC* was coined by British economist Jim O'Neill in 2001. At that time, he was the head of global economics research at Goldman Sachs. O'Neill introduced the acronym in a research paper titled “Building Better Global Economic BRICs,” where he identified Brazil, Russia, India, and China as emerging markets with the potential to become significant global economic powers.

The rationale for South Africa's approach was in consideration of a matter of crucial importance to BRICS Member States, namely the role of emerging economies in advancing the restructuring of the global political, economic, and financial architecture into one that is more equitable, balanced, and rests on the important pillar of multilateralism.

Minister Nkoana-Mashabane, South Africa

Clearly, the symbolic power of the BRICS countries will grow. The group has been able to tap into the broader Global South's suspicion that post-Second World War global-governance organizations are too Western. It has occasionally been able to present itself as the voice of the emerging and developing world – a category that, of course, excludes the US and other advanced economies. Insofar as it has reminded everyone that the structure of international institutions does not reflect the global economic shifts over the past 30 years, it has succeeded.

Jim O'Neill, 2023

Following Jim O'Neill's coining of the term BRIC in 2001, the group transitioned from an economic concept into a political and diplomatic bloc. The first major political milestone occurred in 2006, when the foreign ministers of Brazil, Russia, India, and China met on the sidelines of the UN General Assembly to discuss shared challenges and opportunities. This meeting laid the groundwork for formal cooperation and diplomatic dialogue among the BRIC nations. In 2010, South Africa joined the grouping, **leading to the acronym changing to BRICS.** Over the next fifteen years, BRICS has evolved into a strategic platform for economic cooperation, political dialogue, and cultural exchange. **Its core goals include fostering multipolarity, reducing reliance on Western-dominated institutions, and promoting sustainable development.**

Key Milestones in BRICS Evolution

Year	Milestone	Key Topics Discussed
2006	First meeting of BRIC foreign ministers at the UN General Assembly	Diplomatic dialogue, global financial issues
2009	First BRIC summit in Yekaterinburg, Russia	Global financial crisis response, economic cooperation, multipolar world
2010	South Africa joins, transforming BRIC into BRICS	Broader emerging market representation, Africa's role in global governance
2011	First BRICS summit with South Africa in Sanya, China	Institutional reforms, sustainable development, trade cooperation
2014	Creation of the New Development Bank (NDB) at the Fortaleza Summit	Alternative financial institutions, funding infrastructure in emerging markets
2015	Implementation of BRICS Contingent Reserve Arrangement (CRA)	Financial stability, reducing dependency on the IMF, and liquidity support
2017	Xiamen Summit in China, initiating BRICS+ expansion discussions	Expansion of BRICS, engagement with other emerging economies

Source: Velina Tchakarova

Key milestones in the BRICS development during this phase include:

- 2007/2008 Great Financial Crisis: Highlighted the vulnerabilities of a US dollar-centric global financial system for developing economies and prompted BRICS to explore alternatives.
- New Development Bank (2014): A multilateral bank headquartered in Shanghai, aimed at financing infrastructure and sustainable development projects in member states.
- Contingent Reserve Arrangement (2015): A USD 200bn financial safety net to address liquidity challenges and reduce dependence on the International Monetary Fund (IMF).

Jim O'Neill's predictions regarding the BRIC economies have largely materialized over the past two decades. One of his key forecasts was that the BRIC economies would grow at a faster rate than the G7 countries, increasing their share of global GDP. By 2021, China had surpassed its expected growth trajectory, becoming the second-largest economy in the world, while India had significantly expanded its economic influence. Additionally, the BRICs' combined share of world GDP grew well beyond the 8% measured in 2001, with China alone accounting for over 18% of global GDP. The increasing economic weight of these

Three characteristics will guide the bank [NDB] in the coming years. The first is that it will be increasingly concerned with infrastructure, sustainable development, the environment, industrialization and technology transfer. The second is that the bank will expand into the countries of the Global South, carefully, calmly, but expand. And thirdly, a bank that will increasingly seek to finance the private sector with local currency to ensure that we comply... because we have a plan from 2022 to 2026, in which we have to have 30% of our investment for the private sector and another 30% in local currency.

Dilma Rousseff, 2024

Vision is the art of seeing what is invisible to others.

Jonathan Swift

nations also meant that their fiscal and monetary policies had a more profound impact on global markets, just as O'Neill had anticipated.

Another significant prediction that proved accurate was O'Neill's assertion that global policymaking forums, such as the G7, would need to evolve to incorporate emerging economic powers. While the G7 has remained unchanged, the G20 has taken on greater importance, with BRICS countries playing a pivotal role in global economic discussions. **China and India, in particular, have exerted influence in areas such as international trade negotiations, climate change agreements, and financial stability frameworks.** The formation of the BRICS coalition and its initiatives, including the establishment of the New Development Bank, further underscore O'Neill's foresight that these economies would demand greater representation in global economic governance.

However, one of Jim O'Neill's projections that did not fully materialize was his expectation that Brazil and Russia would grow into economic powerhouses on par with China and India. While he correctly identified China's rapid rise, Brazil and Russia have struggled with economic volatility, political instability, and structural challenges that have hindered their long-term growth. O'Neill suggested that Brazil and Russia could surpass some G7 economies in terms of economic influence, but two decades later, both countries have faced stagnation. Brazil's economy has been hampered by repeated recessions, corruption scandals, and fiscal mismanagement, while Russia's growth has been constrained by geopolitical tensions, the greatest sanctions imposed on a single country, and overreliance on energy exports. Instead of joining China and India as leading drivers of global economic growth, Brazil and Russia have largely remained resource-dependent economies with inconsistent development, failing to reach the economic dominance O'Neill initially envisioned.

Jim O'Neill's other ground-breaking BRICs paper "Dreaming With BRICs: The Path to 2050" contained several key predictions that have proven highly relevant and largely accurate by 2025. One major forecast was that by 2025, the BRIC economies would account for over half the size of the G6 GDP in US dollar terms, i.e. G7 without Canada. This projection turned out to be quite prescient, as China and India have experienced sustained economic growth, leading them to become global economic powerhouses. China, in particular, has exceeded expectations, with its economy surpassing Germany and Japan earlier than anticipated. India has also shown robust growth, driven by its expanding workforce and increasing technological advancements. **The shift in economic power has had significant geopolitical implications, influencing trade dynamics, global supply chains, and the restructuring of international economic institutions.**

Another key prediction that has held true is the increasing importance of BRIC economies in global capital flows and investment opportunities. The paper foresaw that rising incomes and economic expansion in these countries would lead to greater demand for capital and foreign direct investment. By 2025, global investors will have indeed shifted their focus toward

emerging markets, with BRICS nations playing a more prominent role in financial markets, infrastructure development, and technology investments.

The Diplomatic and Political Development of BRICS

It doesn't matter whether a cat is black or white, as long as it catches mice.

Deng Xiaoping

The China-Russia relationship today is hard-earned, and the two sides need to cherish and nurture it," Xi told Putin. China is willing to ... jointly achieve the development and rejuvenation of our respective countries, and work together to uphold fairness and justice in the world.

Xi Jinping, 2024

During the formative years of BRICS between 2006 and 2017, several leaders and diplomats played key roles in advancing political and diplomatic exchanges within the bloc. **The driving forces behind BRICS cooperation came from both political leaders and institutional diplomacy.**

- **Vladimir Putin (Russia):** Russia played a central role in the initial formation of BRIC and the first summit in 2009. Putin viewed BRICS as a strategic counterbalance to Western-dominated institutions such as NATO, G7 and the IMF. He actively promoted economic, security, and geopolitical cooperation among the BRICS nations.
- **Hu Jintao & later Xi Jinping (China):** Under Hu Jintao, China was instrumental in bringing South Africa into BRICS in 2010. Later, under Xi Jinping, China hosted major BRICS summits and pushed the idea of expanding BRICS+ partnerships.
- **Manmohan Singh and later Narendra Modi (India):** As India's Prime Minister (2004–2014), Singh was an early advocate of BRICS financial cooperation, particularly the creation of the New Development Bank (NDB). Prime Minister Narendra Modi views BRICS as a crucial platform for fostering multilateral cooperation, enhancing economic growth, and amplifying the voice of the Global South in global governance. India also emphasized innovation, technology, and digital economy within BRICS.
- **Luiz Inácio Lula da Silva and Dilma Rousseff (Brazil):** Brazil under President Lula (2003–2011) was a major proponent of global South cooperation. President Rousseff (2011–2016) strengthened BRICS' role in international trade and financial governance. In his third term, President Lula has positioned Brazil's 2025 BRICS presidency to promote a multipolar world order by prioritizing inclusive global governance, advancing de-dollarization efforts through secure payment platforms, and strengthening South-South cooperation across sectors such as health, climate, and artificial intelligence.
- **Jacob Zuma (South Africa):** After South Africa joined BRICS in 2010, President Zuma championed Africa's interests within the bloc. South Africa hosted the BRICS Summit in Durban in 2013 and was a strong supporter of the New Development Bank (NDB). South African President Cyril Ramaphosa has positioned South Africa as a key advocate for Global South cooperation within BRICS, emphasizing economic partnerships, multilateralism, and a greater voice for developing nations in global governance.

The DragonBear has been the modus operandi of strategic coordination in all systemically relevant domains between China and Russia since 2013.

Velina Tchakarova, ORF, 2023

Between 2017 and 2025, BRICS evolved into a more structured initiative, aiming to reshape global governance and challenge Western economic dominance. The NDB expanded its membership, allowing new countries to access funding for infrastructure projects, thus broadening BRICS' financial reach. In response to global trade fragmentation, BRICS intensified efforts to de-dollarize trade by increasing settlements in local currencies, particularly through China's yuan and digital currency initiatives. The geopolitical shifts during this period, including heightened tensions between the US and China, sanctions on Russia, and the global energy transition, further accelerated BRICS' efforts to establish an alternative financial and trade ecosystem.

Additionally, since 2013, President Putin and President Xi Jinping have personally guided the strategic coordination between China and Russia across all systemically relevant domains – a collaboration known as the DragonBear. This development has had a significant positive impact on the growth and influence of BRICS.

Russia-China Trade Ties

	2022	2023	2024 (11 months)
Total Russia-China trade turnover, in USD bn	190	240	223
Total Russia-China trade turnover annual growth, in %	29.3%	26.3%	2.1%
Russian trade surplus with China, in USD bn	38.4	18.1	14.4
Russian trade surplus with China, in % of total trade turnover	20.2%	7.5%	6.5%

Source: FRF Think Tank, Incrementum AG

Xi: *Right now, there are changes, the likes of which we haven't seen for 100 years. And we are the ones driving these changes together.*

Putin: *I agree. Please take care of yourself, my dear friend.*

Farewell, Moscow visit of Xi, March 2023

Over the years, BRICS has evolved into a strategic platform for economic cooperation, political dialogue, and cultural exchange. Its core goals include fostering multipolarity, reducing reliance on Western-dominated institutions, and promoting sustainable development. The 2023 Johannesburg Summit marked a turning point with the expansion of BRICS and a renewed focus on De-dollarization. The 2024 BRICS Summit in Kazan marked a significant step toward strengthening economic and financial cooperation among its expanding membership. **The summit saw renewed commitments to increasing trade in local currencies, with a joint statement welcoming the use of non-US dollar transactions in BRICS+ trade and financial exchanges.** Discussions advanced on the development of a BRICS financial messaging system, a potential alternative to SWIFT, and Russia spearheaded proposals for a commodity-backed settlement mechanism to facilitate trade using gold, oil, and strategic resources. Additionally, the NDB continued expanding its role in financing infrastructure projects in local currencies, reducing dependence on Western financial institutions.

The Kazan Summit in October 2024 underscored BRICS+'s commitment to:

- Reforming global governance, calling for UN Security Council expansion, and reforming global financial institutions.

- Enhancing financial and trade mechanisms, including local currency trade settlements and alternative investment platforms.
- Deepening cooperation with the Global South, particularly in Africa and Latin America.
- Maintaining geopolitical neutrality, avoiding direct confrontation with the West.

While the summit highlighted BRICS+'s growing influence, its structural contradictions remain:

- Lack of institutional coherence and political unity
- Divergent economic models and geopolitical priorities
- Overdependence on China and Russia for strategic direction

United we stand, divided we fall.
Aesop

Looking ahead to the 2025 BRICS Summit, hosted by Brazil in Rio de Janeiro in July, expectations are high for concrete progress on financial integration and de-dollarization initiatives. **Key areas of focus will likely include the implementation of BRICS+ cross-border payment systems, the expansion of multilateral currency swap agreements, and further efforts to institutionalize the bloc's financial autonomy.** The summit is also expected to address geopolitical realignments, particularly in light of US tariffs and shifting global trade patterns. **With more nations seeking to join BRICS+, 2025 could be a pivotal moment in shaping an alternative economic order that challenges Western financial dominance.**

De-Dollarization: Progress and Challenges

It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.
Charles Darwin

For decades, the US dollar has stood as the bedrock of global finance, directing trade, investment flows, and sovereign monetary policies. The greenback's dominance has not only cemented the economic supremacy of the US but has also given Washington unparalleled leverage to impose financial sanctions, weaponize global commerce, and steer monetary policy with global consequences. **Yet, the world is changing, and BRICS+ is at the heart of this transformation.**

The forces driving de-dollarization

When America sneezes, the rest of the world catches a cold.
Proverb

The push to reduce dependency on the US dollar is driven by three primary imperatives: economic sovereignty, geopolitical resilience, and cost efficiency. The US dollar's dominance means that US monetary policy dictates global financial conditions, often at the expense of emerging economies. High US interest rates tighten global liquidity, increasing borrowing costs for developing nations, while fluctuations in the US dollar create economic instability in debt-laden economies. For many BRICS+ members, insulating themselves from these external shocks has become a strategic necessity.

Geopolitically, the US has transformed the US dollar into an instrument of economic coercion. The freezing of USD 300bn in Russian

Every night, I ask myself why all countries have to base their trade on the dollar. Why can't we do trade based on our own currencies?

Brazilian President Lula, 2023

Necessity is the mother of invention.

Plato

A house divided against itself cannot stand.

Abraham Lincoln

foreign exchange reserves in 2022 sent a stark warning to non-Western economies: excessive reliance on Western financial systems could be a liability. Countries like China, Iran, and Russia—historical targets of US sanctions—are now actively seeking alternatives to SWIFT, the US-controlled international payment messaging system. Even traditionally neutral countries, wary of Washington's ability to unilaterally cut them off from global finance, are quietly exploring de-dollarization as a means of hedging against future geopolitical risks.

Beyond sovereignty and security, de-dollarization also offers tangible economic benefits. Settling trade in national currencies eliminates costly exchange rate fluctuations and reduces transaction costs. Proposals for commodity-backed settlement mechanisms, where trade is pegged to assets such as gold, oil, or rare earth metals, further enhance financial stability. This approach provides a hedge against inflation, ensuring that BRICS+ trade settlements maintain intrinsic value without being subject to the monetary policies of a single country.

Building the financial infrastructure for a post-US-dollar world

While a full-scale departure from the US dollar is still a distant goal, BRICS+ nations are already implementing pragmatic financial innovations to increase their autonomy. Bilateral trade in national currencies is gaining momentum. By the second half of August 2024, the share of their currencies in bilateral trade between China and Russia **exceeded 95%**, while India has created a rupee-ruble mechanism to pay for Russian oil. Similarly, Brazil and China have formalized agreements to conduct trade directly in yuan and reais, bypassing the US dollar. **Even energy transactions—historically dominated by petrodollars—are shifting, with the UAE and India recently settling oil trades in rupees for the first time.**

To complement these efforts, BRICS+ is actively developing alternative financial messaging and payment systems to bypass SWIFT. Russia has proposed *BRICS Bridge*, a cross-border payment system designed to facilitate transactions among member states without exposure to US oversight. China, meanwhile, is expanding its Cross-Border Interbank Payment System (CIPS), positioning it as a direct competitor to SWIFT. The NDB has also begun issuing loans in local currencies, reducing dependence on US dollar-denominated financing.

Despite these advances, the concept of a common BRICS currency remains elusive. While there have been discussions about creating a shared reserve currency pegged to a basket of BRICS+ currencies and commodities, the technical and political challenges are formidable. **China alone accounts for 62% of the GDP of the 10 BRICS+ countries, raising concerns about Beijing's dominance in any potential currency arrangement.** Meanwhile, India remains cautious and wary of ceding financial sovereignty to a bloc in which its primary geopolitical rival, China, plays a leading role.

In theory, there is no difference between theory and practice. In practice, there is.

Yogi Berra

BRICS+ and the de-dollarization of global financial reserves

The BRICS+ bloc has emerged as a key player in the global de-dollarization process, with its member states controlling approximately **42% of global central bank foreign exchange (FX) reserves**. However, while the group is actively reducing its dependence on the US dollar, its alternative strategies remain limited in scope. **Gold stands out as the primary substitute for the US dollar within BRICS+ reserves, yet despite consistent accumulation, it constitutes only 10% of total reserves, half the global average.** If BRICS+ central banks were to double their gold holdings, this would create a surge in global demand, but practical constraints such as limited production capacity may hinder such an expansion. Meanwhile, efforts to introduce BRICS+ currencies as viable reserve assets face challenges due to the bloc's modest external liabilities, which represent just **6% of global external debt** – compared to 21% for the US.

Long-term Evolution of Combined Global Role of BRICS+ Member Countries (excl. Indonesia), in % of Global Values

	2000	2004	2008	2012	2016	2020	2024*
BRICS+ CB FX reserves	20.8%	28.9%	42.0%	44.2%	42.6%	41.3%	42.4%
BRICS+ CB Gold reserves	4.5%	5.0%	5.2%	10.0%	16.8%	17.7%	22.2%
BRICS+ trade turnover	11.4%	14.6%	17.9%	20.8%	20.4%	21.0%	20.4%
thereof with other BRICS+ countries	20.3%	21.0%	22.2%	25.9%	26.7%	27.1%	27.5%
thereof with other EM countries	10.0%	12.7%	19.1%	23.9%	22.9%	27.9%	30.7%
thereof EM fuel trade	11.1%	14.7%	19.9%	26.2%	30.3%	36.1%	36.8%
thereof DM trade	9.5%	12.5%	15.7%	19.2%	19.1%	20.1%	18.0%
BRICS+ gross external debt	3.0%	2.9%	2.9%	4.4%	5.4%	5.7%	5.9%
BRICS+ GDP (PPP)	20.1%	22.5%	26.1%	29.6%	32.0%	34.8%	36.8%
BRICS+ GDP (nominal)	10.3%	10.9%	16.7%	22.4%	24.2%	26.0%	26.3%
BRICS+ population	46.8%	46.5%	46.1%	45.6%	45.2%	44.7%	44.0%

Source: IMF, World Bank, BIS, SWIFT, Refinitiv, ING, Incrementum AG. *2024 or latest available.

Limits of de-dollarization

Beyond financial reserves, BRICS+ is expanding its influence in global trade, particularly in fuel markets. The bloc accounts for **37% of emerging market (EM) fuel trade**, positioning itself as a key driver of trade-based de-dollarization. Nonetheless, its broader impact remains constrained by structural factors. BRICS+ countries produce around **30% of global oil** – if Saudi Arabia were to accept the invitation to join BRICS+, this figure would jump by more than a third to **42%** – a figure that matches the combined output of the US, Canada, and Mexico, where trade remains predominantly dollarized.

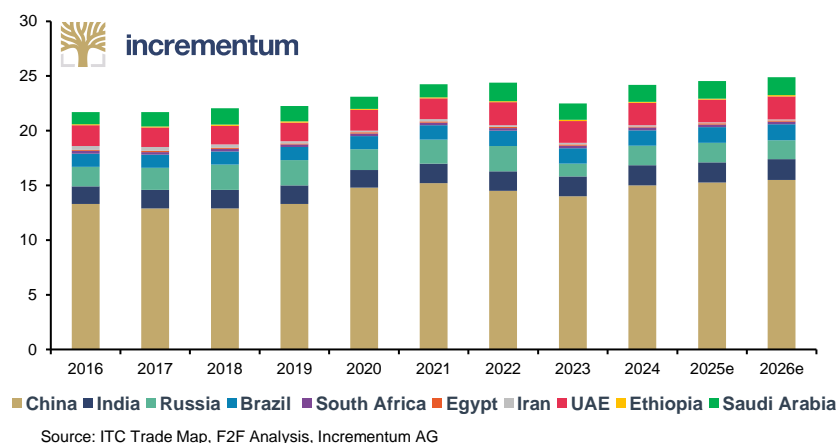
Don't count your chickens before they hatch.

English Proverb

Furthermore, BRICS+ represents **just 20% of global trade compared to developed markets' 60% share, limiting its ability to dictate the terms of international commerce.** While intra-BRICS+ trade is increasing, with a growing preference for local currencies such as the Chinese yuan, the expansion of BRICS+ currency usage in global transactions is still modest. The use of central bank digital currencies (CBDCs) as a de-dollarization tool remains a long-term

prospect rather than an immediate threat to US dollar dominance. **Despite growing signs of financial independence, BRICS+ remains far from fundamentally challenging the supremacy of the US dollar in international trade and finance.**

Share of BRICS+ in Global Exports, in %, 2016–2026e



The more things change, the more they stay the same.

Jean-Baptiste Alphonse Karr

If China and India could resolve their border disputes and develop a closer, constructive relationship, both countries would benefit, as would world trade, global economic growth, and the BRICS' effectiveness. China and India could cooperate in many areas and in ways that would influence the other BRICS countries and many others throughout the Global South.

Jim O'Neill, 2023

Obstacles to a de-dollarized future

Despite the growing momentum, several structural barriers stand in the way of a seamless transition away from the US dollar. The strength of the US financial system remains a powerful anchor for global trade and investment. The Federal Reserve's high interest rates have made US dollar assets more attractive, discouraging emerging markets from diversifying too quickly. In countries like Brazil and South Africa, the financial sector remains deeply integrated with US markets, making any abrupt move toward de-dollarization risky.

Moreover, BRICS+ lacks the institutional mechanisms to support a full-fledged alternative financial order. Unlike the IMF, the bloc does not have a lender of last resort that can provide liquidity during economic crises. Credit and swap line agreements between BRICS nations remain underdeveloped, limiting financial integration. **Meanwhile, SWIFT dependency remains a major hurdle, as most global transactions are still processed through US-controlled financial infrastructure.**

Internal fragmentation within BRICS+ also complicates financial coordination. China and India remain geopolitical rivals, with unresolved border disputes and competing visions for global leadership despite the **successful normalization of their bilateral ties** in 2024. Brazil and South Africa maintain strong economic ties with the West, making them hesitant to fully commit to China-led financial initiatives. New BRICS+ members such as the UAE and Egypt straddle a precarious balance, maintaining close security partnerships with the US while simultaneously aligning with BRICS economic strategies. In addition, **the initiated rapprochement between the United States and Russia** under President Trump's second term has introduced strategic ambiguity within BRICS+,

BRICS was put there for a bad purpose... I told them if they want to play games with the dollar, then they are going to be hit by a 100% tariff. The day they mention that they want to do it, they will come back and say - we beg you, we beg you. BRICS is dead since I mentioned that...
Donald Trump, 2025

Politics makes strange bedfellows.
Charles Dudley Warner

potentially straining the bloc's internal cohesion as member states reassess their geopolitical alignments amid shifting US-Russia dynamics.

Trump's Return: The Wild Card in the De-Dollarization Push

The return of Donald Trump to the US presidency in 2025 introduces a new layer of uncertainty. His recent threats to impose 100% tariffs on BRICS+ members seeking to replace the US dollar could significantly disrupt trade relations. China, as the largest exporter to the US, would suffer the most, further escalating the ongoing US-China trade war. India and Brazil, both of which maintain strong economic ties with the US, could be forced to make a strategic choice between deeper integration with BRICS+ or preserving their access to American markets. Meanwhile, the current status of US tariffs on BRICS+ countries reflects a complex and evolving trade landscape. As of April 2025, President Trump has implemented a universal 10% tariff on imports from most countries, excluding Russia, with specific sectors such as automobiles, steel, aluminum, and auto parts facing higher tariffs of 25%, starting May 3. Tariffs on Chinese goods have been especially aggressive, reaching a cumulative 245%, with China retaliating by hiking tariffs to 125%. Additionally, the Trump administration has initiated investigations into the national security implications of importing computer chips and pharmaceuticals, potentially leading to further tariffs in these sectors. **These measures have led to significant market volatility and have strained trade relations between the US and BRICS+ nations.**

For South Africa and new BRICS+ members such as the UAE and Egypt, Trump's trade war rhetoric poses additional risks. Retaliatory measures from Washington could lead to trade restrictions, sanctions, or the suspension of preferential trade agreements, such as the African Growth and Opportunity Act (AGOA), which provides duty-free access to US markets. **These risks could slow the de-dollarization momentum, forcing some BRICS+ members to tread carefully in their financial realignments.** Meanwhile, the Trump administration's parallel diplomatic overtures—most notably a US-Russia rapprochement and revived negotiations with Iran—further complicate BRICS+ dynamics. The potential emergence of a US-Russia "EagleBear" axis – even though unrealistic in the short term – raises strategic uncertainty within the bloc, particularly as Moscow appears to weigh geopolitical flexibility against its longstanding alignment with Beijing.

The Future: A New Financial Order or a Fragmented Transition?

As BRICS+ navigates internal divisions, external pressures, and the logistical complexities of building an independent financial system, the question is not whether the US dollar will be replaced – but how much influence it will lose. The development of alternative financial ecosystems, digital currencies, and commodity-backed trade mechanisms suggests that the world is moving toward a more decentralized financial system, even if the transition is gradual.

Chaos is merely order waiting to be deciphered.

José Saramago

For global investors, hedge fund managers, and risk strategists, the implications of BRICS+’s financial evolution are profound. A weakened US dollar could introduce greater currency volatility, reshape commodity pricing dynamics, and alter investment flows between the West and emerging markets. **The rise of regional payment networks and digital settlement mechanisms could challenge the primacy of the dollar, forcing multinational corporations to rethink their exposure to US financial policies.**

Ultimately, the success of de-dollarization will hinge on the ability of BRICS+ to forge a cohesive financial strategy, withstand geopolitical retaliation, and build resilient economic institutions. The world is witnessing the first real challenge to US dollar dominance in decades, and while the dollar’s reign is far from over, the pillars of a multipolar financial order are already being built. The added complexity of Trump’s geopolitical strategy – particularly the ceasefire efforts in Ukraine and Gaza – may reshape the diplomatic calculus of individual BRICS+ members, creating opportunities for deal-making while simultaneously testing the bloc’s strategic alignment and cohesion.

Game Changers and Opportunities in 2025

The special relationship between China and Russia ("Chussia") is a powerful one: a marriage of commodities and industry, uniting the largest commodity producer (Russia) and the factory of the world (China), potentially in control of Eurasia.

Zoltan Pozsar

One of the most discussed strategies within BRICS+ is the introduction of a commodity-backed settlement mechanism. This is a proposal that would allow member nations to conduct trade using a system backed by tangible assets such as gold, food, and energy commodities, and rare earth metals, as BRICS+ accounts for 74.2% of the global deposits of rare earth elements, with China alone having 40%. **This would offer a stable alternative to the US dollar without requiring the immediate introduction of a common currency.** By tying transactions to real-world commodities, the system could mitigate inflation risks and speculative volatility that often plague fiat currencies. It would also provide BRICS+ nations with a degree of insulation from the fluctuations of US monetary policy, which has historically dictated capital flows and economic stability worldwide. **However, such a system faces notable obstacles, including the challenge of price stability in commodity markets, liquidity constraints, and the likelihood of Western retaliation aimed at undermining its adoption.**

We note the emergence of new centers of power, policy decision-making and economic growth, which can pave the way for a more equitable, just, democratic and balanced multipolar world order.

Kazan Summit, 2024

Another major development shaping the future of BRICS+ is the integration of blockchain technology into cross-border payments. This innovation has the potential to revolutionize financial settlements by offering a decentralized alternative to Western-controlled systems such as SWIFT. **The growing adoption of blockchain-based payment networks, including China’s Cross-Border Interbank Payment System (CIPS) and Russia’s digital ruble initiatives, is an indication that BRICS+ nations are exploring ways to circumvent Western financial dominance.** By leveraging decentralized ledger technology, these nations aim to enhance transaction security, improve transparency, and reduce reliance on intermediary banks. However, this transformation is not without risks. The absence of regulatory cohesion across BRICS+ nations could hinder the scalability of

BRICS was never meant to be against anyone. The Indian Prime Minister put it aptly of late when he had said that BRICS is not an anti-western group but it's just a non-western group.

Vladimir Putin, 2024

blockchain payments, while the threat of Western economic retaliation—such as sanctioning blockchain platforms that facilitate non-US dollar transactions—remains a critical challenge.

Despite these external challenges, BRICS+ continues to push forward with concrete solutions aimed at strengthening financial independence. A major pillar of this effort is the establishment of a multilateral currency swap system, which allows central banks to provide liquidity in local currencies rather than relying on the dollar. This mechanism has already been tested between China and Russia, as well as between India and the UAE, signaling a broader move toward localized financial arrangements. In addition, regional payment networks, such as India's Unified Payments Interface (UPI), are being considered as potential models for inter-BRICS transactions. **While these developments represent important steps toward financial autonomy, they do not yet constitute a full-fledged challenge to the existing global monetary system.** The US dollar remains deeply entrenched in global trade, and despite increasing use of national currencies within BRICS+, a significant share of global transactions is still conducted through SWIFT and settled in US dollars.

Global Geopolitical Tensions	Beyond internal issues, BRICS+ operates in a rapidly shifting geopolitical environment.
Russia-Ukraine War	Western sanctions on Russia create a divide within BRICS+, with some members hesitant to fully support Moscow.
Middle East Conflicts	Iran's participation in BRICS+ increases tensions, particularly with Gulf nations wary of Tehran's regional ambitions.
Africa's Growing Strategic Importance	The competition between the US, China, and Russia for influence in Africa places BRICS+ at the center of a new geopolitical battleground.
Geopolitical Implications	The success of BRICS+ in reducing US dollar dependence carries significant global ramifications.
For the US	Loss of US dollar dominance could weaken US geopolitical influence and the ability to impose sanctions.
For Global Markets	Transitioning to new systems may increase market volatility, affecting trade flows, investment patterns, and currency stability.
For Developing Nations	BRICS+ could become a model for emerging economies seeking to diversify their financial systems and assert greater sovereignty.
Global Economic Crises	A severe recession or financial instability could push countries toward alternative systems.
Technological Innovations	Blockchain and central bank digital currencies (CBDCs) offer new avenues for bypassing traditional financial systems.
Geopolitical Shifts	Expanded BRICS membership or changes in Middle Eastern alliances could strengthen the bloc's economic influence.

Source: Velina Tchakarova

Same bed, different dreams.
Chinese Proverb

Looking ahead, BRICS+ faces a decisive moment in its evolution. The expansion of the group brings greater economic clout, but it also introduces internal contradictions. India remains cautious about China's leadership within the bloc, wary of Beijing's growing influence in both economic and strategic affairs. Similarly, Saudi Arabia, despite showing interest in BRICS+, continues to maintain strong financial and security ties with the United States, making its full commitment uncertain. Iran's inclusion adds another layer of complexity, as its geopolitical position could provoke further Western sanctions against BRICS-affiliated institutions. These internal divergences could slow decision-making and hinder the implementation of a unified financial strategy.

The price of doing the same old thing is far higher than the price of change.

Bill Clinton

As we Chinese often say, “A man of virtue regards righteousness as the greatest interest.” It is for our shared pursuit and for the overarching trend of peace and development that we BRICS countries have come together.

Xi Jinping, Kazan Summit, 2024

If everyone is moving forward together, then success takes care of itself.

Henry Ford

Divide et impera.

Latin Proverb

The long-term implications of BRICS+ initiatives will depend on how effectively the group navigates these challenges. If successful, BRICS+ could become the backbone of a multipolar financial system, offering emerging economies an alternative to the dollar-centric model that has dominated global trade for decades. This transition would not happen overnight, but incremental shifts—such as the rise of commodity-backed trade settlements, blockchain-driven financial ecosystems, and expanded local currency financing—could gradually erode US dollar hegemony. However, a failure to coordinate policy, coupled with resistance from entrenched Western financial institutions, could stall the bloc’s ambitions and limit its impact to regional economic arrangements rather than a full-scale global transformation.

Geopolitical Outlook

While the US dollar remains dominant in international transactions, its role as a reserve currency is gradually diminishing. Efforts by BRICS nations to reduce reliance on the US dollar, such as developing alternative payment systems, contribute to this trend. **In 2025, the BRICS+ currency initiative might evolve into a multi-asset settlement mechanism rather than a true monetary alternative, functioning more as a strategic workaround than a financial revolution.** Modelled loosely on the IMF’s Special Drawing Rights, it could rely on a basket that includes national currencies, gold, commodities, arms, and digital assets such as CBDCs. This system might enable participating states to bypass US dollar-based trade and avoid Western sanctions, particularly in transactions involving countries like Russia and Iran – especially if the recent geopolitical rapprochement efforts by the US toward Moscow falter or if negotiations with Tehran over its nuclear program and regional behaviour fail to deliver results. In such a scenario, Russia and Iran could deepen their alignment with BRICS+ financial mechanisms as a counterweight to Western pressure.

However, the credibility of this system could be undermined by the ongoing decline in RMB reserve holdings, volatile macroeconomic fundamentals among BRICS members, and the absence of legal safeguards or institutional trust. **While it could help sanctioned or isolated economies sustain trade through barter-style arrangements, it is unlikely to offer the transparency, convertibility, or global acceptance needed to rival the existing US dollar system.**

The hypothetical emergence of an EagleBear bloc – however fragile or tactical – has already begun to reshape global perceptions. With the US and Russia exploring overlapping interests in arms control, energy coordination, and regional stabilization, the DragonBear construct – symbolizing tight Sino-Russian alignment – is now being contested. For BRICS+, this shift introduces strategic ambiguity. If Moscow distances itself from Beijing, the geopolitical coherence of BRICS+ could weaken, undermining its role as a unified counterweight to the West. Smaller members – such as South Africa, the UAE, and Egypt – may face increased pressure to clarify their loyalties, especially as

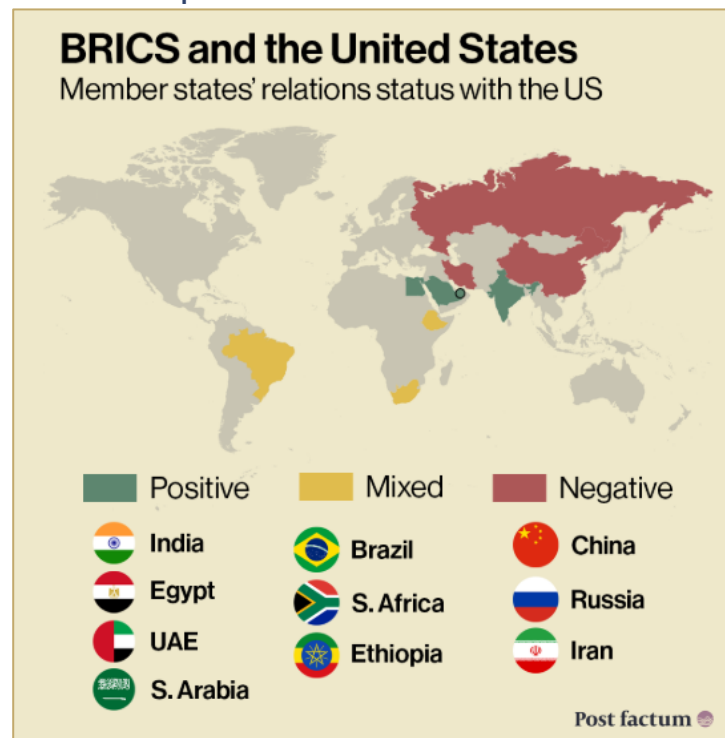
He who rides a tiger is afraid to dismount.

Chinese Proverb

The deepening trade war between the US and China has catalyzed a broader bifurcation of the global economic and trade system with cascading effects on international relations. As tariffs soar — reaching 245% on Chinese goods in some cases — and retaliatory measures follow, supply chains are fragmenting and the global economy is increasingly defined by competing spheres of influence.⁴⁶ In this geopolitical environment, BRICS+ members are under mounting pressure to pick sides. India and Brazil, which maintain deep economic ties with both China and the US, are especially exposed to geopolitical crosswinds. **Their strategic ambivalence may constrain BRICS+ decision-making, as internal divisions become more pronounced in light of external pressures.**

Moreover, the contours of a new Cold War — between the US-led West and the DragonBear alliance — are taking shape, with BRICS+ countries caught in the middle.⁴⁷ While some members may double down on their multipolar ambitions, others may choose to hedge or disengage from initiatives perceived as antagonistic to the West. **The bloc's ability to provide an alternative governance model to Western-led institutions will depend on its capacity to maintain cohesion in this era of heightened rivalry.**

The relationship between individual BRICS+ member states and the US



Source: Factum

⁴⁶ See Tchakarova, Velina: "Bifurcation of the Global System", 2021

⁴⁷ See Tchakarova, Velina: "Trump, the DragonBear, and the Global Order: Why the World Is Splitting in Two", YouTube, April 5, 2025

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things.

Niccolo Machiavelli

Recalling the 2023

Johannesburg II Declaration we reiterate our strong belief that multilateral cooperation is essential to limit the risks stemming from geopolitical and geo-economic fragmentation and commit to intensify efforts in areas of mutual interest, including but not limited to, trade, poverty and hunger reduction, sustainable development, including access to energy, water and food, fuel, fertilizers as well as mitigating and adapting to the impact of climate change, education, and health, including pandemic prevention, preparedness and response.

Kazan Summit Declaration, 2024

The central question is whether BRICS+ can effectively counterbalance the Western-led order and provide an alternative governance model or whether internal divergences and external pressures will limit its ability to act as a unified bloc. BRICS+ stands at a crossroads between evolution and fragmentation. It has surpassed the G7 in economic size, controls critical global resources, and has emerged as a voice for the Global South. However, its institutional weaknesses, financial dependence on Western markets, and internal divergences limit its effectiveness.

To become a true alternative to the Western-led order, BRICS+ must:

- Develop a structured financial and economic framework beyond symbolic statements.
- Strengthen intra-BRICS+ trade and investment flows to reduce reliance on external markets.
- Balance China's economic as well as the DragonBear's geopolitical dominance with a more equitable distribution of leadership.
- Create a geopolitical vision that aligns its diverse members toward common goals.

As of 2025, BRICS+ has positioned itself as a key geopolitical and economic force, actively shaping global financial flows, technological collaborations, and multilateral diplomatic efforts among the world's emerging economies. As BRICS+ seeks to counterbalance Western financial and geopolitical dominance, it must contend with divergent economic systems, external pressure from the US, and internal fractures. While creating a unified BRICS currency remains an aspirational long-term goal, pragmatic steps—such as commodity-backed settlement mechanisms, blockchain-enabled payment networks, and increased trade in national currencies—are already in motion, laying the foundation for a decentralized financial system.

The geopolitical dimension of BRICS+'s financial evolution cannot be ignored, especially with the return of Donald Trump to the White House in 2025. His administration's explicit threats of imposing 100% tariffs on BRICS nations seeking to replace the US dollar mark a direct confrontation with the bloc's economic aspirations. Such a move would have profound consequences for global trade, particularly for China, which remains the largest exporter to the US. A renewed trade war could intensify Beijing's efforts to accelerate de-dollarization, further deepening the economic bifurcation between the West and the emerging multipolar financial system. Meanwhile, India and Brazil find themselves in a delicate balancing act, as both maintain strong trade ties with the US and may hesitate to fully commit to an anti-US dollar agenda that could jeopardize their economic interests.

The question of a unified BRICS currency – while frequently discussed – remains highly speculative. Unlike the Eurozone, which took decades to establish monetary integration, BRICS+ lacks the necessary institutional cohesion and economic convergence required for a single currency. China's dominance, accounting for **62% of BRICS+ GDP**, creates a power imbalance that smaller

Brick for brick they built their walls against us. They learned the lesson from us. The villainy we taught them, they practiced on us.

Franklin D. Roosevelt

economies may struggle to navigate. Moreover, divergent monetary policies, trade imbalances, and geopolitical misalignments make the prospect of a BRICS common currency unlikely in the near future. **Instead, incremental steps such as bilateral currency swap agreements, regional clearing houses, and the expansion of digital payment networks are expected to be the primary mechanisms driving de-dollarization.**

Looking ahead, the geopolitical and geoeconomic ramifications of BRICS+’s financial initiatives are profound. A successful de-dollarization strategy would undermine the US’s ability to impose unilateral sanctions, weaken its global financial leverage, and reshape international trade dynamics. At the same time, the transition toward a multipolar financial system is likely to increase market volatility, introducing new risks for investors and multinational corporations navigating an increasingly fragmented global economy.

Ultimately, BRICS+ is not merely an economic bloc – it is a geopolitical statement, a declaration of intent to redefine global power structures. While its financial independence from the US dollar remains a work in progress, the trajectory is clear: the world is shifting toward a more decentralized, multipolar economic order, and BRICS+ is leading the charge. Whether it succeeds in fundamentally reshaping the global financial landscape or remains a collection of fragmented initiatives will depend on its ability to overcome internal divisions, withstand external pressures, and build resilient, scalable financial infrastructures.

Focus on System Rivalry: Where Is China Heading?

When the winds of change blow, some people build walls while others build windmills.

Chinese Proverb

- **Maintaining power as a key motive:** Both the reform and opening-up policy under Deng Xiaoping and the centralized and nationalist policy under Xi Jinping are expressions of the CCP's consistent incentive structure to secure its power and legitimacy.
- **First transformation (from 1978):** Deng Xiaoping initiated the reform and opening-up policy, ushering in an era of economic liberalization that integrated China into the global economy and shaped the globalization of recent decades. This policy marked China's peaceful rise.
- **Second transformation (from 2012):** With Xi Jinping, a strategic realignment began prioritizing stronger ideological control, a return to Marxism-Leninism and the expansion of state control over key industries. Xi is also pursuing an increasingly rivalrous policy towards the West.
- **Systemic competition:** Xi Jinping is pursuing a policy that strengthens China's economic and technological independence and is redefining the global balance of power in trade and innovation.
- **Parallel globalization:** With initiatives such as the New Silk Road, aka Belt and Road Initiative, China is creating an alternative global network. This strategy aims to create economic dependencies and strengthen China's influence, particularly in the global South.
- **Legitimacy of performance under pressure:** China's financial stability is wavering in the face of the real estate crisis. Xi faces the challenge of putting the economy on a sustainable course without causing major shocks.
- **Technological leadership and industrial strategy:** China has achieved a leading global position in key industries such as e-mobility, renewable energies, and high-tech. Through smart industrial policy and strategic investment, it has become a driver of innovation in key areas and has overtaken the West in several fields of technology.
- **Gold is booming among both private investors and the PBoC:** Private investors are increasingly replacing real estate with gold, while the PBoC is expanding its holdings as protection against geopolitical risks and to reduce its dependence on the US dollar.

Introduction

History tells us that China and the US stand to gain from cooperation and lose from confrontation.

Mao Ning, spokesperson of the Chinese Foreign Ministry

We've been ripped off by China for a long time.

Donald Trump

Cold War II is worse. From a technological vantage point, it's also worse because we have the nuclear weapons of Cold War I [...], but we also have a lot of things that they didn't have in Cold War I, from artificial intelligence to maybe quantum computing.

Niall Ferguson

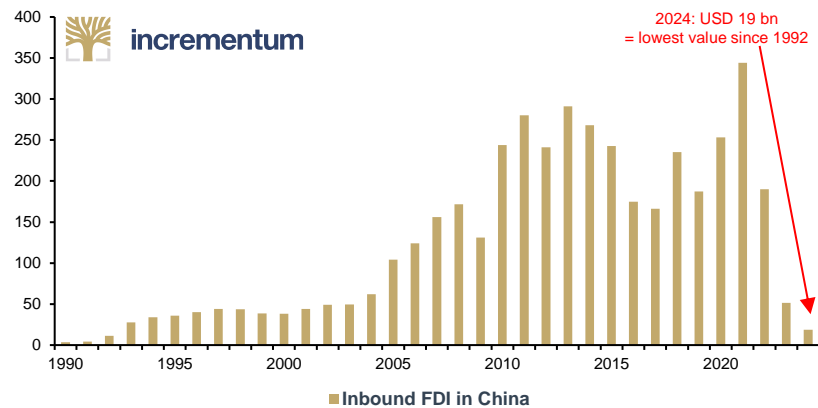
It is January 17, 2025. Donald Trump, back at the threshold of power, dials the phone to Beijing just a few days before his second inauguration. The phone call was surprisingly friendly; Trump even praised the conversation as *'a very good one'*. Two polar opposites – united, at least for the moment, in the lofty intention of *'making the world more peaceful and safe!'* Are these mere conciliatory phrases, rhetorical whitecaps on the ocean of geopolitical currents?

In any case, the tone here was different from Trump's in 2018.

With a piece of economic improv theater, illuminated by the spotlight of a patriotic production, Donald Trump raised the curtain on the trade war with China in 2018, when erratic tariff increases and arbitrarily imposed trade barriers led to considerable irritation and imbalances in global trade. Companies were reluctant to invest in the face of uncertainty, as tariffs drove up production costs and disrupted global supply chains. Consumer goods became more expensive; and while the US dollar became the focal point of these uncertainties, its strengthening put additional pressure on the US export economy. Consequently, the Federal Reserve was forced to perform a hat trick of interest rate cuts in 2019 to lift the shadow from the economy.

Trump's impulsive volatility came up against a Chinese counterpart whose plans are not conceived in weekly or monthly cycles but in decades. Under Biden's direction, the conflict continued less erratically but no less implacably – because fundamental geopolitical tectonics had shifted noticeably when Xi Jinping took office in 2012. The intensive economic interdependence between China and the West was increasingly showing cracks in its structure. In light of comprehensive Chinese measures such as the strict regulation of technology companies, the dismantling of market monopolies, and the increased control of data flows, as well as US restrictions such as President Biden's ban on US investments in strategic Chinese technologies such as semiconductors, quantum computers and AI in 2023 to protect national security, more and more multinational companies are being forced to actively manage their China-specific risks.

Inbound FDI in China, in USD bn, 1990–2024



Source: Chinese State Administration of Foreign Exchanges (SAFE), Incrementum AG

There is an urgent need – from a political, entrepreneurial and investor perspective – for a deeper understanding of China under Xi Jinping. In the face of what is brewing in the Far East, Western narratives oscillate between appeasing hope and alarmism. But what factors actually determine China's course? What challenges threaten the country's stability? How solid is the power structure around Xi Jinping and the Chinese Communist Party (CCP)?

The Pillars of the CCP's Monopoly of Power

Ideas and ideologies matter, and institutions play a major role in determining just how much they matter. Ideas and ideologies shape the subjective mental constructs that individuals use to interpret the world around them and make choices.

Douglass C. North

Our approach focuses on the CCP and its party leader as a central actor with a clearly definable incentive structure. This approach is anchored in the tradition of political economy and at the same time closely related to Ludwig von Mises' concept of the *acting man*. China's geopolitical strategy and domestic political actions appear in a different light as soon as they are interpreted as an expression of the CCP's efforts to secure its hold on power. Legitimacy plays a decisive role in this and is based on several pillars:

- **Ideology:** On the one hand, it serves to "convey a unified and conscious worldview to the individual", which, among other things, justifies the necessity of the CCP's supremacy. On the other hand, it functions as organizational communication, which aims to create a clear and uniform orientation for action within the party and to translate the world view into consistent actions. (It should be noted that the CCP has 100 million members.)⁴⁸
- **Performance legitimization:** The government justifies its rule through economic success and the improvement of living standards.
- **Social stability and security:** Tensions are controlled through stability policies, surveillance, and repressive measures in order to prevent chaos as in

⁴⁸ Marx and Engels argued in the Communist Manifesto that the dictatorship of the proletariat was necessary to overcome the bourgeoisie and create a classless society. Lenin took up this idea and developed the idea of the vanguard party, which, as the leading force, had to represent the revolutionary interests of the proletariat. The distinction between pure and practical ideology (here: world view vs. organizational communication (Weltanschauung vs. Organisationskommunikation)) can be found in: Schurmann, Franz: *Ideology and Organization in Communist China*, 1966, p.22.

the Cultural Revolution. At the same time, social equality as a communist ideal remains central to limiting inequality and avoiding conflict.

- **Geopolitical legitimacy:** China's national rise and its role in world politics strengthen the legitimacy of the leadership.

稳定压倒一切。

(Stability is the top priority.)

Deng Xiaoping

The pillars of legitimacy do not work in isolation but are in tension with each other, which often creates conflicts of interest. The following sections are dedicated to analyzing China's two central transformations of the last 50 years against the backdrop of the aforementioned pillars of legitimacy and their reciprocal dynamics:

- The reform and opening-up policy from 1978
- The realignment under Xi Jinping from 2012

Strengthening the Basis of Legitimacy through Economic Reforms from 1978 and the Golden Age of Globalization

It doesn't matter whether a cat is black or white, as long as it catches mice.

Deng Xiaoping

After Mao Zedong's death in 1976, China found itself in a state of profound uncertainty in which society was balancing on the ruins of ideological excesses. The Great Leap Forward (1958–1961) and the Cultural Revolution (1966–1976) had proved to be furious self-demolitions, historical boomerangs that not only undermined the country's economic foundations but also corroded the social texture through a climate of generalized mistrust and systematic political paranoia. The following table shows the status quo of the basis of legitimacy at the time:

Pillar	Rating	Status quo
Ideology	weak	(Impending) loss of faith in Maoism and Marxism-Leninism (Impending) fragmentation within the CCP Doubts about one-party rule
Performance legitimization	weak	Economic stagnation and widespread poverty Inefficiency of the planned economy, production losses, and lack of technological development
Social stability and security	weak	Social trauma and fragmentation caused by the Cultural Revolution Deep mistrust between citizens and the government, and within society Widespread poverty Local unrest and protests
Geopolitical legitimization	weak	International isolation, especially after the split with the Soviet Union Little influence in global politics Regional rivalries and military backwardness

Source: Incrementum AG

Deng Xiaoping's assumption of power in 1978 came at a time when the CCP was characterized by internal tensions and uncertainties. Although there was no openly visible revolutionary counter-camp, the fear that even the smallest trigger event could turn the simmering unease into a conflagration kept the party leadership on constant alert. **The imperative was hanging over the country – and Deng recognized it – to generate economic momentum through reforms that seemed capable of halting the erosion of the legitimizing foundations and enabling forward momentum.**

摸着石头过河。

(Crossing the river by touching the stones)

Deng Xiaoping / Chen Yun

[The Party] prescribes to its people, every few years, sometimes every few months – whenever necessary – forgetting, complete and total forgetting.

Kai Strittmacher

We must integrate the universal truth of Marxism with the concrete realities of China, and blaze a path of our own and build a Socialism with Chinese Characteristics.

Deng Xiaoping

Trial and error: Deng Xiaoping's pragmatic reform course

In the years that followed, Deng Xiaoping introduced the economic and political innovations that became known as the reform and opening-up policy (改革开放, *gǎigékāifàng*). The focus was on a pragmatic trial-and-error approach: Special economic zones such as Shenzhen became laboratories of cautious market economy experiments and decentralized reform initiatives. Without jeopardizing the fragile political stability, Deng created islands of progress whose dynamic successes served as blueprints for the gradual opening up. It was a two-pronged reform practice that was based on a controlled interplay between central government authority and decentralized reform initiatives and that created room for competing approaches and adjustments in the event of undesirable developments.

The introduction of non-planned, non-state economic sectors led to the formation of a dual structure, a coexistence of market-based, vibrant innovation spaces and central planning, whereby the share of the planned economy was gradually reduced ("growing out of the plan").⁴⁹ At the same time, the targeted expansion of exports, fueled by capital from Hong Kong and overseas, set in motion the mechanisms of global integration that gave China's economy ever new growth spurts.

But didn't this gradualist course of reform reveal with cutting clarity that the planned economy was failing while the market economy was proving to be functional? **Wasn't reaching for the tools of the ideological opponent a subtle capitulation to the methodology of the system rival?**

Checking the pillars of legitimacy

These questions show the fine line that was being walked. **The economy was booming, and the legitimacy of performance was strengthened.** But what about the other pillars of legitimacy?

The CCP invested a great deal in ideology. It was a phase of ideological acrobatics that created a rhetorical hub with the guiding principle of the "initial stage of socialism", which reinterpreted contradictions as strategic necessities and brought the unorthodox reforms back into the fold of Marxism. A market economy and income inequality were rationalized as necessary stages and presented as "temporary", without explicitly rejecting the country's Marxist-Leninist foundation – the central justification of CCP rule. The establishment of a modern, industrialized state was declared to be an indispensable prerequisite for the long-term realization of communism.

The result was a *socialism with Chinese characteristics* that dialectically modulated the cognitive dissonance between the official party dogma and the course of reform. While some see Deng's course as a loss of ideological substance

⁴⁹ Naughton, Barry: *Growing Out of the Plan: Chinese Economic Reform, 1978–1993*, 1995

The basic rationale of socialism would be thrown into question if China had to pursue modernization at the expense of equality.

Feng Chen

You don't have individual incentives for any one member of the party to limit corruption [...] You yourself would like to steal as much as you can get away with.

Noah Feldman

*韬光养晦。
(Hide your strength, bide your time.)*

Deng Xiaoping

Success breeds complacency. Complacency breeds failure. Only the paranoid survive.

Andy Grove

and the communist vision degraded to lip service,⁵⁰ others argue that ideology played an important role by taking on a stabilizing function and a supporting role in the transformation.⁵¹

In terms of social stability and security, the picture was ambivalent. The rise of hundreds of millions of Chinese out of extreme poverty strengthened the basis of the social fabric, but the downside of the reforms was growing social and regional inequalities. Formulas such as “Let some people and some regions get rich first” (Deng Xiaoping) or “Fundamental Interests of the People” (Jiang Zemin) or *Harmonious Society* (Hu Jintao) were used as ideological band-aids. But the focus on economic progress widened inequalities further and deepened the need for entrepreneurs, who were finally – against the Party’s DNA as the vanguard of the working class – officially accepted into the CCP in 2002 as part of the *Three Representations* (Jiang Zemin).

While unleashed markets brought fabulous profits to entrepreneurs, the opaque, hermetically sealed power structure gave party functionaries access to lucrative backroom economies in which capital flows and privileges were discreetly diverted (“cadre capitalism”). It is obvious that this challenged the sense of social fairness. But while elsewhere protest would have flared up, in China cultural and psychosocial factors acted as fire extinguishers of indignation. Values such as harmony and authority ensured that the population often perceived inequality as a necessary phase or even as fair.⁵²

The economic successes of the opening-up policy not only strengthened the CCP at home but also China’s position in the global order. As the *workbench of the world* and an integral part of the global economic mechanism, the country became a central hub in the structure of economic interdependencies, whose growing importance translated into geopolitical influence. Until 2012, there was a policy of peaceful rise, characterized by China’s efforts to anchor itself as a cooperative player in the global community – symbolically crowned by the hosting of the 2008 Summer Olympics in Beijing.

The following table provides an overview of the sustainability of the individual pillars of legitimacy of CCP rule during the reform and opening-up period. The reform policy strengthened the party, but at the same time confronted it with structural challenges that Xi Jinping later took up.

⁵⁰ See e.g. Heilmann, Sebastian: *Das politische System der Volksrepublik China* (The political system of the People’s Republic of China), 2002, p.71. Heilmann sees the reform policy as an intellectual sell-out of the ideological core, while the CCP carried out a pragmatic capitulation to the imperative of economic modernization and private enrichment.

⁵¹ Holbig, Heike: “Ideological Reform and Political Legitimacy in China: Challenges in the Post-Jiang Era”, GIGA Working Paper No. 18, German Institute of Global and Area Studies (GIGA), Hamburg, 2006

⁵² Im, Dong-Kyun: “The legitimization of inequality: Psychosocial dispositions, education, and attitudes toward income inequality in China”, in: *Sociological Perspectives* 57(4), 2014, pp. 506–525; Sun, Wanning: “Inequality and Culture: A new pathway to understanding social inequality”, in: dies./Yingjie Guo (eds.): *Unequal China: The political economy and cultural politics of inequality*, London 2013, pp. 43–58

Pillar	Rating	Risks
Ideology	medium	Ideological erosion Generational conflicts Growing pressure from critical intellectuals
Performance legitimization	strong	Slowdown in growth Middle-income trap
Social stability and security	medium	Social tensions as a result of inequality Demographic challenges Loss of trust due to corruption
Geopolitical legitimization	medium to strong	External dependencies International criticism Resource conflicts Regional rivalries

Source: Incrementum AG

Realignment under Xi Jinping and Parallel Globalization

When Xi Jinping took over the leadership of the CCP in 2012, he ushered in a new phase of Chinese politics that marked a clear break with the reform era. To understand this, it is worth taking a look at the pillars of legitimacy during this period. **There are numerous indications that performance legitimacy lost its previous traction and that Xi was forced to reshape the economic model and strengthen other pillars of legitimacy to secure the CCP's authority.**

Challenges in performance legitimization

The growth during the reform era was based on favorable starting conditions: low wages, high returns on capital, and access to global markets favored rapid "catch-up growth". However, these factors had reached their limits:

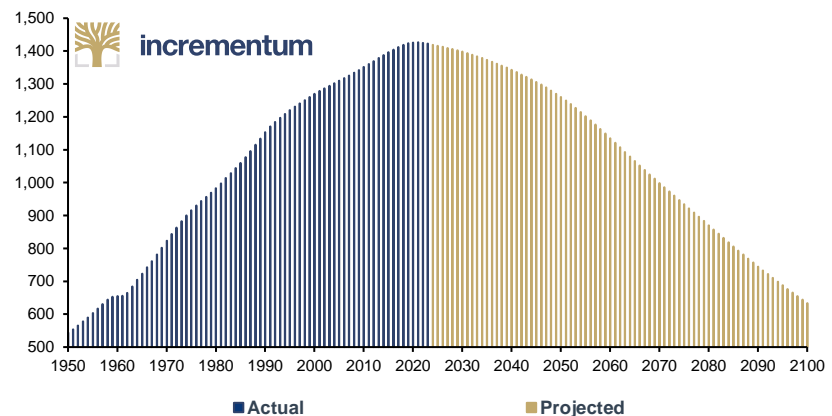
- **Falling returns on capital:** As the capital stock grew, the marginal returns on new investments fell.
- **Middle-income trap:** Rising wages weakened China's role as the *workbench of the world*, causing production to migrate to cheaper countries.
- **Saturation of global markets:** It became more difficult to tap into new markets, as many had already been penetrated.

前人栽树，后人乘凉。
(Ancestors plant trees,
descendants enjoy the shade.)
Chinese proverb

Demographic challenges were also weighing on growth.⁵³ The effects of the one-child policy have led to an ageing population and a shrinking workforce. Since 2013, **the number of marriages in China has more than halved**. By 2050, China's potential workforce will have declined sharply, which will both dampen economic growth and put a strain on the social security system.

⁵³ See "Global Demographics Turn Inflationary," In Gold We Trust report 2021

Population of China, in mn, 1950–2100e



Xi's decision to promote the Two Integrations at the highest levels of party discourse suggests he is turning further toward emphasizing ideological and historical claims to legitimacy. This reflects a growing realization in Beijing that China's economy will no longer deliver significant levels of performance legitimacy.

Hongjia Yang

Financial risks in the Chinese real estate sector and the shadow banking system have been a further drag on performance legitimacy.

The real estate sector, once a core element of the Chinese boom, has become the Achilles heel of the Chinese economy. Speculation-driven growth and increasingly weak demand, which is likely to worsen with demographic change, mean that the sector appears to be exhausted as a growth driver. The combination of excessive debt – local governments, for example, are also heavily indebted as they have long financed themselves through the sale of land – and the fact that loans are heavily secured by real estate has led to a sustained fall in prices that threatens to jeopardize financial stability. This risk is exacerbated by the closely interwoven, unregulated shadow banking sector, further increasing vulnerability to shocks.

Real Estate Climate Index (lhs), and Real Estate Development Investments (rhs), yoy, in %, 01/2000–03/2025



The elephant is metabolically more efficient than the mouse, but if an elephant falls just a little bit, it breaks a leg; it's gone.

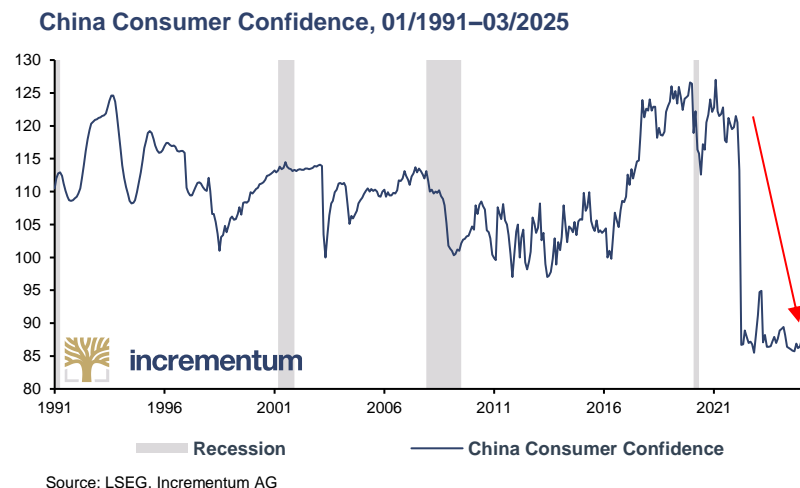
Nassim Taleb

These weaknesses are the result of a long-term neglect of resilience in favor of rapid expansion. As Nassim Taleb explains in *Antifragility*, overoptimized efficiency – for example by prioritizing rapid, debt-driven growth and short-term profits – comes at the expense of resilience and leads to complex systems becoming more susceptible to crises.⁵⁴ **Structural risks of this kind are particularly serious for the CCP, as it commonly presents itself as a protective shield against crises and as a capable counterweight to Western systems, which it claims are inherently crisis-prone.**

⁵⁴ Taleb, Nassim: *Antifragile: Things That Gain from Disorder*, 2012

Also, during the Covid-19 pandemic, the CCP declared its technocratic model to be superior. After initial success with strict lockdowns, Beijing propagated the ‘China model’ as an example of efficient crisis management, while Western states struggled with uncoordinated measures. But as Western countries emerged from the pandemic, Beijing’s insistence on zero-Covid led to massive protests and a hasty U-turn: As a result, at the end of 2022, an uncontrolled wave of infections hit an unprepared healthcare system – overcrowded hospitals and supply shortages characterised the chaotic reopening.

This turned the image of efficient crisis management propagated by the CCP into its opposite. At the beginning of 2022, consumer confidence fell to a historic low, lower than during the Asian crisis in 1998 or the global financial crisis in 2008. The German Economic Institute (IW) [points out in a study](#) that this slump was closely linked to the downturn in the real estate market that began at the end of 2021 and coincided with a comprehensive Covid lockdown in Shanghai.



Change of strategy: sustainability, resilience, and technology leadership

The Chinese real estate bubble is a classic case of a capital structure distorted by false investment signals. [With a contribution of 30% to GDP](#), considerable resources are tied up in an oversized industry whose golden age is probably over. Redirecting capital and labor to more productive sectors is not only expensive but also lengthy and associated with structural friction losses.

Xi Jinping’s thought, at least as it applies to recessions, is basically the fusion of an Austrian diagnosis with a communist cure.

Noah Smith

Such a redirection is exactly what Xi Jinping is trying to achieve. His economic policy is geared towards a far-reaching transformation to develop more sustainable sources of growth and includes the following key decisions:

- reduce the Chinese economy’s dependence on the real estate sector
- reduce over-indebtedness to make the economy more robust
- focus the economy on innovation and technological leadership

房子是用来住的，不是用来炒的
(Houses are for living in, not for speculation).

Xi Jinping

- strive for greater self-sufficiency and less dependence on the West (*Dual Circulation Strategy*, 2020)⁵⁵

In this way, Xi Jinping intends to defuse the speculative bubble without provoking a drastic crisis. In 2020, he introduced the ‘three red lines’ policy to stabilise the debt limits, to financially stabilise the real estate sector, and reduce excessive debt, supplemented by regulation of the shadow banks.

Ironically, however, Beijing exacerbated the crisis as many developers lost their financing options and projects stalled. In tier 3 cities in particular, which account for 60% of GDP, **a worrying price decline has been observed for years.**

As loyal readers know, the choreography of modern financial crises calls for ever new rounds of monetary morphine. For a long time, however, Beijing deliberately refused to react to a crisis caused by excesses with new excesses. Similar to the Bundesbank in its stability-oriented tradition, Beijing focused on budgetary discipline, reducing economic risks, stabilizing the real estate market, and reducing the debt of local governments – an attempt to deflate the bubble slowly and in a controlled manner. China’s Premier Li Qiang reaffirmed this line in **his speech** at the World Economic Forum 2024 in Davos:

In promoting economic development, we did not resort to a massive stimulus. We did not seek short-term growth or accumulate long-term risks. Rather, we focused on strengthening the internal drivers.

All-in, buy China.

Louis-Vincent Gave

However, in view of the ongoing economic challenges and concerns about a downward economic spiral, Beijing was forced to take extensive stimulus measures at the end of 2024. It was a step that should not be underestimated in its scope: **Louis-Vincent Gave draws parallels** with Mario Draghi’s “whatever it takes” moment, with which the ECB finally broke with the Bundesbank’s stability-oriented principles during the euro crisis. The Chinese leadership resorted to the following monetary and fiscal measures, among others:

Stimulus measures by the PBoC:

- Reduction of the minimum reserve by 50 bp (USD 142bn released for additional loans)
- Key interest rate cuts (7-day repo rate from 1.7% to 1.5%, medium-term credit facility by 30 bp, loan prime rate (LPR) by 20–25 bp)
- Lowering interest rates on existing mortgages by 50 bp
- Lowering the minimum down payment to 15%
- Support for the equity markets (USD 71bn swap program to ensure better access to funding for funds, insurers, and brokers; up to USD 42.5bn in cheap PBoC loans for banks to facilitate share [re]purchases)

⁵⁵ See “Gold Mining in China,” In Gold We Trust report 2021

Stimulus measures by the Chinese government:

- “substantial” increase in the issuance of government bonds – volume: **USD 411bn for 2025** to overcome the real estate crisis, recapitalize banks, and strengthen the purchasing power of low-income households
- Permission for local governments to issue **USD 839bn** worth of bonds over three years to restructure hidden debt

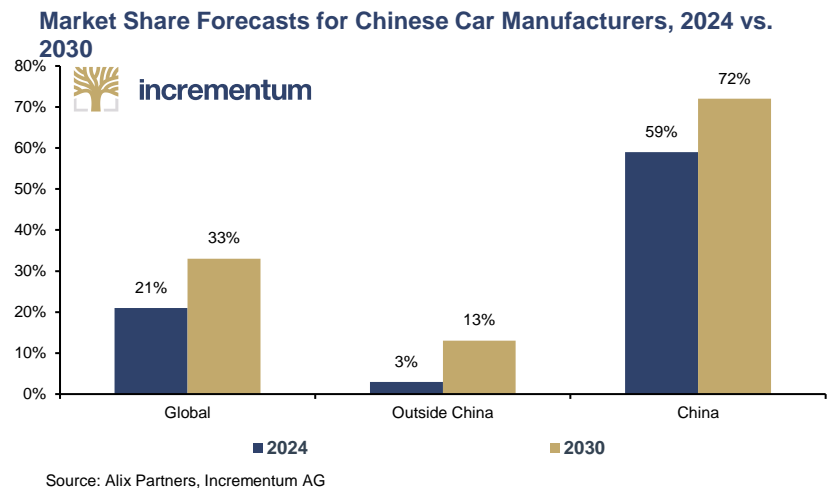
The measures catapulted Chinese stock prices upwards, with the Shanghai Composite Index recording an increase of almost 30% between September and October 2024. The consumer spending figures for the Chinese New Year also **sparked confidence again for the first time**: Consumption of goods increased by 9.9%, while spending on services grew by 12.3%. According to the Ministry of Culture and Tourism, domestic trips rose by 5.9%, while tourism revenue increased by 7%. The number of cross-border trips also increased by 6.3%.

However, it remains to be seen whether this credit-financed upswing in sentiment will provide Beijing with the necessary leeway for structural reforms – or merely create an even more fragile starting point for the next slump. Unsurprisingly, these support measures are placing an enormous burden on the Chinese state budget. **Fitch estimates** that the consolidated budget deficit in 2025 could reach 8.8%, up from 6.5% last year and 5.7% in 2024. In 2025, the deficit would even exceed that of the first year of the cCovid-19 pandemic, 2020, for which Fitch calculates a shortfall of 8.4%. Accordingly, Fitch expects China’s public debt ratio to be well over 65% at the end of this year, more than 10 percentage points higher than in 2023. At the beginning of April, **Fitch downgraded** the long-term foreign currency-denominated debt to A from A+.

Meanwhile, Xi is focusing on another central goal: reducing China’s dependence on foreign technology and creating strategic independence in key industries such as semiconductors, cars, and green technologies. Programs such as *Made in China 2025* and a targeted industrial policy focus are intended to lead the country to technology leadership **with the help of massive subsidies** and center China’s role in the global value chain on high-value industries such as e-mobility and artificial intelligence.

Chinese EVs have benefited from massive industrial policy support, and their quality is improving, making them attractive to domestic and overseas consumers [...] An effective response by the US, Europe, and others must take account of both facts.
Scott Kennedy

This policy marks the transition from resource-intensive, debt-based growth to a model that focuses on innovation, quality, and sustainability, and has left China’s status as a workshop of the world behind. **The number of engineers trained in China each year now exceeds the total number of all university graduates in the US, of which only one in five earns a degree in a STEM subject – a fact that is likely to strengthen China’s industrial and technological thrust for decades to come.** The AI bang from DeepSeek at the beginning of the year and the steep rise of Chinese car manufacturers – **21% global market share in 2024, forecast 33% in 2030** – speak for themselves: **China is already a high-tech giant.**



In his anti-corruption fight, Xi's main concern is to ensure that "the party never disintegrates" rather than to create a fair and transparent society.

Alexander Davey

Opportunities lie in the place where the complaints are.

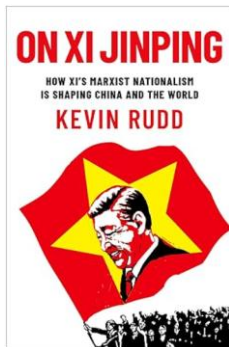
Jack Ma

Change of strategy to strengthen the pillars of legitimacy

Many ideological adjustments from the reform era were seen by Xi as an expression of “ideological decay”. He also placed the widespread corruption within the party – so-called *cadre capitalism*, a system of political and corporate cronyism at all administrative levels – in this narrative. According to Xi's interpretation, it was a rampant decline in values as a result of capitalist thinking that made party officials corruptible and thus undermined the legitimacy of the CCP. In order to strengthen the party morally and emphasize its irreplaceability, Xi initiated an ideological realignment alongside a decisive anti-corruption campaign, which, according to Kevin Rudd, former Prime Minister of Australia and China expert, consists of a combination of three main directions:

- **Leninist left:** Strict party control and central leadership role
- **Marxist left:** State economic governance and "shared prosperity"
- **Nationalist rights:** National sovereignty and an active, confrontational foreign policy with a geopolitical claim to power

Xi has moved away from the principle of collective leadership established by Deng and has concentrated all the levers of power in his hands. The cult of personality that has grown around him is not just a staged performance but the expression of a new ideological imperative: By canonizing the *Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era*, in short Xi Jinping Thought, he has not only carried out the most significant change of course in Chinese politics since 1978 – especially with regard to the concentration of power, ideological recentering, and party discipline – but has also committed the party to a unified ideological line and made unconditional loyalty the supreme duty.



Every individual is scripted there as an actor or actress in the drama of the harmonious society. [...] The electronic surveillance state becomes the total reviewer by sending every actor and actress into the purgatory of individual judgment.

Peter Sloterdijk

China has forged fifteen free trade agreements (FTAs) with Global South countries [...] to expand its economic influence in these countries and regions.

Xue Gong

Like the opium the British exported to China, the easy loans China offers are addictive.

Brahma Chellaney

With his **Common Prosperity** agenda, Xi is pursuing a much more uncompromising course than his predecessors in managing the conflict between economic growth and social stability. This is evident, for example, in the strict regulations against billionaires and large tech companies, including Alibaba and Tencent, as well as in the symbolic treatment of Jack Ma – who disappeared for a while after making statements critical of the government and finally returned, converted and loyal to the party line – show Xi's uncompromising course. **The message is clear: The party remains the untouchable center of power; and excesses, even indulged in by the economically successful, will not be tolerated.**

The CCP's technology-supported surveillance tools turn the boldest fantasies of communist control apparatuses into reality. With projects such as **Operation Skynet** and the social credit system, the population's behavior – both physical and digital – is comprehensively recorded, evaluated, and disciplined in the event of deviations. The **Xuexi Qiangguo app**, which offers compulsory reading and quiz formats on Xi Jinping Thought, also carries the ideology into people's everyday lives and measures their political loyalty; presumably, it also serves to monitor and evaluate users' ideological conformity. **A nightmare for libertarians, but at the same time, a factor of social stability in China.**

Geopolitical display of power through parallel globalisation

Xi uses a narrative of sacrifice that portrays the West as a former tormentor by referring to the *century of humiliation* (1839–1949) and presents the CCP as a protective shield against a repetition of such historical injuries. **He contrasts this with the slogan of the “Great Rejuvenation of the Chinese Nation”, as part and parcel of the Chinese Dream, which serves as his central leitmotif. Under the aegis of the CCP, which holds the “historical helm”, China will achieve its resurgence as a global power.**

With strategic brilliance, China is pursuing the development of a financial and economic architecture that acts as a parallel structure to the Western-dominated order and at the same time seeks to loosen its grip. The focus is on bilateral and multilateral trade strategies (e.g., RCEP, the world's largest free trade agreement), particularly with countries of the global South such as Brazil, Saudi Arabia, India, and the ASEAN states, which function independently of Western-dominated institutions such as the WTO.

The New Silk Road (Belt and Road Initiative, BRI), launched by Xi in 2013, is a core element of this global strategic realignment.⁵⁶ It manifests itself as a far-reaching infrastructure and development project that aims to fundamentally reorganize trade and logistics flows between Asia, Europe, Africa, and beyond by expanding railroads, ports, and roads. Countries along the routes will be more closely linked economically, with China playing a central role as a

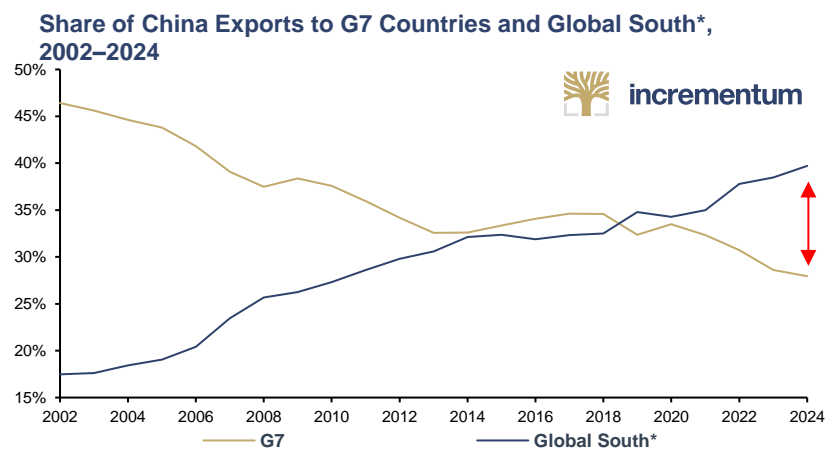
⁵⁶ See “Enter the Dragon: De-dollarization and the Eastern Push for Gold,” In Gold We Trust report 2024, “Gold and the Dragon – China Stabilizes Its Ascent with Gold,” In Gold We Trust report 2019

trading partner, investor, and financier. **Other countries often become strategically dependent**, as loans are often linked to the use of Chinese companies and workers. If those debts cannot be repaid, there are accusations that China is taking over strategic assets such as ports or raw materials, i.e. China is pursuing *debt-trap diplomacy*. In 2010, for example, Sri Lanka began building the port of Hambantota with Chinese loans amounting to USD 1.1bn, but this proved to be economically unviable. As the country was unable to service the debt, it entered into a 99-year lease agreement in 2017 with China Merchants Port Holdings, which led to accusations that China had taken strategic control of a geopolitically sensitive port in the Indian Ocean.

China's industrial overcapacity is reshaping regional and global trade patterns, and ASEAN finds itself increasingly exposed to the consequences.

Brendan Kelly

The following chart shows the extent to which China has reduced its dependence on the West and increased its exports to the Global South over the past two decades. While almost half of exports went to G7 countries in 2002, this figure has now fallen to less than 30%. At the same time, the proportion of exports to emerging and developing countries has risen from around 15% to almost 38%.



In the large-scale reorganization of its export geography, China is pursuing a logic of resilience-oriented decoupling: The gradual shift of trade to southern economies is forming as a **prophylactic buffer against attempts at economic blackmail through sanctions or an intensification of the trade war with the US under Donald Trump**.

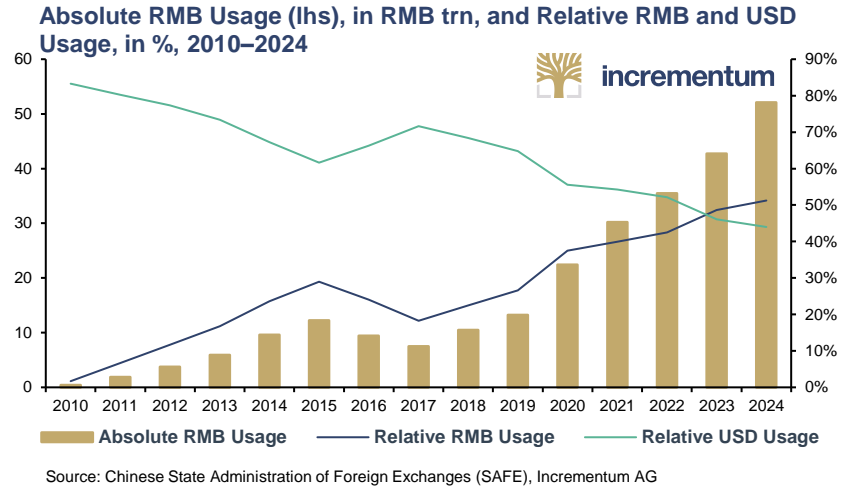
Access to cheaper goods is no longer a good 'trade' for the US, given the loss of economic security over production supply chains and technologies to a competing power.

Jim Reid

Despite the increased relocation of exports to the Global South, trade with the US – with an annual **trade surplus of around USD 300bn** – remains a mainstay of the Chinese economy. China thus remains vulnerable to the US, although this vulnerability has already been mitigated compared to Trump's first term in office. **The ongoing trade war is therefore another sword of Damocles that could pose a significant threat to China's growth and economic stability in the longer term.** However, it is also a catalyst for the alternative world that Beijing is pushing – beyond the Atlantic gravitation and along the trade arteries of the BRI.

As part of its de-dollarization strategy, which we discussed in detail in last year's edition, Beijing is promoting the use of the renminbi in global trade in order to reduce dependence on Western-controlled

financial systems.⁵⁷ As the following chart shows, China now conducts over 50% of its international trade in renminbi. This is a dramatic increase when you consider that this share was just 3.7% in 2012. In 2024, trade volumes amounted to RMB 52.1trn, the equivalent of around USD 7.3trn.



Nevertheless, China is still far from shaking the supremacy of the US dollar as an international means of payment or as an international reserve currency. Beijing is pursuing a targeted strategy to establish the renminbi in the international financial system, e.g. by promoting it along the BRI and as part of the Regional Comprehensive Economic Partnership (RCEP) and the Cross-Border Interbank Payment System (CIPS) as an alternative to SWIFT, and through its inclusion in the SDR currency basket in 2016. However, even after temporary surges as a result of the war in Ukraine and the signal effect of frozen Russian reserves, the renminbi remains a marginal player, both as a means of payment and as a reserve currency, with a share of less than 5% in most cases.

⁵⁷ See "Enter the Dragon: De-dollarization and the Eastern Push for Gold," In Gold We Trust report 2024

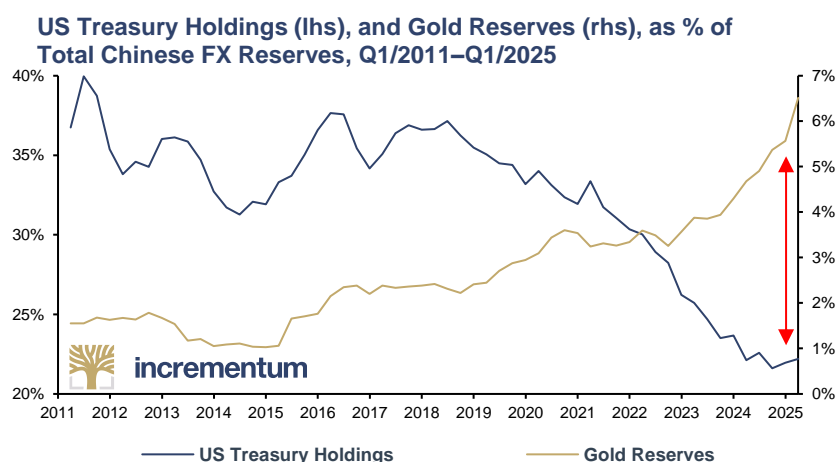
Gold and its importance in decoupling

Gold is playing an increasingly important role in the diversification strategy of the People's Bank of China (PBoC) and other central banks around the world, as a metallic bulwark against geopolitical risks and the dominance of the US dollar. As an apolitical reserve instrument, it is less subject to the arbitrariness of geopolitical sanctions and promises financial stability in a multipolar world.

The PBOC will likely continue to diversify its reserves in the longer term, given the rising geopolitical uncertainty.

David Qu

According to the IMF study “**Geopolitics and its Impact on Global Trade and the Dollar**” China and China-oriented countries have significantly increased the share of gold in their foreign exchange reserves from around 1% to around 7% since 2015. This study divides the world into three blocs: a US-oriented bloc, a China-oriented bloc, and a group of nonaligned countries. In the US-oriented bloc, this share has remained largely stable. According to the authors, these gold purchases “**may have been driven by concerns about sanctions risk**”. The IMF study shows that the share of gold in China's reserves rose from below 2% (2015) to 4.3% (2023), while US government bonds as a reserve instrument fell from 44% to around 30%. This reflects both net purchases of gold and net sales of US government bonds as well as valuation changes.

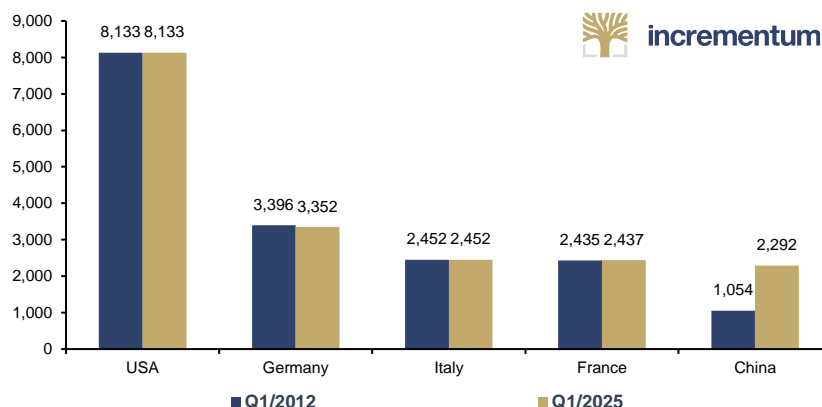


We're going to take a look, and if there's 27 tons of gold, we'll be very happy [...] We want to see lots of nice, beautiful, shiny gold in Fort Knox.

Donald Trump

The following chart compares the official gold reserves of the largest holding countries (excluding Russia) and shows their development from Q1/2012 to Q1/2025 based on data from the World Gold Council. China's rise is striking: With a more than doubled reserve of 2,292 t, it has almost reached the level of leading European countries such as France, Italy, and Germany. Nevertheless, US dominance remains an unchallenged reality with 8,133 t.

Goldreserves, in Tonnes, Q1/2012 vs. Q1/2025



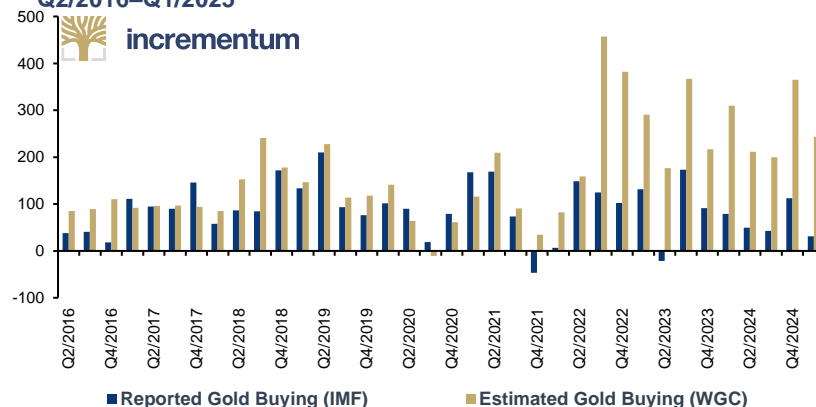
Source: World Gold Council, Incrementum AG

Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.

Deng Xiaoping

However, it is known that the PBoC does not always disclose its gold purchases promptly or in full. **Since 2022, the discrepancy between the World Gold Council's estimates of global central bank purchases and the figures officially reported to the IMF has risen sharply – presumably due to covert purchases by the PBoC.**

Reported and Estimated Central Bank Gold Buying, in Tonnes, Q2/2016–Q1/2025



Source: World Gold Council, IMF, Incrementum AG

We are able to import 500-600 tons a year, or more, but we will also take into consideration a stable gold market.

Yi Gang

Analyst Jan Nieuwenhuijs hypothesizes that the PBoC buys at least three times more gold than it reports to the IMF. He sees evidence of this in the gold exports from the London Bullion Market, which consist almost exclusively of 400-ounce bars, a format preferred by central banks, while the Chinese private sector tends to demand 1 kg bars. Furthermore, since the Ukraine war began, gold supply in China has exceeded sales on the Shanghai Gold Exchange (SGE), suggesting that the PBoC is absorbing the surplus. Finally, British exports are not made via the SGE, but directly via bullion banks to the PBoC, which means that these purchases appear in the trade statistics but not as SGE transactions.

The PBoC keeps the "pedal to the metal" (pun intended).

Jan Nieuwenhuijs

But if the flow size of gold purchases in recent years and beyond has been significantly higher than officially declared, then the stock size should also be far above the communicated level. **Jan Nieuwenhuijs estimates that China's actual gold reserves at the end of 2024 were approximately 5,000 t,**

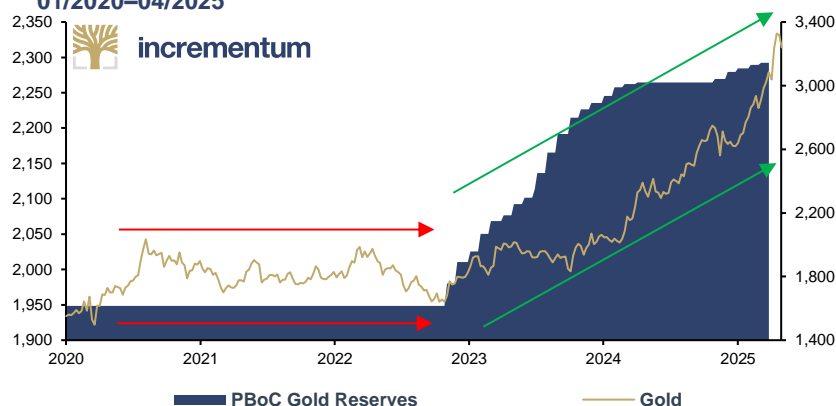
which would put the country in second place among the world's gold holders.

Before long, this will go mainstream and gold could more than double in price this decade.

Jan Nieuwenhuijs

In any case, the global gold market is shuddering in the face of China's hunger for gold: Based on official figures, the PBoC became the largest buyer in 2023 and had a lasting impact on the price of gold. Added to this is the immense Chinese private demand, which, together with that from India, accounts for almost 40% of the global volume. However, the PBoC's covert purchases, in particular, reinforce this trend. **By increasingly absorbing gold from Western-dominated markets – far in excess of what is officially reported – China is tightening the available supply and increasing the structural upward pressure on the price.**

PBoC Gold Reserves (lhs), in Tonnes, and Gold (rhs), in USD, 01/2020–04/2025



Source: World Gold Council, LSEG, Incrementum AG

Money is not everything... There is also gold and shares.

Karel Gott

Gold as an indicator of dwindling CCP legitimacy?

For decades, real estate was the preferred way to accumulate wealth in China – around 59% of private assets are invested in residential property. However, the real estate crisis of recent years has caused prices to fall across the country and shaken confidence in this asset class. It is also to be expected that the real estate sector will suffer structurally in the long term as a result of the shrinking population. Many households are now faced with the problem of finding safe alternatives. Equities are considered risky in China, as they are characterized by market instability and government intervention.

一寸光阴一寸金。

(An inch of time is an inch of gold.)

Chinese proverb

Where gold once glitteringly symbolized social advancement in China, it now serves as a strategic reserve against economic decline as a result of inflation or real estate deflation. Demand for bars and coins rose by 20% to 345.7 t in 2024, while jewelry sales fell by almost a quarter due to rising prices.

Sturdy grass withstands high winds; genuine gold stands the test of fire.

Xi Jinping

The gold boom among Chinese private investors points to dwindling confidence in Beijing's economic policy management.⁵⁸ Many citizens see gold as the ultimate emergency metal – a hedge against crises, government intervention, and currency risks. How is the CCP dealing with this vote of no

⁵⁸ See "Introduction," In Gold We Trust report 2024

confidence? And how sovereign is a hoarder in a system that regards property as a potential compulsory resource? In the *In Gold We Trust* report 2023, “**Showdown**”, we already noted that China holds its gold in the pockets of its citizens, because:

It is possible that the Chinese government could, if it deemed it necessary, exert control over China’s huge private gold holdings, either asking that physical gold be transferred to the authorities for patriotic reasons and the greater economic good, or by even making it mandatory to do so. This would give the Chinese sovereign control over far greater gold holdings than just the monetary gold held by the PBoC and other Chinese government entities.⁵⁹

Outlook

China’s successful development model resists the neoliberal Washington Consensus, and both the success and the resistance lend China soft power in the eyes of the Rest.

Sean Golden

While Western observers focus primarily on China’s ailing real estate sector and the threat of financial instability, a profound economic transformation is taking place. **China’s increasing technological competitiveness and its industrial leadership in key sectors are shifting the global balance of power.** Louis-Vincent Gave gets to the heart of these contrasts with a pointed rhetorical question:

Still, the fundamental question all investors should ask themselves is what matters more going forward: whether Shanghai real estate prices rise or fall by another 10%? Or whether the BYD Seagull becomes the default vehicle among new car buyers, not only across emerging markets but across the whole world?

China must lead the reform of the global governance system with the concept of fairness and justice.

Xi Jinping

China’s industrial and economic rise inevitably casts its shadow—or its light—beyond the horizon of its zones of influence. Beijing is acting as a catalyst for a multipolar global order in which the dominance of the US is being relativized. The Chinese model serves as a template: a centrally controlled, state-capitalist alternative that presents itself not only as a viable but also as a historically significant alternative to Western democracies. The aim is to create a new legitimacy for authoritarian systems worldwide and to position them at least as an equal form of government to the liberal-democratic model and its universal claims to validity.

The process of Western modernization has brought deep suffering to many developing countries.

Xi Jinping

In the Global South, China enters the stage as a moral agnostic. The memory of its own colonial wounds is discreetly shared in order to build a bridge of common pragmatism. Moral neutrality thus becomes an expression of the quiet politeness of geopolitical engagement. **Projects such as the Belt and Road Initiative and institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank act as levers for the establishment of a multipolar world order.** Although it remains to be seen to what extent the Global South can be drawn into the Sinosphere as a whole – and whether China can assert its hegemonic role in this sphere in view of its economic

⁵⁹ “The Rise of Eastern Gold Markets: An Impending Showdown with the West,” In Gold We Trust report 2023

What Mr. Xi is really promoting is something else: the idea that authoritarian political systems are not only legitimate but can outperform Western democracies.

Richard McGregor

China is keeping us on our toes, and I think that's a good thing.

Sebastian Heilmann

challenges – the global political structure is witnessing the striking self-assertion of those states that are striving for new independence away from the West.

The parallel globalization that China is orchestrating, which is likely to gain momentum in light of the looming trade war, is not only unfolding economically but also culturally and technologically. China is driving the development of independent digital ecosystems (WeChat instead of WhatsApp, Douyin instead of Meta, Alibaba instead of Amazon, Weibo instead of X, DeepSeek instead of ChatGPT), which function not only as technical counter-designs but also as political, cultural, and narrative alternatives to the Western-dominated technosphere and create completely different understandings of the world.

Whether these parallel orders coexist peacefully or drift into confrontation will be determined by the ability of global players to formulate rules of engagement.

However, what appears to be a geopolitical challenge could also prove to be the driver of a new era of innovation.

Saudi Arabia: Gold Mining's New Frontier

The mining sector in Saudi Arabia is an untapped resource, and it is planned to be the third pillar of the Saudi industry alongside oil, gas, and petrochemicals. It aims to contribute to further prosperity and aligns closely with the Kingdom's development.

Mohammed bin Salman

- **Golden Ambition:** Saudi Arabia aims to use its vast mineral wealth to transform its mining sector into a "third pillar" of the Kingdom's economy alongside oil and petrochemicals.
- **Geological Treasure Trove:** The Arabian-Nubian Shield, a geological jackpot spanning western Saudi Arabia, holds huge mineral resource potential including gold, with this mineral wealth recently valued at a staggering USD 2.5trn.
- **Ma'aden's Midas Touch:** Saudi's mining giant Ma'aden is striking gold big-time, especially at its Mansourah-Massarrah mine complex, and the company is set to quadruple gold production by 2040.
- **Global Gold Rush:** From China's Geological Survey to Barrick and Ivanhoe Electric, international heavyweights are now partnering with Saudi Arabia, and betting big on the Kingdom's mineral boom.
- **Gold Rush Catalyst:** The Saudi government is fully behind the mining sector and has offered fast-tracked licenses, exploration incentives, and capital expenditure support in a bid to lure mining companies to extract the USD 2.5trn mineral motherlode.

Introduction

World famous for its vast hydrocarbon reserves and production of both oil and gas, the Kingdom of Saudi Arabia (KSA) has in recent years begun developing sectors other than hydrocarbons and petrochemicals, as a form of economic diversification and as an investment in the country's future.

Our real wealth lies in the ambition of our people and the potential of our younger generation.

Mohammed bin Salman

This diversification is exemplified by Saudi Arabia's Vision 2030, an ambitious and wide-ranging development strategy launched in 2016 to not only diversify the Kingdom's economic sectors and reduce the country's dependence on oil, but to transform the country into a regional economic hub while creating jobs and attracting foreign investment.

Encompassing multiple sectors from industry to finance to technology, one of the components of the Vision 2030 roadmap is to position Saudi Arabia as a major player in global mining and turn it into the "third pillar" of Saudi Arabia's national industry, alongside the two pillars of oil and petrochemicals.

Wealth is not about having a lot of money. It's about having a lot of options.

Chris Rock

Vision 2030 is being launched because Saudi Arabia possesses abundant mineral resources – 48 types of minerals and mineral resources according to the Saudi Arabian Geological Survey – and the government believes that mining these resources will provide growth, diversification, and foreign investment. To this end, the Saudi Ministry of Industry and Mineral Resources was founded in 2019 as part of Vision 2030. As Bandar bin Ibrahim Al-Khorayef, KSA Minister of Industry and Mineral Resources, **stated in 2022**:

We aim for the mining sector to become the third pillar of the Saudi economy, and the Kingdom has a great opportunity to become a qualified and reliable destination for the mining industry on a global level, given the vast mining resources estimated at 5 trillion SAR that are available in the Kingdom.

The Arabian-Nubian Shield: A Geological Goldmine

The reason Saudi Arabia is endowed with such abundant natural mineral resources is that much of the western portion of the Arabian Peninsula is positioned in the geologically important Arabian-Nubian Shield (ANS).



Map of the Arabian-Nubian Shield, Source: Gad, Sabreen, El-Shafei, Mohamed und Kusky, Timothy M.: "Integrated satellite remote sensing and field based structural analysis of the Late Proterozoic Wadi Kid metamorphic belt, Sinai Peninsula, Egypt," Gondwana Research, 11, 2007, pp. 326 –335, p. 327

The race for critical minerals will define geopolitics in the 21st century.

Henry Sanderson

He went in and the light of day showed him that the cavern was spacious and filled with bales of merchandise—bales of silk stuff and brocade and embroideries, and great store of gold ingots and silver and coins in heaps and strings, pearls and rubies and emeralds, and all manner of precious stones.

Richard Francis Burton

The ANS is a vast, and mostly remote, geological structure of 3mn square kilometers, stretching from western Saudi Arabia across the Red Sea to eastern Egypt, and including parts of Sudan, Ethiopia and Yemen. Due to favorable geological history, the ANS is known to contain rich mineral deposits, including copper, tin, nickel, bauxite, chromite, niobium, tantalum, and, crucially, significant gold resources. Critically, **the western part of Saudi Arabia is literally dominated by the Arabian Shield**. Of the 48 identified minerals, at least 15 are commercially viable, and of these minerals the Saudi Ministry of Industry and Mineral Resources said in 2016 that **"The potential for Saudi Arabia to produce metals is largely vested in the deposits that serve as sources for gold, copper, zinc, lead and silver."**

Given that its mineral resources are so vast, with much of the potential still being discovered, Saudi Arabia has been able to regularly upgrade its estimate of the country's mineral wealth. **In January 2024, the Saudi government boosted its estimate for total value of mineral resources, including rare earth elements, gold zinc, copper and phosphates by a massive 92%, from USD 1.3trn to USD 2.5trn, which now positions Saudi Arabia as a major player in the global mining sector.** The previous USD 1.3trn estimate had been in place since 2017.

While there have been no further official updates to this overall valuation, ongoing exploration efforts and potential new discoveries could lead to future revisions. Given that the Kingdom has so far only conducted mineral exploration of 30% of the Arabian Shield's area, this would suggest that vast mineral resource potential still remains to be found, which would boost the US 2.5trn figure even higher.

In neighboring Egypt, the Arabian-Nubian Shield's potential for gold mining has already been proven at the Sukari gold mine in Egypt's Eastern Desert, located just 25 km from the Red Sea. Previously owned by Centamin but acquired by AngloGold Ashanti in November 2024, **Sukari produced 450,000 oz (14 t) in 2023,**

Geography is destiny.
Napoleon Bonaparte

and has identified gold reserves of 5.8 Moz (180 t) and a lifespan of 13 years. Indeed, Centamin stated in 2023 that the Arabian-Nubian Shield “**remains one of the few underexplored gold belts**”, a fact which hasn’t gone unnoticed by the Saudis.

Ma’aden: An emerging gold mining giant

Across the Red Sea in Saudi Arabia, the entity at the forefront of Saudi gold exploration and production is the country’s flagship Saudi Arabian Mining Company, more commonly known as Ma’aden. Ma’aden is the largest mining company in Saudi Arabia and in the Middle East, and is 67% owned by Saudi Arabia’s sovereign wealth **Public Investment Fund (PIF)**, which is the world’s 6th largest sovereign wealth fund, with **total assets of USD 925bn**.

Ma’aden Stock Price, in SAR, 01/2009–04/2025



Although the majority is owned by the Saudi government, Ma’aden is also a publicly traded company. Its stock is traded on the main market of the Saudi Exchange, and its CEO is a US citizen, Bob Wilt. Ma’aden is a multi-commodity mining company involved in the mining of phosphates, bauxite (the main input to aluminum), copper, gold, and other industrial minerals such as magnesium.

Ma’aden already had strong links to gold when it was established in 1997 to develop Saudi Arabia’s mineral resources, and the first mineral which Ma’aden mined was actually gold: “**Gold enjoys a special status at Ma’aden as the first commodity ever mined by the company. The company, at its inception, earned almost all its earnings from gold production.**”

Gold is a fundamental element of our success story. In the past decade, Ma’aden has transformed from a small gold mining company into an internationally renowned gold miner with gold and base metals contributing significantly to our overall growth.

Ma’aden



Fast forward to the current day, and gold is now a core part of Ma’aden’s activities, with gold mining undertaken by the Base Metals and New Minerals Company (BMNM), a fully-owned subsidiary of Ma’aden. Critically, Ma’aden is now taking on an even more central and critical role in the Kingdom’s mineral and mining plans, with PIF saying that “**further projects are underway consistent with Ma’aden being the third pillar of Vision 2030 for Saudi Arabia’s economy.**”

Gold already accounts for a majority of BMNM’s revenue, with the remainder coming from the mining of silver, copper, and zinc. Ma’aden’s gold production

activities currently span seven operating gold mines in Saudi Arabia, all within the Arabian Shield zone. **In 2023, Ma'aden produced 407,000 ounces of gold (12.65 t):**

- Ad Duwayhi: 147,294 oz.
- The Bulghah and Sukhaybarat gold mines, located 70 km from each other: a combined 58,516 oz.
- Mahd Adh Dhahab, known as the Gold Cradle mine, a historic mine located in the Al Madinah region, which produced 22,954 oz in 2023. Gold was mined in Mahd Adh Dhahab as early as 3,000 years ago, and **historians speculate** that this site could be the location of King Solomon's fabled gold mine.
- Al Amar: 20,260 oz
- As Suq: 11,850 oz

Luck is what happens when preparation meets opportunity.
Seneca

Starting as a single gold mine, we are now a global leader in phosphate production, a regional leader in aluminium, and we are on the precipice of becoming a globally significant gold miner.
Bob Wilt

These discoveries have the potential to be the center of the world's next gold rush and are a strong part of our growth strategy. The Arabian Shield has enormous potential for more world class discoveries, and this is the first of many we expect to make in the coming years.
Bob Wilt

However, the real jewels in the crown are the Mansourah and Massarah mines, in Ma'aden's newest and largest mining area, a series of open pit mines located in the Makkah region, which produced their first gold (11,983 ounces) in 2022 and then increased output by an incredible twelvefold in 2023 to 146,038 oz.

Ma'aden expects this to be only the beginning, since it has made a major gold discovery that signals potentially vast gold resources in the Mansourah and Massarah area. This announcement came in late 2023 and is based on drilling results from Ma'aden's gold exploration program in the area, an exploration program which began in 2022. **According to the announcement**, Ma'aden says it has discovered multiple high-grade gold deposits along a 100 kilometer strike south of the Mansourah-Massarrah mines in an area called Uruq South.

These findings are based on drilling results showing an array of gold grades between 10.4 and 20.6 grams per tonne. **Given these high-grade drilling discoveries, Ma'aden has since ramped up its gold drilling program around the Mansourah-Massarrah area.**

Additionally, Ma'aden has also been exploring a 25 kilometer stretch north of Mansourah-Massarrah in an area called the Jabal Ghadarah and Bir Tawilah prospects, where it has converted 1.5 Moz of inferred gold to indicated and measured status. Not surprisingly, Ma'aden says that this combined 125km strike has **"significant potential to become a major world class gold belt in Saudi Arabia"**. **With these new gold discoveries, Ma'aden says that the Mansourah-Massarrah mines hold nearly 7 Moz (218 t) of gold resources.**

Ma'aden expects the Mansourah-Massarrah to produce more than 500,000 ounces by 2025 and to reach 700,000 ounces of gold by 2028, with long-term plans to achieve a fourfold increase by 2040, targeting 1.6 Moz annually. This will require discovering and defining increasingly large amounts of gold per year and entail more and more exploration activities alongside production growth across Saudi Arabia.

At the **Future Minerals Forum (FMF) 2025** in Riyadh in January, **Ma'aden** announced further discoveries including new drilling results from its Mansourah-Massarrah gold mine which showed strong gold mineralization with high-grade extensions at depth, a new gold discovery at Wadi Al Jaww, and further successful exploration results at Jabal Shayban in the Arabian Shield, which Ma'aden says highlights the region's potential as a significant gold and copper district.

Smaller International Players in the Saudi Gold Sector

KEFI Gold and Copper

KEFI Gold and Copper is a London-listed exploration and development company focused on gold and copper deposits in the Arabian-Nubian Shield, primarily in Saudi Arabia and Ethiopia. In Saudi Arabia, KEFI has discovered gold resources at its Jibal Qutman gold project and Hawiah copper-zinc project, and has a joint venture called Gold and Minerals Co. Ltd (GMCO) with Saudi company Abdul Rahman Saad Al Rashid and Sons Company Limited (ARTAR), to bid on other exploration projects. In fact, **Ma'aden and Barrick combined forces** in a tender in 2022 against ARTAR, when both parties bid on an exploration license to explore the Umm Ad Damar site in Madinah, which spans more than 40 km and includes copper, zinc, gold, and lead.

Royal Road Minerals

Royal Road Minerals is a mineral exploration and development company, based in Jersey, which focuses on gold and copper discovery and extraction in politically supportive jurisdictions. The company emphasizes partnerships with local entities and adopts a discovery-to-development approach, aiming to minimize political risks that often arise during critical project phases. For this reason, Royal Road Minerals is impressed with Saudi Arabia's Vision 2030, which commits to diversifying the Saudi economy and promoting mining sector growth through regulatory reforms, financial incentives, and infrastructure development.

With Saudi Arabia now actively supporting mining to boost its non-oil GDP from 16 to 50% as part of its Vision 2030 plan, the Kingdom has reformed its mining regulations, created an online geological database, and offered substantial financial incentives: up to USD 200mn for exploration expenses and 75% of initial mine capital, capped at USD 800mn per project. This strong political backing has been attractive to Royal Road Minerals, which, after two years of collaboration, has already identified several promising gold and copper targets in Saudi Arabia, with three currently being drilled. Royal Road Minerals is listed on Canada's TSX Venture Exchange.

Successful disruption hinges on precise timing, and with its considered and authentic approach, Saudi Arabia is carving out a new and exciting future for the global mining industry.

Tim Coughlin, Royal Road Minerals

Only one country in the world is setting near-term targets of 10 new mines by 2030. At the heart of SDC's success is the foundation laid by Saudi Arabia's Vision 2030 - an ambitious framework designed to diversify and grow the Kingdom's economy and reduce its dependence on oil.

Christian Milau, Saudi Discovery Company

Saudi Arabia's mining sector is no longer an emerging story – it's a booming reality, and ANS Exploration is proud to be part of it.

Christopher Schmidt, ANS Exploration

As an Al-Nassr player, it's a privilege to change a country's culture and football, to have great stars, it makes me proud. I was the pioneer, and I feel proud of it.

Cristiano Ronaldo

Saudi Discovery Company

Saudi Discovery Company (SDC) is a private mineral exploration and development firm from Vancouver, focused on Saudi Arabia's Arabian-Nubian Shield. Founded by experienced mining entrepreneurs, SDC targets copper, zinc, and precious metals, particularly in VMS-style (volcanogenic massive sulfide) deposits, and has extensive experience growing mining companies from single to multi-mine platforms. The company holds exploration licenses across the Arabian Shield, began exploration in late 2024, and has continued drilling targets in 2025, while acquiring additional targets.

SDC is drawn to Saudi Arabia due to Vision 2030's long-term strategy, significant underexplored geological potential, and recent mining law reforms, and cites the Kingdom's investor-friendly policies, world-class infrastructure, quick license processes, and favorable fiscal regime as making it one of the most attractive mining jurisdictions globally, while aligning with SDC's growth vision.

ANS Exploration

ANS Exploration is a greenfield Canadian mineral exploration company focused on tier-one discoveries in Saudi Arabia's Arabian-Nubian Shield, using advanced techniques like AI-driven targeting and modern geoscience. ANS believes that Saudi Arabia is also one of the most exciting frontiers for mining today, with vast untapped resources, a supportive regulatory environment, and a clear vision under Vision 2030 to establish mining as the country's third pillar of industry. The Saudi government's supportive mining policies, world-class infrastructure, and untapped geological potential make it an attractive jurisdiction for mining.

In terms of resources, the Arabian-Nubian Shield is a highly prospective mineral province comparable in scale to some of the world's most productive mining regions, such as the Canadian Shield, West African Craton, and Western Australia. It hosts tier-one deposits with prolific potential for gold, copper, and other critical minerals, yet remains significantly underexplored with low exploration maturity. Offering year-round exploration and low-cost energy advantages, ANS has identified Saudi Arabia's transformation into a booming mining sector and aims to contribute to its growth.

International Cooperation and Joint Ventures

The Saudi government and Ma'aden are also actively partnering with global mining firms to boost the growth of Saudi Arabia's mining sector, a strategy which also enhances the Kingdom's reputation as a viable and attractive mining destination, and is crucial for technological advancements, knowledge transfer, and capital investment in the Saudi mining industry.

Two cases in point are Ma'aden's partnerships with Barrick, whose CEO is Mark Bristow, and Ivanhoe Electric, whose executive chairman is Robert Friedland. Ma'aden and Barrick operate Saudi Arabia's **Jabal Sayid**

Saudi Arabia has amazing data, but no one's really processed it. That's why it's attractive for us because the path to new opportunities is much shorter in this terrain than it would be a much more mature terrain geologically.

Mark Bristow

Coming together is a beginning, staying together is progress, and working together is success.

Henry Ford

We think the Arabian Shield's potential is limitless for diamonds, rare earth, lithium, copper, gold, and other minerals we haven't even thought about. It's big. It's unexplored, and it's blessed by cheap energy, at the bottom of the world cost curve, with new infrastructure, and proximity to markets.

Robert Friedland

We should not be ashamed to appreciate the truth and acquire it from wherever it comes, even if it comes from nations far from us or nations different from us.

Abu Yusuf al-Kindi

underground copper mine as a 50/50 joint venture, located in the same general region as Ma'aden's gold mines.

More recently, Ma'aden and Barrick entered two additional joint ventures to explore for minerals in the Jabal Sayid South and Umm Ad Damar areas near the Jabal Sayid mine. These are 50/50 joint ventures via companies called Ma'aden Barrick 2 Limited (MBC2) and Ma'aden Barrick 3 Limited (MBC3).

Ma'aden also has a 50/50 joint venture with Ivanhoe Electric to conduct geophysical surveying of 48,500 km² of licensed areas within Saudi Arabia's Arabian Shield to identify potential new discoveries of gold, copper, nickel, silver, and other minerals.

This joint venture is part of a strategic partnership that Ma'aden entered into with Ivanhoe Electric in January 2023, whereby Ma'aden purchased 9.9% of Ivanhoe Electric. The exploration uses Ivanhoe's Typhoon geophysical surveying system to collect data, which is then analyzed by Ivanhoe's subsidiary Computational Geosciences Inc. (CGI) to identify new mineral deposits. **Results to date look promising**, with mineral areas identified by Typhoon's surveying near Ma'aden's Al Amar gold-copper-zinc mine subsequently proven to have potential by an initial drilling program.

In addition to developing the mining sector in Saudi Arabia, Ma'aden also invests in mining assets abroad via a joint venture company with the Saudi Public Investment Fund (PIF). This joint venture, known as **Manara Minerals Investment Co.**, was established in January 2023 and is 51% owned by Ma'aden and 49% owned by PIF. Manara's mission is to invest in mining assets globally, such as copper, nickel, iron ore, lithium, and gold.

In May 2024, Manara Minerals finalized its first external investment when it announced the completion of the **purchase of a 10% stake in Brazil's Vale Base Metals**, the energy transition minerals company of Brazilian mining giant Vale. Following this, the *Financial Times* revealed in January that Manara Minerals is set to **acquire a 10–20% stake in Pakistan's Reko Diq copper-gold project** by purchasing the stake from the Pakistan Government. Barrick holds a 50% stake in the Reko Diq project, which is expected to produce 200,000 t of copper concentrate and 250,000 oz of gold annually, with completion scheduled for 2029.

At both the 2024 and 2025 Future Minerals Forum in Riyadh, Saudi Arabia signed memoranda of understanding (MoUs) with an array of countries to help develop Saudi Arabia's mining sector through international collaborations. At the FMF 2024, **MoUs were signed** with Egypt, Morocco, and the Democratic Republic of Congo, focusing on cooperation in the field of mineral wealth, and a MoU was signed with Russia involving cooperation in geology.

At the FMF in 2025, Saudi Arabia signed MoUs with six countries – Djibouti, Jordan, the UK, Zambia, Austria, and France – aimed at advancing international partnerships to develop the Kingdom's mining sector. These

agreements focus on cooperation in areas like technology, investment, and expertise exchange.

Chinese Geological Survey in Saudi Arabia

Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.

Deng Xiaoping

The in-depth connection between Saudi Vision and the Belt and Road Initiative provides new opportunities for extensive cooperation between the two nations in all possible fields.

According to the consensus these nations share, in addition to plans jointly formulated by the leaders of both countries, Chinese enterprises in Saudi Arabia will engage in the implementation of the Saudi Vision and the Belt and Road Initiative.

Lian Mingxiang, President of COCC in Saudi Arabia

Notably, Saudi Arabia has also mining exploration partnerships with gold mining behemoth China. In June 2023, at the 10th Arab-China business conference in Riyadh, the Saudi Ministry of Industry and Mineral Resources announced a partnership with China to both survey the Arabian Shield for mineral resources and to promote joint venture excavations.

This will involve the **Saudi Geological Survey** partnering with the **China Geological Survey**, in a USD 207mn project to **geologically map the Arabian Shield** into the Saudi **National Geological Database** and produce over 270 geological maps and reports of the shield so as to identify mineral deposits. **This project contract with the China Geological Survey extends to 11 years, and according to Goldman Sachs, Saudi Arabia has a target to complete 50% of the Arabian Shield geological survey by 2025.**

The significance of this survey partnership shouldn't be underestimated, as it matches Saudi Arabia with China, the world's largest gold mining country, and will allow Saudi Arabia to tap into China's vast knowledge of gold and other minerals exploration and production.

Chinese and Saudi government officials already see Saudi Arabia's Vision 2030 and China's Belt and Road (BRI) initiatives as complementary and synergistic, and are aligning incentives and cooperation in the exploration and development of Saudi Arabia's mineral sector.

While China already has extensive experience in mineral exploration and production in Saudi Arabia, for example, through the China National Geological & Mining Corporation (CGM) **Saudi branch** and the Contact Office of Chinese Companies in Saudi Arabia (COCC), the cooperation of their geological survey units will take it to another level.

Government Incentives: Exploration and Development Boost

I enjoy being in Saudi Arabia!
Zinedine Zidane

As part of Vision 2030, the Saudi government aims to attract USD 170bn in investments into the mining sector by 2030 from a combination of foreign and local companies, as well as creating 200,000 jobs in the sector.

To accelerate foreign investment into the mining sector, **the Saudi government introduced a new mining law in June 2020** that organizes financing for investors

The resource curse is not inevitable. Countries can benefit from their natural resource wealth, but this requires good policies and good governance.
Joseph Stiglitz

I have to say without a doubt that this is the most impressive and now the most important mining conference on the planet. They've done an outstanding job of convening the most important people in our industry, policymakers, etc. And they put on quite a show here, it's really well done.
Frank Giustra

Plans are nothing; planning is everything.
Dwight D. Eisenhower

and that supports geological survey and exploration activities, and has now implemented a range of incentives to accelerate private sector exploration and development in the mining sector. These incentives are designed to attract both domestic and foreign investment so as to make Saudi Arabia a competitive destination for mining companies. **Key incentives include tax benefits, financial support for exploration activities, and streamlined permitting processes to expedite project development.**

For example, the Saudi government offers both mineral exploration incentives and streamlined mineral exploration licenses to both Saudi and international entities. These services are administered by **ESNAD Saudi Mining Services Company** on the **Ta'adeen platform**, under the Ministry of Industry and Mineral Resources (MIM), which also hosts a database of detailed geological and technical data of the Kingdom.

In January 2024, at the Future Minerals Forum (FMF), the Saudi Ministry of Industry and Mineral Resources and the Ministry of Investment announced a **USD 182mn mineral exploration incentive program**, which covers up to 25% of exploration costs, and an accelerated mining and exploration licensing program.

One year later, at the 2025 Future Minerals Forum, the Ministry of Industry and Mineral Resources said it is planning **to offer exploration licenses** for approximately 50,000 square km of mineralized belt sites in 2025 via competitive bidding rounds. As part of this process, in March 2025, the Saudi Ministry of Industry and Mineral Resources **launched a tender for exploration licenses** covering 25,000 km² and three mineral-rich exploration zones in the Riyadh and Medina regions that are believed to hold deposits of gold, copper, silver, zinc, nickel, and other minerals.

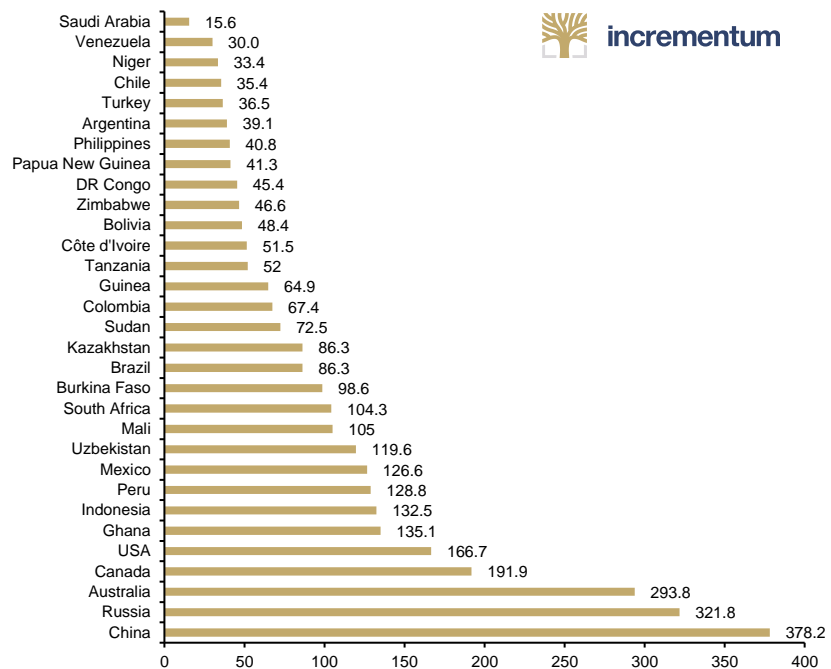
For advanced exploration and mining projects, the Saudi Industrial Development Fund also **provides loans for up to 75% of the capital cost of mine development** at nominal interest rates, including feasibility studies and construction. The government has also invested heavily in infrastructure to support mining operations, including transportation networks and energy supply.

Path to Top 20 Gold Producer

Saudi gold production totaled approximately 500,000 oz in 2023, and was expected to be in the 530,000 oz range for 2024. At just over 15 t of gold output, this is still relatively small by international standards. As of 2023, Saudi Arabia accounts for only 0.38% of global gold production.

Against this background, however, Bandar Alkhorayef, Saudi Minister of Industry and Mineral Resources, announced in 2023 that **"Our target is to boost that level to one million ounces in 2030"**, that is, to approx. 31 t. This level of gold mining output would put Saudi Arabia on a par with **annual gold output** from countries such as Venezuela, 30 t; Niger, 33.4 t; Chile 35.4 t; and Turkey, 36.5 t.

Gold Production, in Tonnes, 2023



Source: GlobalData, World Gold Council, Incrementum AG

*Whoever strives will find, and
whoever sows will reap.*

Arabian Proverb

From there, Saudi gold production would need to almost double again to make it into the world's top 20 producers. **Ma'aden is on record in its 2023 annual report** as aiming for gold production of 1.6 Moz per year by 2040; so, in this context, and with other gold companies' mining production in Saudi emerging between now and 2040, it appears feasible that by 2040 Saudi Arabia could be producing 60 t of gold per annum.

Geopolitics – At the Crossroads of East and West

*Saudi Arabia remains the central
bank of oil.*

Daniel Yergin

Saudi Arabia's mining ambitions are deeply intertwined with its broader geopolitical strategy. The Kingdom is strategically positioned at the crossroads of major trade routes to Europe, Asia, and Africa, a geographic positioning that is advantageous to Saudi Arabia in providing efficient access to export markets for its mineral production.

As a leading member of the Gulf Cooperation Council (GCC), Saudi Arabia also wields considerable influence in a regional economic and political grouping that comprises Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman. Saudi Arabia was invited to join the larger BRICS group in August 2023. **It has still not decided whether to join**, but it does give the Kingdom favorable options to deepen trade connections with the BRICS should it decide to do so. **The partnership with China, especially through the Belt and Road Initiative, aligns with Saudi mining objectives and facilitates technological cooperation and large-scale geological surveys.**

We have been invited to the BRICS, similar to how we have been invited to many other multilateral platforms in the past. We assess many different aspects of it before a decision is made, and right now, we are in the middle of that.

Faisal Alibrahim, minister of economy and planning of Saudi Arabia

Whoever has the gold, makes the rules.

The Wizard of Id

I don't see Saudi Arabia running to denominate in another currency for financial reasons. If they change the currency denomination, it would be more politically motivated.

Hossein Askari, special adviser to the Saudi Arabian finance minister

Saudi Arabia is also the de facto leader and key swing producer within OPEC, and leverages its vast oil reserves and production capacity to influence global oil markets. This leadership role in OPEC not only underscores its influence in the energy sector but also positions it to strategically leverage its economic and political clout in diversifying into minerals and mining.

Saudi Arabia also exhibits growing diplomatic influence, as illustrated by its role in hosting high-level talks such as those involving Ukraine and its strong relationships with major powers like the US and Russia. This growing diplomatic influence will also help in enhancing its ability to attract international investment and partnerships in the mineral and gold mining sectors.

At the 2025 Future Minerals Forum in Riyadh, Bandar Alkhorayef, minister of industry and mineral resources, said that in addition to ramping up exploration and production to make Saudi's mineral and mining sector the third pillar of its economy, the Kingdom now aims to become **the hub of a 'super-region'**, which would include Africa and Central Asia, as well as other parts of the Middle East. Furthermore, according to Bandar Alkhorayef, Saudi Arabia wants to be **"rule shapers, not rule takers"**.

Another pivotal moment for Saudi Arabia geopolitically came in June 2024 when the Kingdom chose not to renew its 50 year-long petrodollar agreement with the US. The petrodollar system, established in June 1974, was an agreement between the US and Saudi Arabia where oil sales were priced exclusively in US dollars. This arrangement reinforced the US dollar's dominance as the global reserve currency and emerged 3 years after the US abandoned the convertibility of the US dollar into gold in August 1971. **With the agreement's expiration in June 2024, Saudi Arabia can now sell oil in other currencies such as the Chinese yuan and Indian rupee.**

As well as signaling a move toward a multipolar economic order and increasing the Kingdom's geopolitical independence, the move to conduct more oil sales in non-dollar currencies also aligns with the theme in Saudi Arabia's Vision 2030 of diversifying its economy beyond oil. It may also lead to pricing oil in alternative assets like gold and could spur further gold mining initiatives in the Kingdom's Arabian Shield.

The expiration of the petrodollar agreement thus has the ability to reshape global trade, weaken global demand for the US dollar, and accelerate de-dollarization trends, and could ultimately challenge the US dollar's reserve currency status.

Conclusion

While Saudi Arabia's vision to become a top-tier gold producer is ambitious, its vision of mining and minerals as a "third pillar" for the economy is grounded in substantial geological potential, significant government support, and expanding international partnerships with both the private sector and other countries.

As Saudi Arabia grows as a centre of wealth management, it is only natural that the investment gold market will grow. Saudi Arabia is unique in the region in having a gold mining industry – there is a real opportunity for gold to play an important role in Saudi Arabia across the supply chain.

Andrew Naylor

Patience is the key to relief.

Arabic Proverb

The sheer scale of Saudi Arabia's mineral wealth, which in 2024 was revised upwards to an estimated USD 2.5trn, combined with Ma'aden's exploration results in the Mansourah-Massarrah region to date, indicates a solid foundation for growth. However, the question remains: Are these positive factors enough to transform Saudi Arabia into a globally significant gold producer, and how long might this transformation take?

While the government's current incentives and streamlined regulatory frameworks have accelerated exploration and investment, it typically takes years, if not decades, to transition from exploration to large-scale production, even with advanced geological surveys, successful drilling, and capital investment. **There are also perennial exploration uncertainties and operational risks, as well as risks to political and economic stability.**

Beyond these risks, Saudi Arabia now offers one of the fastest-growing mining ecosystems globally and, given the government support and financial incentives for exploration and production, the Kingdom will undoubtedly be attractive for international gold mining companies willing to examine this emerging yet rapidly evolving gold mining sector. **The Future Minerals Forum, held each year in January in Riyadh, has rapidly grown into a key global event for global mining leaders and investors, and judging by attendance at the event, many of these companies already have Saudi Arabia on their radar.**

Bringing it Home: Central Bank Gold Repatriation

Put forth thy hand; reach at the glorious gold.

William Shakespeare

- Since 2011, central banks worldwide have repatriated over 1,800 t of gold in multiple waves.
- Repatriation efforts span developed economies (Germany, Netherlands, Austria, Poland) and emerging markets (India, Türkiye, Venezuela), reflecting a global reassessment of gold's strategic importance.
- The movement often involves internal political struggles, with state auditors and opposition politicians advocating for repatriation, while central banks typically resist these efforts.
- Several repatriation attempts have failed (Switzerland, Romania, Slovakia) or faced significant resistance even when partially successful (Germany, Austria, Netherlands), revealing central banks' reluctance to change gold storage practices.
- According to World Gold Council and INVERSCO surveys, this trend will likely accelerate as geopolitical concerns intensify through the decade's end.
- Central banks are purchasing and repatriating gold due to growing geopolitical risks, financial weaponization through sanctions, and limited audit access to foreign-stored reserves.

Introduction

The mantra we have seen in the last year or so is, “If it’s my gold, then I want it in my country.”

Rod Ringrow, Head of Official Institutions at Invesco

Following the significant increase in physical form, the stock of gold reserves has already been transported to Hungary. Holding precious metal within the country is consistent with international trends, enhances financial stability and may strengthen market confidence in the Hungarian economy.

Magyar Nemzeti Bank

Gold repatriation refers to the process by which central banks move their physical gold reserves from the vaults of foreign gold custodians and back to vault storage within their own countries. As an observable phenomenon, gold repatriation gained significant momentum starting in 2011 and has continued to the present day, with many central banks jumping on board with the idea. Therefore, the gold repatriation trend can be seen as an interconnected phenomenon that has created a noticeable domino effect. While many countries have successfully repatriated gold, there are also countries where repatriation efforts faced resistance and failed due to central bank and political opposition, such as in Switzerland, Romania, and Slovakia.

The impulse to bring gold back into central banks’ possession has been driven by several factors, including geopolitical tensions and sanctions risks, a desire for economic sovereignty, the need for physical audits, and the erosion of trust among the world’s central banks.

In our *In Gold We Trust* report 2019, “**Gold in the Age of Eroding Trust**”, we explored several dimensions of the phenomenon of trust— trust in money, trust in the monetary system, and the consequences of the erosion of that trust – and we stated: “**The breakdown of trust in the international monetary order is manifesting itself in the highest gold purchases by central banks since 1971 and the ongoing trend to repatriate gold reserves.**” **Since that observation was written in 2019, central bank gold purchases have reached even higher record annual highs, while the gold repatriation trend has persisted and is set to continue.**

In the following sections, we analyse why central banks repatriate gold and how the broader trends shaping central bank behaviour – including the evolving dynamics of trust, sovereignty, and strategic reserve management – suggest that repatriation efforts will continue. We also look at recent gold repatriation operations, discussing the motivations behind these moves and how the withdrawal of gold from third-party custodians, such as from the New York Federal Reserve and the Bank of England, has notably reduced the gold inventories held in their vaults.

Triggers and Motivations

Gringotts is the safest place in the world for anything you want to keep safe – ‘cept maybe Hogwarts.

Hagrid in Harry Potter and the Sorcerer’s Stone

Central banks repatriate gold for a variety of interconnected reasons, mostly due to perceived risks of storing gold reserves with foreign custodians, which are mitigated by bringing the gold back home. **Key triggers and motivations for gold repatriation are the following:**

- **Mitigating sanctions risk:** With the US, the EU, and the G7 active in imposing sanctions and freezing and confiscating foreign reserves, central banks repatriate gold and keep it under sovereign control to prevent it from becoming frozen or sanctioned.

- **Auditing:** Some federal auditors have demanded physical gold audits. Since the New York Federal Reserve and Bank of England custodians prohibit physical audits, central banks are compelled to repatriate gold to be physically audited and verified.
- **Concentration risk:** State auditors can deem that holding a high percentage of central bank gold in a single foreign vault poses a concentration risk and can direct the central bank to repatriate gold to diversify its storage and reduce concentration risk.
- **Doubts over gold's existence:** Lack of transparency from custodians such as the New York Federal Reserve has fueled suspicions about the availability of sufficient unencumbered gold to cover all customer gold claims. Germany's ultraslow five-year repatriation from New York and Paris only heightened this distrust. Therefore, central banks withdraw and repatriate gold to prove that their gold holdings exist.
- **Geopolitical tensions:** Rising political and military conflicts, potential trade wars, and trade bloc realignments motivate central banks to move gold reserves to domestic storage to reduce exposure to international conflicts and asset freezes.
- **Global momentum:** When one central bank repatriates gold, others follow, concerned about being left vulnerable. These actions create momentum and a chain reaction, analogous to a game of musical chairs where no one wants to be the last man standing.
- **Political pressure from politicians:** In many cases, governments and their central banks have repatriated gold to partially appease and placate domestic political pressure and domestic grassroots campaigns.
- **Counterparty risk:** Physical gold has no counterparty risk, but this is only fully true when the gold is stored domestically rather than deposited abroad. The 2007/2008 global financial crisis triggered central banks to reappraise counterparty risk and reinforced the importance of unencumbered gold stored in domestic vaults.
- **Currency crisis preparedness:** The euro debt crisis of 2009–2012 focused central banks' attention on currency crises and highlighted the importance of holding gold as a stable reserve during financial turmoil. Some central banks, such as the Dutch central bank, brought gold home to hedge against currency devaluation.
- **Reducing coercion:** Repatriating gold prevents foreign governments from pressuring central banks into using their foreign stored gold in swaps, loans and leases, or political or economic negotiations. Sovereign control minimises external influence over monetary policy.

- **A strategic reserve asset:** Gold is a central bank's most strategic asset, with a rising value and the foundation of national wealth. Central banks increasingly realise that their gold is safest when stored domestically, free from external control or confiscation.
- **A confidence-building measure:** Repatriating gold strengthens national sovereignty and boosts public trust.
- **Saving on gold storage costs:** Gold custodians such as the Bank of England charge ongoing storage fees. Repatriation can reduce long-term costs despite upfront repatriation expenses for transport and insurance.
- **Crisis scenarios:** Keeping gold abroad during crises may expose it to seizure for bailouts or swaps. Repatriation ensures gold reserves avoid such vulnerabilities and remain under sovereign control during financial instability.
- **Preventing gold being used in bailouts:** Historical cases suggest some central banks were pressured into "gold sales" to close out unrepayable gold loans and cover bullion bank liabilities. Domestic storage avoids the pressure to contribute to cover such liabilities.

*Prepare and prevent, don't
repair and repent.*

Common Saying

However, it is important to remember when listening to central banks' pronouncements that they rarely criticise each other publicly, preferring to use diplomatic language when justifying gold repatriation instead of explaining their real motivations.

Practical reasons for central banks to store gold with third-party custodians

There are, however, some practical reasons why central banks continue to store gold in the traditional storage centres of the Bank of England in London, Banque de France in Paris, and the New York Federal Reserve in Manhattan. These include:

- **Security and physical safety:** These institutions are known for their highly secure vaults with advanced physical and surveillance security, and they have long-standing experience storing the gold reserves of many central banks.
- **Liquidity and market access:** The Bank of England in London offers central banks the ability to buy, store, and sell gold all in the same location and to earn income by accessing the gold lending and gold swap market operated by the commercial banks that also maintain gold accounts at the Bank of England. Gold can also be placed as collateral to raise foreign exchange.
- **Diversification of storage risk:** Storing a percentage of gold reserves in a stable foreign jurisdiction allows central banks to diversify storage risk, especially if their countries suffer political instability and civil unrest.

Central Bank Gold Surveys

While there have been some prominent gold repatriations since 2011 – which we will look at below – it’s important to note that central bank gold repatriation is an ongoing phenomenon, as is highlighted by the results of very recent central bank gold surveys.

In 2023, the annual “[Invesco Global Sovereign Asset Management Study](#)” of official sector institutions, which surveyed 57 central banks and 85 sovereign wealth funds, found that of the 43 central bank respondents who were buying gold during 2023, 68% said they held physical gold in their own country, compared with 50% in 2020. Most interestingly, 74% of respondents said they would hold physical gold in their own country by 2028. **There has been a growing trend of central bank gold repatriation since the beginning of this decade, and the trend is set to continue well into the future.**

One anonymous Western central banker quoted in the 2023 Invesco study said that his bank had previously held gold in London, but now that gold has been repatriated back to his home country:

“Gold has played a crucial role during the last couple of years. We increased the exposure 8–10 years ago and had it held in London, using it for swaps and to enhance yields, but we’ve now transferred our gold reserves back to our own country to keep it safe – its role now is to be a safe-haven asset.”

The fact that this central banker wanted to remain anonymous proves that central banks are repatriating gold under the radar, in addition to the central banks that have gone public. **Central bank gold repatriation is like central bank gold buying – some of it is divulged in the public domain, some kept secretive.**

Gold’s appeal is growing amid concerns about the weaponisation of reserves and rising US debt.

**Martin Franc, CEO,
Asia ex Japan, Invesco**

The Invesco study also found that “[central banks prefer to hold physical gold rather than gold ETFs or derivatives](#)”, and that of 24 central banks that indicated they were increasing their gold reserves in 2023, a full 96% said this was because gold was a safe haven, while 38% were concerned about the “[freezing of central bank assets](#)” in light of the precedent set when the US, the EU, and G7 froze Bank of Russia FX reserves.

Central bank gold buying and repatriation trends are now inextricably linked and intertwined. Central banks are buying gold because of rising geopolitical risk and the weaponisation of reserves via sanctions. But they are also repatriating gold for these very same reasons.

This was picked up on in the 2023 IMF working paper on international gold reserves, “[Gold as International Reserves: A Barbarous Relic No More?](#)”, which stated that:

“...the decision to freeze foreign exchange reserves of the Russian central bank has highlighted the possibility that other central banks may respond by

shifting a portion of their reserves from foreign exchange into gold, which can be repatriated and vaulted at home.”

Even more recently, the “[Invesco Global Sovereign Asset Management Study 2024](#)”, found that 60% of central banks “[consider gold as a hedge against geopolitical turmoil](#)” while 56% agreed that “[the weaponisation of central bank reserves makes gold more attractive](#)”.

The World Gold Council’s “[2024 Central Bank Gold Reserves Survey](#)” collated 70 central bank respondents, reflects similar themes, finding that geopolitical instability is among the top three reasons why central banks invest in gold, with 76% of emerging-market central banks indicating so. These are the central banks that represent the bulk of official-sector gold purchases.

This World Gold Council (WGC) survey found that the current themes increasingly motivating central banks to buy gold are (a) the performance of gold during times of crisis, (b) gold acting as a geopolitical diversifier, (c) gold’s lack of political risk, (d) increased concerns about sanctions, and (e) the rising political risk in advanced, i.e. Western, economies. Similar to the findings of the Invesco surveys, the themes identified by the WGC are also pushing central banks to repatriate gold.

Gold will be around; gold will be money when the dollar and the euro and the yuan and the ringgit are mere memories.

Richard Russell

The OMFIF’s “[Global Public Investor 2024](#)”, which surveyed 73 central banks, found that the two primary motivations of central banks are (a) holding gold in reserve portfolios are diversification (68% of respondents) and (b) as a hedge against geopolitical risk (40% of respondents). An even more recent OMFIF paper titled “[Gold and the New World Disorder 2025–26 Perspectives](#)” picks up on sanctions risk and states that:

“Even countries that are staunch American allies fear they may be caught up in the indirect effect of sanctions on third countries, which could jeopardise their holdings in dollars or other western currency assets in certain jurisdictions. The move into gold has been strengthened by doubts overshadowing other reserve currency alternatives.”

In this environment, says the OMFIF, gold has benefited, as “[it is no one’s liability](#)”. A similar theme is discussed in the World Bank’s 2024 “[Gold Investing Handbook for Asset Managers](#)”, which states that “[geopolitical risk is a major factor for asset managers to consider, especially in emerging markets](#)”. This is because “[geopolitical events can have a significant impact on financial markets](#)”, and these events have led to the freezing of central bank assets, e.g. assets of the central bank of Iran (USD 1.9bn frozen in 2010), Kazakhstan (USD 22.6bn frozen in 2017), Venezuela (USD 342mn frozen in 2020), Afghanistan (USD 7bn frozen in 2021), and the largest of them all, the Russian central bank, which saw an estimated USD 258bn was frozen in 2022. As the World Bank says of holding gold with foreign custodians, including the Bank of England, Federal Reserve, Banque de France, and BIS: “[Political risks must be considered because gold accounts can be frozen](#)”.

Time-series analysis of gold vault holdings data also highlights the continuing trend of gold repatriation, with gold analyst Jan Nieuwenhuijs finding in an article aptly titled “Repatriated Gold Reaches Historic Highs”: “The share of global official gold reserves not stored at the Federal Reserve and Bank of England has reached 78% in 2024, from 51% in 1972. This shift can be seen as a proxy for the West’s decline in financial dominance.”

Having explored central banks’ broader trends, motivations, and current thinking regarding gold repatriation, we now turn to specific case studies where repatriation efforts were implemented, focusing on the triggers, details, and geopolitical contexts involved.

Gold Repatriation Case Studies

Venezuela: 160 tonnes

The first high-profile gold repatriation by a central bank this century was by the Venezuelan central bank, Banco Central de Venezuela (BCV), which took place between November 25, 2011, and January 30, 2012, during which 160 t of Venezuela’s gold was flown back from Europe to Caracas on 23 cargo flights.

Catalysed by the threat of US sanctions and a desire to reduce dependence on Western financial institutions, the BCV’s gold repatriation was a classic *first mover advantage* operation and set the scene for later repatriations by Germany and others while bringing the term *gold repatriation* into the zeitgeist.

Venezuela’s gold repatriation operation was triggered by President Hugo Chávez, who in August 2011 called for t of gold, i.e. 16,908 400-oz. bars, within a two month period.

This gold repatriation by the BCV to Caracas was part of a more general move by Venezuela that included moving international FX reserves away from Western financial institutions and investing them with banks in the BRICS countries of China, Russia, and Brazil.

Notably, the BCV’s gold repatriation announcement was made on August 17, 2011, two weeks after S&P had downgraded the sovereign credit rating of the US. At which point, Chavez claimed he was bringing the gold back to Venezuela because of the global financial crisis.

Logistics and Implementation

As a public supporter of Libyan leader Muammar Gaddafi, Chavez was also worried that the West might sanction Venezuela in the same way that the UN had sanctioned Libya in February 2011 when it froze the assets of Gaddafi and the Libyan government. Venezuela’s gold repatriation was also framed as a populist play to a domestic and South American audience and as a way of gaining sovereignty over the gold, with the then BCV President Nelson Merentes saying

In 2012, the central bank completed the repatriation of monetary gold, which began in late 2011. This unprecedented process, which reaffirms the sovereignty of the nation, constitutes the largest movement of physical gold in the world market in recent years.
Nelson Merentes, Governor, Banco Central de Venezuela

The gold is returning to where it was always meant to be: the vaults of the Central Bank of Venezuela.
Hugo Chavez

The first ingots came from France in an operation called Oro Patrio and in which more than 500 officials participated.
El Nacional, November 2013

that “We want to protect our assets, which belong to all Venezuelan people”. According to Merentes, the Venezuelan gold repatriation logistical operation, which was known as “Patriotic Gold” (Oro Patrio), involved the participation of 500 people. Of the 23 flights, the first flight transported 5 t of gold, and the last flight brought 14 t, with the other 21 flights carrying an average of 6.7 t of gold each.

Strategic Motivations and Aftermath

In August 2011, Venezuela held 366 t of gold, with 156 t, or 42.3%, stored in the vaults of the BCV in Caracas and the remaining 210 t, or 57.7%, held abroad. Of the 210 t of gold abroad, 99.2 t was with the Bank of England, 12 t was on deposit with the Bank for International Settlements (BIS), 17.5 t was deposited with commercial bank J.P. Morgan, and another 83 t was lent out in “time deposits” spread out among five bullion banks, namely, Barclays, HSBC, Standard Chartered, the Bank of Nova Scotia, and BNP Paribas.

Possession is nine-tenths of the law.

English Proverb

While Chavez and the BCV had called for all 210 t of gold to be brought back to Venezuela, in the end, only 160 t came back, with 50.87 t left in the Bank of England in London to be used in “international financial operations”. This decision to leave gold at the Bank of England would come back to haunt the BCV since this was the Venezuelan gold that the Bank of England then froze in 2018/2019 on instructions from the British Foreign Office, the US Treasury, and US State Department.

Germany: 674 tonnes

Venezuela’s gold repatriation in 2011/2012 helped spark Germany’s gold repatriation movement, as attention began to focus on the foreign storage locations of Germany’s gold managed by the Bundesbank.

What I still find surprising is that we don’t have any control over our own gold.... We need to know if it’s really gold or is it something covered with gold?

Rolf Baron von Hohenhau

In 2011, Germany held 3,396 t of gold, but only 31% was stored in Frankfurt, with the rest claimed to be held in custodian storage at the Federal Reserve in New York (1,536 t), the Bank of England in London (450 t), and the Banque de France in Paris (374 t). However, due to Bundesbank secrecy and a lack of audits, a cross-section of German politicians, federal auditors, and major German media outlets such as the daily newspaper *Bild* and the weekly magazine *Der Spiegel* began to ask questions.

In July 2011, *Der Spiegel* revealed that the Bundesbank rarely checked Germany’s New York gold reserves, visiting the Manhattan vaults only twice (in 2007 and 2011) and on both occasions with limited access.

This revelation came after CSU politician Peter Gauweiler’s parliamentary inquiry, which led to a report by accounting professor Professor Jörg Baetge, accusing the Bundesbank of neglecting its audit obligations. In November 2011, *Bild* reported that the German Federal Audit Office (Bundesrechnungshof), acting on Baetge’s report, launched an investigation into the Bundesbank’s lack of oversight of Germany’s foreign-held gold.

There is no reason on earth why Germany and all other countries cannot take care of their own gold.

Jim Sinclair

Sunlight is said to be the best of disinfectants.

Louis D. Brandeis

The best way to keep a secret is to pretend there isn't one.

Margaret Atwood

In March 2012, *Bild* published an article on the German gold at the New York Federal Reserve Bank, labeling it an “unbelievable gold scandal” after Bild reporter Ralf Schuler and another German politician, Philipp Missfelder (CDU), had visited the Federal Reserve’s New York gold vault in Manhattan but were denied access. Missfelder then demanded a list of Germany’s gold bars from Bundesbank President Jens Weidmann, who claimed the list was secret and that inquiries would endanger the trust between the Bundesbank and the Federal Reserve.

The Campaign for Transparency

In early 2012, a German “Holt unser Gold heim!” campaign (“Bring our gold home!” or “Repatriate our gold!”), led by Peter Boehringer and Rolf Baron von Hohenhau, also pressured the Bundesbank for a full, independent audit of all of Germany’s gold and for its speedy repatriation from abroad. **The campaign argued that 100% of the German gold should return to backstop the Bundesbank’s balance sheet and ensure future currency cover.**

The campaign initiators – the 28 main signatories include industrialist Hans-Olaf Henkel, Jim Rogers, Egon von Greyerz, Dimitri Speck, and Ed Steer of GATA – had actually begun questioning the Bundesbank during Q4/2011, demanding a full physical gold audit and pointing out that such an audit had been overdue for decades.

In May 2012, the German Federal Audit Office completed its investigative report into the German gold, but a redacted version, edited at the Bundesbank’s insistence, was only released into the public domain in October 2012. The report was highly critical of the Bundesbank and demanded physical audits of Germany’s foreign gold, revealing that:

- Germany’s gold bar list at the New York Federal Reserve dated back to 1979/80.
- The New York Federal Reserve blocked central banks from viewing their gold.
- No physical audits had ever been conducted in New York, London, or Paris, with the Bundesbank relying on written confirmations.

In 2007, Bundesbank staff were only allowed into an anteroom of the New York vault, seeing no gold. In May 2011, auditors were shown gold in one compartment, with only a few bars pulled out and weighed.

The federal auditor’s report also referred to plans “to count and weigh the gold bars stored in one of the nine chambers at the Federal Reserve in New York”. In a panic, the Bundesbank pushed back, citing legal and confidentiality-based excuses, and instead proposed repatriating 50 t of gold annually for three years for examination. The board also tried to deflect audits, with Bundesbank board member Carl-Ludwig Thiele, for example, saying that the German gold was not stored with “dubious business partners” but with “highly respected central bankers”. The board of the Bundesbank at the time also included Jens Weidmann, Joachim Nagel, and Andreas Dombret.

Philipp Missfelder dismissed the Bundesbank's deflectionary tactics, insisting that all German gold held abroad had to be repatriated and accounting laws adhered to. Another politician, Heinz-Peter Hausteine (FDP), concurred, "**All the gold has to be shipped back**".

The Delayed Return

In January 2013, the Bundesbank backtracked again and published a new "storage plan", whereby it promised, on a slow-motion basis of 8 years and without any yearly targets, to transport 300 t of gold from New York to Frankfurt and 374 t of gold from Paris to Frankfurt by December 31, 2020.

We are confident that our gold is in safe hands with you [Federal Reserve Bank of New York]. The days in which Hollywood Germans such as Gerd Fröbe, better known as Goldfinger, and East German terrorist Simon Gruber, masterminded gold heists in US vaults are long gone.
Andreas Dombret, Deutsche Bundesbank board member

This farcical 8-year gold repatriation plan was also met with widespread derision and strengthened suspicions that the German gold stored abroad had either disappeared or was involved in international gold swap arrangements with foreign central banks. What Deutsche Bank euphemistically referred to as "**diplomatic difficulties**" occurred a year later, in 2014. As it turned out, even the gold that was transported back to Germany from 2013–2017 wasn't readily available and had to be gradually procured by the custodians – or unwound from gold swaps – and then moved from the Federal Reserve to the Bundesbank, as the following timeline highlights:

In 2013, the Bundesbank repatriated 37 t of gold, including 32 t from Paris and a mere 5 t of low-purity gold from New York, which was resmelted to obscure its origins. In 2014, 120 t were returned, including 85 t from New York, with 50 t of low-purity gold resmelted for the same reason. In 2015, 210 t were repatriated, 99 t of which were from New York. In 2016, 216 t were transferred, completing the 300-tonne return from New York and leaving 91 t in Paris. **By August 2017**, the final 91 t were transferred from Paris, completing the repatriation process a full 56 months after the 2013 plan was announced.

Distrust and caution are the parents of security.
Benjamin Franklin

However, at no stage did the Bundesbank ever explain why its 300 t of gold transfers from New York took four years when Venezuela could repatriate 160 t from Europe on 23 cargo flights in just two months. Likewise, moving 374 t of gold from Paris to Frankfurt – less than 600 km – could have been completed in a few weeks. Strangely, no evidence or photos of any Bundesbank transfers, such as aircraft, armoured cars, or police security, ever surfaced during 2013–2017.

Procrastination is the art of keeping up with yesterday.
Don Marquis

In reality, Germany's gold repatriation was a long, drawn-out diversionary smokescreen by the Bundesbank to prevent any physical audits of any of the gold held in New York and London. The gold that was brought back over 4–5 years can thus be seen as a ploy to divert attention away from the gold that had not been returned from New York and London.

The repatriation of 674 t, or 28% of the foreign stored gold, did, however, dilute public pressure and appease political demands. At the same time, it also blocked the Federal auditors from counting and weighing any of the German gold bars claimed to be stored in nine vault chambers at the New York Federal Reserve.

Gold is the ultimate anchor of trust, especially during times of financial unrest and panic. With these kinds of scenarios it is not practicable to have 90 percent of Dutch gold reserves abroad.

Ewout Irrgang, Dutch politician

The decision was made by DNB to spread its gold stock in a more balanced way, but it was of little importance.

Jeroen Dijsselbloem

Gold is the perfect piggy bank – it's the anchor of trust for the financial system. If the system collapses, the gold stock can serve as a basis to build it up again.

De Nederlandsche Bank (DNB)

Ongoing Concerns

The growing tensions between the US and the EU has reignited the discussion about repatriating the gold reserves stored in New York. For example, Marco Wanderwitz, a former CDU member of the German Bundestag, called for the immediate repatriation of 1,236 t of German gold, or almost 37% of the total German gold reserves, from New York.

Netherlands: 122.5 tonnes

Venezuela's gold repatriation plans, announced in August 2011, also triggered scrutiny of the Dutch gold reserves managed by the Netherlands central bank, De Nederlandsche Bank (DNB). In September 2011, Dutch MP Ewout Irrgang questioned the Netherlands Treasury about the storage locations of DNB's 612.5 t of gold, as such information was not publicly available. Irrgang asked: "Where is the physical gold of DNB? At which locations and how much is where? What is the reason that the gold is still at these locations?"

From Questions to Action

After six weeks, the Dutch Treasury department revealed that the Dutch gold was stored in New York, London, Ottawa, and Amsterdam but did not disclose the amount of gold held at each location. In January 2012, then DNB president Klaas Knot made known on a Dutch TV program that only 67 t of the Dutch gold, i.e. less than 11%, was stored in Amsterdam, with the rest held "abroad". This evasiveness by Knot in not naming the foreign storage locations sparked political and public uproar. On the same TV program, Irrgang said it was reckless to keep 90% of Dutch gold abroad during times of financial instability – the euro area sovereign debt crisis was in full swing at that time – while Willem Middelkoop argued there was no reason not to repatriate the gold. When asked if the gold should be repatriated, Knot answered decisively "No".

In December 2012, Dutch finance minister Jeroen Dijsselbloem finally confirmed the DNB's gold storage locations: over 50% or 300 t of gold in New York, 20% in Ottawa, nearly 20% in London, and 11% in Amsterdam. At the same time, Dijsselbloem rejected the idea of repatriating the Netherlands gold and, echoing the Bundesbank's strategy, claimed that it was stored at central banks with "excellent track records".

The Secret Operation

However, in November 2014, the DNB then made a surprise announcement, saying that it had repatriated 122.5 t of gold from the New York Federal Reserve to Amsterdam, increasing its gold distribution to 31% in Amsterdam and New York and 20% each in Ottawa and London. The gold transport, implemented in secret, was only announced once it was completed.

While the DNB justified the move with vague reasons such as "to spread its gold stock in a more balanced way", and so that the gold "may also have a positive effect

on public confidence”, it also, in a veiled criticism of the New York Federal Reserve storage vault, stated that “it is no longer wise to keep half of our gold in one part of the world”.

Since this shift in stance contradicted earlier reassurances from Klaas Knot and Jeroen Dijsselbloem in 2012, it appears that the Bundesbank’s 2012/2013 gold repatriation plans triggered concerns at the DNB about the adequacy of gold inventories at the New York Federal Reserve, and prompted the DNB to initiate the repatriation. The DNB’s loss of confidence likely developed between 2012 and 2014 and was also influenced by fears over the European debt crisis.

Possession is nine-tenths of the law, and since we [the US] possess the gold ... then we’re 90 percent on the way to owning it.
James Rickards

Gold analyst Jan Nieuwenhuijs reported in November 2014 that the DNB began considering gold repatriation in 2012 but that, according to DNB sources, “the subject was rather sensitive”. A DNB team then visited the New York Federal Reserve in 2013 to inspect the gold, and by mid-2014, preparations began for the transfer. The gold was flown back in multiple batches during October and November 2014.

Germany, Netherlands, and the New York Federal Reserve data

Each month, the US Federal Reserve releases data on the amount of foreign-held gold, i.e. “earmarked gold”, at the New York Federal Reserve vault, per Table 3.13. Given that the Bundesbank (2013–2016) and De Nederlandsche Bank (2014) claimed to have withdrawn gold from the New York Federal Reserve over the same period, their reported combined withdrawals can be compared with the Federal Reserve’s recorded gold outflows.

Numbers don’t lie.
Proverb

In 2013, Germany reported withdrawing 5 t, matching the Federal Reserve’s data. In 2016, Germany reported 111 t, while the Federal Reserve recorded 113 t, a close match. In 2014, the DNB claimed to have withdrawn 122.5 t and the Bundesbank 85 t from the New York Federal Reserve’s vaults, totaling 207.5 t. However, Federal Reserve data shows only 176.8 t were removed, leaving a 30.7-tonne discrepancy. In 2015, the Bundesbank reported withdrawing 99 t, while Federal Reserve data recorded 129 t, an excess of 30 t. This suggests that either the 30 t reported in 2014 were actually withdrawn in 2015 or another entity supplied the Bundesbank with gold in 2014, which was later reimbursed by the Federal Reserve. This would mean that the Bundesbank only really received 55 t of gold from the Federal Reserve in 2014, 50 t of which it was forced to resmelt to disguise the bars’ origins, which suggests that the bars received were low-purity gold from the US Treasury’s gold holdings at the New York Federal Reserve.

Austria: 90 tonnes

In 2015, the domino effect of central bank gold repatriation continued when Austria’s central bank, Oesterreichische Nationalbank (OeNB), announced that it would repatriate 90 t of its foreign-stored gold from London to Austria, as well as redistribute another 50 t from London to Switzerland. At that time the OeNB held 280 t of gold, of which 80% or 224 t

was stored at the Bank of England in London, 50 t in the vaults of the **Austrian Mint** (Münze Österreich) – a fully owned subsidiary of the OeNB – and the remaining 6 t in Switzerland.

The Court of Audit report

Austria's gold repatriation was triggered by a report from the Austrian Court of Audit. While this report was published in February 2015, it was researched and written in 2014. It found that at year-end 2013, the OeNB had been storing 82% or around 178 t of its physical gold holdings at the Bank of England, a situation with “**a high concentration risk**”. The Austrian Court of Audit also found that:

- The gold depository contract with the Bank of England contained deficiencies.
- The OeNB had gold safekeeping agreements with four foreign depositories in total, three of which were in Switzerland; but these agreements were “**in large part, deficient and inadequate with regard to the provisions on ensuring the value and existence of the gold holdings**”.
- All four storage contracts lacked provisions to address the OeNB's access to the gold depositories, and there was no way to carry out audits. As the auditors stated, “**There was no concept for carrying out the audit for gold holdings stored abroad.**”

The 2020 Storage Policy

In response to this report, a plan called the “2020 gold storage policy”, was drawn up that would see Austria relocate 50% or 140 t of its gold to the Vienna vaults of the OeNB and the Austrian Mint by 2020. 20% or 56 t of the gold would be relocated to Switzerland, while 30% or 84 t would remain in London.

Never put off till tomorrow what may be done day after tomorrow just as well.

Mark Twain

Like the Bundesbank, the OeNB said that its gold transport operations would be “**gradually implemented**” over 4+ years, which again had no logical explanation when other central banks, such as the Netherlands and Venezuela, were able to move the same amount of gold in one to two months, the planned gradual implementation can be said to not be very ambitious.

The step-by-step implementation of the recommendations of the Court of Audit most likely explains why, although the repatriation of 90 t of gold from London to the OeNB vaults in Vienna started in 2015, **it was only completed in early July 2018**, i.e. more than 3 years later. In 2018, following the repatriation of 90 t of gold from London, **the OeNB then stored 140 t of gold in Vienna**, of which 90 t was in the OeNB's own vaults and 50 t in the vaults of the Austrian Mint.

Poland: 100 tonnes

One of Europe's largest and most public gold repatriation operations in recent years was by the National Bank of Poland (NBP) in 2019. It involved transporting 100 t of gold from the Bank of England in London to the vaults of the NBP in the Polish cities of Poznan and Warsaw.

Gold is the “most reserve” of reserve assets: it diversifies geopolitical risk and is a kind of anchor of trust, especially in times of tension and crisis.

National Bank of Poland

Central banks generally seek to diversify the places where their gold resources are stored, in order to reduce geopolitical risks, the consequence of which could be loss of access to or restrictions on the free disposal of gold reserves held abroad.

National Bank of Poland

Strategic Decision and National Pride

In July 2019, the NBP made a surprise announcement that in the process of boosting its gold holdings to 228.6 t, it had purchased 100 t of gold in London and that it had made a “strategic decision” to transfer this 100 t in the form of 400-oz gold bars away from London and back to the NBP vaults in Poland.

While citing the need for storage diversification, the NBP also surprisingly alluded to the risks of storing gold with the Bank of England, saying that it was implementing the gold repatriation “in order to reduce geopolitical risk” and so as to avoid “loss of access to, or restrictions on, the free disposal of gold resources held abroad”. Notably, the NBP also said that it decided “taking into account the practices of other central banks”. The Polish gold repatriation would also, in the words of the NBP, “strengthen the credibility and secure the financial strength of our country even in extremely unfavourable conditions”.

Interestingly, 2019 was the 100th anniversary of the Polish currency, the złoty, which probably explains why the NBP chose to repatriate exactly 100 t back to Poland. The NBP even issued a bar-shaped gold coin, “The Return of Gold to Poland”, for collectors to commemorate the 100-tonne repatriation.

Eight Flights to Independence

While the announcement of Poland’s gold repatriation in July 2019 was itself notable, the actual repatriation of 100 t of gold in the months that followed was even more dramatic, though it was only confirmed by the NBP in late November 2019 after completion. It involved eight cargo flights from London to Poland over the months of August to November 2019, with each flight transporting 12.5 t of gold, i.e. 1,000 gold bars, for a total of 100 t (8,000 gold bars).

We are in a special and joyful moment; the nation’s gold has come home.

György Matolcsy

Hungary: 94.5 tonnes

In October 2018, Hungary’s central bank, Magyar Nemzeti Bank (MNB) announced that it had bought 28.4 t of gold in London, boosting its gold reserves from 3.1 t to 31.5 t and that it had repatriated all the gold to Budapest. Then, in 2021, the MNB announced that it had purchased a further 63 t of gold internationally, tripling its gold reserves to 94.5 t, and that all of this gold was also repatriated to Budapest in 2020 and 2021, as confirmed by MNB governor György Matolcsy.

Serbia: 13 tonnes

In 2021, Serbia’s central bank, the National Bank of Serbia (NBS), repatriated 13 t of gold from Bern, Switzerland, to Serbia’s capital Belgrade, 12 t of which it had bought internationally during 2020–2021, and 1 tonne that was inherited from Yugoslavia’s breakup. By July 2021, all NBS gold was stored in Serbia, amounting to 37 t at the time. According to the NBS Governor Tabaković, the gold was repatriated to Serbia at the request of Serbian president Aleksandar Vucic. Vucic justified his decision by saying one cannot know what might happen.

Discretion is the better part of valor.

William Shakespeare

The CBRT used to keep a large portion of its gold abroad. As of 2018, the gold was brought from the Bank of England to Borsa Istanbul, probably considering possible sanctions.

Hakan Kara, former CBRT chief economist

RBI started purchasing gold a few years ago and decided to undertake a review of where it wants to store it, something that is done from time to time. Since stock was building up overseas, it was decided to get some of the gold to India.

Anonymous RBI official

France: 219 tonnes

Between 2013 and 2016, the Banque de France repatriated 219 t of gold to Paris, increasing its domestic holdings from 91% to 100%. Before the repatriation, the remaining 9% was likely stored in London. By August 2016, the **Banque de France reported** holding all 2,435 t of gold in its Paris vaults. This discreet move, **observable only through data in Banque de France statements**, was likely driven by **France's decision to offer gold lending** in collaboration with J.P. Morgan, eliminating the need for London storage. The Banque de France's repatriation of these 219 t of gold during the 2010s was the second largest central bank repatriation of the decade, surpassing the Dutch central bank's, yet it received little media attention.

Türkiye: ~200+ tonnes

In 2017 and 2018, Türkiye's central bank, the CBRT, repatriated significant amounts of gold from the Bank of England (100+ t), the New York Federal Reserve (28.7 t), and the Bank for International Settlements (19 t), driven by distrust of foreign custodians, increasing geopolitical tensions, a Turkish lira crisis, and a desire to reduce reliance on the US dollar. During this period, the CBRT increased its domestic gold reserves by over 200 t, moving the gold to Borsa Istanbul, while Turkish commercial banks such as Halk Bank, Ziraat, and VakıfBank also **repatriated over 120 t of gold** from the Bank of England to the Borsa Istanbul, reflecting Turkish government policy. These commercial banks and Borsa Istanbul are all majority owned by the Turkish government via Türkiye's sovereign wealth fund, **Türkiye Wealth Fund (TVF)**.

India: 215 tonnes

Between early 2022 and late 2024, the Reserve Bank of India (RBI) discreetly repatriated 215 t of gold from the Bank of England in London back to its vaults in Nagpur and Mumbai in India, with the amounts repatriated accelerating throughout that period. These gold transport operations, only revealed in the RBI's half-yearly **"Report on Foreign Exchange Reserves"**, began soon after the outbreak of the war in Ukraine in February 2022 and suggest that the RBI gold movements were in response to heightened sanctions risks, which is especially relevant given that India is a founding BRICS member. The RBI is the world's 8th largest sovereign gold holder and now holds 510 t of its gold domestically, equivalent to 58% of the total.

Failed Gold Repatriation Attempts

In addition to many successful gold repatriation operations, there have been failures due mainly to political and central bank resistance. This is true in the cases of Switzerland, Romania, and Slovakia.

In Switzerland, the **"Save Our Swiss Gold Initiative"** (2013–2014), organised by the Swiss People's Party (SVP), led to a referendum that sought to compel the Swiss

*You keep your jewels at home,
you do not keep them in your
neighbour's house, nor do you
pay rent to keep your jewels in
your neighbour's house.*

**Serban Nicolae, Romanian
politician**

*I guarantee you, if the gold stays
in Britain and there's a crisis
going on in the world, we won't
see a gram of this gold. Let's do it
[repatriate] as quickly as
possible.*

Robert Fico

National Bank (SNB) to store all of its gold domestically, hold at least 20% of its assets in gold, and prohibit gold sales. At the time, SNB held 1,040 t of gold, with 70% stored in Bern, 20% in London, and 10% in Ottawa. However, **the referendum clearly failed**, partly due to the bundling of three clauses into a single vote, but also **due to active opposition and interference from the normally apolitical SNB** and then SNB chairman Thomas Jordan.

Following Hungary's repatriation of 30 t of gold in 2018, gold repatriation efforts appeared in Romania, Hungary's neighbour to the east, where senior Romanian politicians Liviu Dragnea and Serban Nicolae from the then ruling Social Democratic Party (PSD) proposed a bill in 2019 to repatriate 60 t of Romania's gold stored at the Bank of England. Despite initial success, with both legislative chambers (**the Chamber of Deputies** and **the Senate**) passing the bill, the National Bank of Romania (NBR) and its governor Mugur Isarescu **strongly opposed it**. Using questionable claims, they argued that storing gold abroad **was essential for financial stability**. The opposition National Liberal Party (PNL), also against the repatriation, referred the bill to the Constitutional Court, where the Court **deemed the bill to be constitutional**. However, following a change in government in 2019, where the PSD lost power and the PNL gained power, Romanian president Klaus Iohannis, who was also aligned with the central bank, then vetoed the bill and sent it back to parliament to get rejected. **This led to the bill's effective shelving, and the Romanian gold remained in London.**

In Slovakia, Robert Fico, who has been Slovak prime minister since 2023, but who in late 2019 was part of the government opposition, led an effort to repatriate the country's gold from London, citing Brexit risks and financial instability. At the time, 31.5 t of gold was held by Slovakia's central bank, the Národná Banka Slovenska (NBS), **at the Bank of England**. However, **a parliamentary motion to discuss repatriation failed**. As of December 2023, nearly all of Slovakia's gold remains in London. However, with Fico back in power, the issue could resurface.

Despite public and political support, these cases reveal how political opposition, central bank influence, and institutional resistance often obstruct gold repatriation efforts.

China and Russia

And finally, we will mention two of the world's largest gold holders, China and Russia. **The People's Bank of China (PBoC) regularly buys gold internationally, mainly in London, and promptly moves it back to Beijing.** However, since these buying and transporting operations are so secretive, they go under the radar and are not classified as gold repatriation operations. However, they effectively are repatriating and immunizing the PBoC's gold from sanctions risk. **Jan Nieuwenhuijs estimates that the PBoC has accumulated 1,000 t of gold since the West froze Russia's FX reserves in early 2022.**

Russia is increasing its gold holdings because gold is a reserve asset that is free from legal and political risks.

Dmitry Tulin

Russia's central bank has also been highly perceptive in recognizing sanctions risks and has steadily built its gold reserves from 400 t in 2007 to over 2,300 t today. By accumulating gold from domestic production and storing it exclusively in Moscow and St. Petersburg, Russia has strategically prepared for geopolitical threats and ensured that its gold holdings are also protected from Western sanctions and the weaponisation of the financial system.

Bank of England Vault Data

As a gold custodian for both central bank and commercial bank customers, the Bank of England publishes end of month data on total gold held in its London vaults. Month-by-month changes in the data show net gold additions to or withdrawals from the vaults and reflect general trends over time.

Some observable trends are as follows: From August 2011 to January 2012, i.e. from Venezuela announcing to completing its 160-tonne gold repatriation, a sizeable 434 t of gold flowed out of the Bank of England vaults, suggesting that Venezuela's actions likely prompted other central banks to follow suit and withdraw gold from London during that timeframe.

A single spark can start a prairie fire.

Proverb

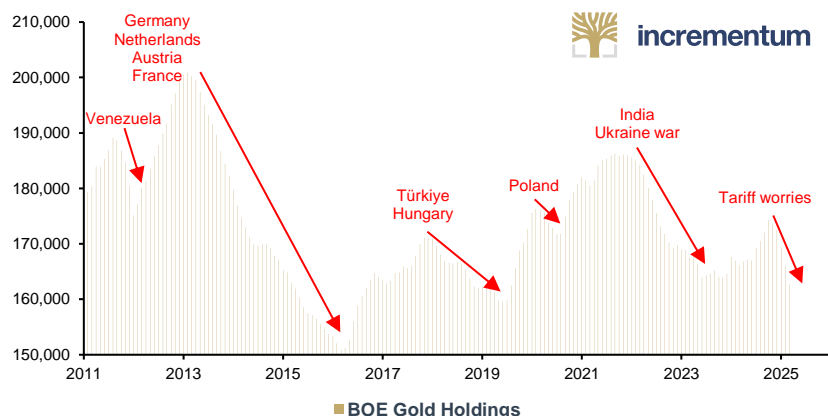
From March 2013 to March 2016, spanning the Bundesbank gold repatriation announcement in January 2013, the Dutch gold repatriation of 2014, and Austria's repatriation announcement of May 2015, the Bank of England vaults saw consistent gold outflows every month, for a total net outflow of 1,557 t. This very large outflow suggests that other central banks understood the consequences of the German, Dutch and Austrian behavior, and also decided to remove gold from Western custodians.

In 2018, the Bank of England vaults saw a net outflow of 282 t of gold, most likely driven by significant repatriations by the Turkish central bank, Turkish commercial banks, and the first phase of Hungary's gold transfer. Between April and June 2019, 98 t left the vaults, coinciding with the Polish central bank moving its gold to a G4S vault near Heathrow in preparation for repatriating 100 t to Poland between August and November 2019.

Triggered by Russia's invasion of Ukraine, the Bank of England's vaults also saw consistent monthly gold outflows from January 2022 to March 2023, with a net loss of 574 t. This is consistent with central banks perceiving heightened geopolitical and sanctions risks, and then likely repatriating gold for those reasons. The six months from April to September 2023 saw gold outflows of 73 t, which lines up nearly perfectly with the Reserve Bank of India's gold repatriation of 71 t during that time.

The BOE's holdings rose throughout the summer of 2024 and into the fall, peaking in October. Yet, they have declined since. Still, gold stocks in London's commercial vaults have been increasing, which the LBMA **attributes** to gold moving from the BOE into the Loco London system.

BOE Gold Holdings, in Thousand Ounces, 01/2011–03/2025



Conclusion – Not My Vault Keys, Not My Gold

Gold is a matter of national and economic strategy, a line of defence; those that have gold owe nothing to anyone.

György Matolcsy, governor, Hungarian central bank

The CBRT reduced its gold reserves abroad due to sanctions and tensions in relations with the US.

Durmuş Yılmaz, former governor CBRT

Central bank gold repatriation is now an established trend and an accepted reality that continues to gain momentum, as proven by numerous central bank surveys. The West's freezing of Russian FX reserves appears to have been a defining moment that shocked many of the world's central banks into reassessing the importance of gold as a reserve asset.

Driven by a variety of motivations, ranging from facilitating audits and reducing reliance on foreign custodians to mitigating sanctions risk and strengthening economic sovereignty, gold repatriation also reflects the erosion of trust by central banks in each other and the global financial system, and the central banks' attempts to find geopolitical safe havens.

Going forward, a continued deterioration of the geopolitical landscape and increased weaponisation of the US dollar and broader financial system will likely position gold repatriation as an even more important part of central bank reserve management and diminish the importance of the Western gold custodians as more gold finds its way back home.

Gold repatriation is much more than a set of logistical operations; it is a powerful message of central banks asserting sovereignty over their national wealth and signalling trust in physical gold held in their vaults while at the same time revealing the erosion of trust in the traditional financial institutions in the City of London and Manhattan.

Urban Mining for Gold and Silver

We were into recycling before recycling was cool.

Anthony Pratt

- The importance of gold and silver recycling is often underestimated. Around 25% of the global gold supply and approximately 18% of the silver supply come from recycling.
- The most significant source of gold recycling is jewelry, accounting for 90%, while for silver it is the industrial sector. Naturally, the major gold refiners also play a crucial part in gold recycling.
- Price is the key factor influencing the recycling supply, with jewelry being particularly sensitive. Silver recycling is less price-sensitive and mostly driven by industrial demand.
- Since 2015, scrap gold has represented a steady share of around 25% of the global gold supply. The current scrap gold ratio of 27.5% falls significantly short of pre-2015 levels. This comparatively modest increase despite record gold prices can be interpreted as a fundamental shift in gold owners' perception of the metal.
- Gold recycling is more flexible, faster, and more sustainable than mining, with savings of up to 90% in CO₂ emissions. Recycling therefore significantly reduces the ecological footprint of gold in particular.
- The recyclability of gold – and the large volumes in which it is recycled – highlights its environmental benefits. In other words, gold is far too valuable to be used only once.

The sharp rise in gold prices over recent years has greatly boosted the metal's popularity. While publications and search queries around gold have multiplied, gold recycling has remained under the radar. In the following, we explore gold and silver recycling in more detail, from precious metals urban mining to the various steps within the recycling process, examining the ecological benefits of recycling, analyzing key drivers of global recycling dynamics, and shining a light on key players.

In nature, there is no such thing as waste. In nature, nothing is wasted; everything is recycled.

David Suzuki

In 2023, recycled gold increased by 8.6%, followed by a 10.9% increase in 2024. This coincided with gold price surges of 13.1% in 2023 and 27.2% in 2024. In absolute terms, 1,370 t were recycled in 2024, compared to 1,234 t in 2023 and 1,163 t in 2022. The 2024 figure surpassed the previous high of the 2010s, which stood at 1,276 t in 2019. This trend is unsurprising – recycling has become considerably more profitable, offering higher returns for those who recycle gold from old jewelry, electronics, or other sources.

Recycling has temporarily boosted gold supply, but its role remains secondary to mining. Still, price rallies drive investor interest and reinforce gold's role as an inflation hedge.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gold, in USD, yoy	-10.4%	8.5%	13.1%	-1.5%	18.3%	25.0%	-3.6%	-0.2%	13.1%	27.2%
Recycled Gold, in Tonnes, yoy	-5.5%	15.5%	-9.7%	1.7%	12.7%	1.4%	-12.2%	0.0%	8.6%	10.9%

Source: World Gold Council, Incrementum AG

Urban Mining

Urban mining is far more efficient than traditional mining. There's more gold in a ton of discarded electronics than in a ton of gold ore.

Koji Sasaki, Former President, Japan Urban Mine Organization

Urban mining refers to reclaiming valuable materials, such as gold and silver, from urban waste streams, including electronic waste (e-waste), old jewelry, and other discarded items. It represents a sustainable approach to recovering resources that would otherwise be lost or disposed of, while also reducing the environmental impact of traditional mining. **The World Gold Council employs a strict definition of “recycled gold as that sold for cash by consumers or other supply-chain players, such as jewelry manufacturers that sell old stock”.** This definition, however, excludes gold involved in gold exchanges at jewelry stores, as well as manufacturing residue or new scrap.

There is no such thing as “away”. When we throw anything away, it must go somewhere.

Annie Leonard

One advantage of silver and gold is that they can be melted down repeatedly without compromising on quality. This remarkable feature enhances their sustainability profile compared to most other investment choices.

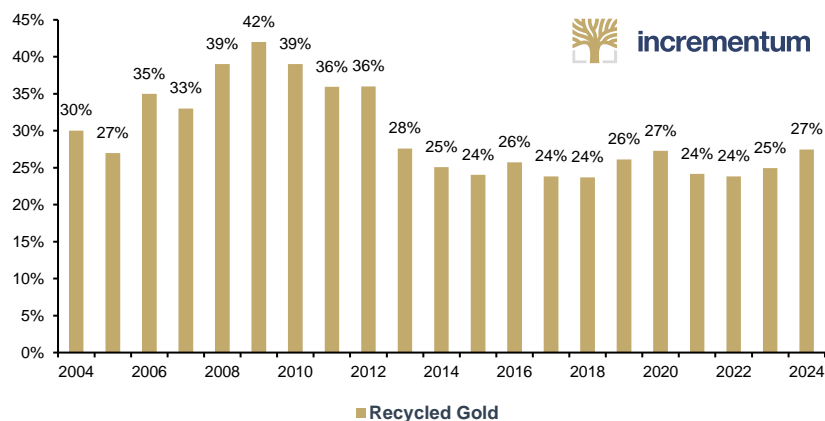
Urban mining – gold

A significant portion of the global gold supply – approximately 25% – stems from recycled gold, with the remainder primarily sourced from traditional mining. Over recent years, looking at the annual supply statistics, this ratio has remained relatively stable despite considerable fluctuations in gold

prices. This stability results from the fact that mine production has also increased during this period. Nevertheless, the relative contribution of recycled gold to total annual supply increased from 23.9% in 2022 to 27.5% in 2024, a 15% relative increase in scrap gold's share of the total annual gold supply.

Before 2015, scrap gold peaked at 42% of supply (2009). After the financial crisis, the price-recycling link weakened briefly but resumed at lower levels post-2012.

Recycled Gold, as % of Supply, 2004–2024



The power of population is indefinitely greater than the power in the earth to produce subsistence for man.

Thomas Malthus

If I were a gambler, I would take even money that England will not exist in the year 2000.

Paul Ehrlich in 1969

Excursus: peak gold?

For many years, gold experts have discussed the concept of *peak gold*, i.e. the idea that global gold mining production is approaching its peak, after which production will slow and no longer grow at the historical rate of 1.8% annually seen over the past century. The peak gold theory, which we have already discussed on several occasions,⁶⁰ is part of the debate between *Malthusians* and *Cornucopians* about the interplay between population growth and resource availability. While Malthusians – named after Thomas Malthus, an 18th–19th century British scholar – believe that population growth will eventually outstrip the Earth's ability to provide for its growing population, leading to resource scarcity, famine, and widespread suffering. Cornucopians – a term referring to the belief in abundance, often symbolized by the cornucopia or *horn of plenty* – believe that human ingenuity, technological advancements, and innovation can overcome any resource limitations. They argue that the Earth has an abundance of resources that can be accessed, expanded, or replaced through creativity and progress.⁶¹

The Simon-Ehrlich wager best illustrates this philosophical divide. In 1980, professors Paul Ehrlich, a biologist, and Julian Simon, an economist, made a bet on the inflation-adjusted 10-year price trend (1980–1990) of five raw materials – copper, chromium, nickel, tin, and tungsten. Ehrlich predicted that prices of all the metals would rise due to resource scarcity exacerbated by population growth.

⁶⁰ See "Gold Mining in China," In Gold We Trust report 2021; "Mining Stocks: The Party Has Begun," In Gold We Trust report 2020; "Precious Metals Shares – More Than a Silver Lining?," In Gold We Trust report 2018

⁶¹ Naudé, W.: "The Malthusians and the Cornucopians", In: Naudé, W.: Economic Growth and Societal Collapse, 2023

The Earth is finite. Its resources are finite.

Dennis Meadows

There is only one important resource that has shown a trend of increasing scarcity rather than increasing abundance. That resource is the most important of all—human beings.

Julian Simon

Nothing is lost, nothing is created, everything is transformed.

Antoine Lavoisier

Simon bet that the prices of these commodities would not be higher than on the day of the wager. **All prices fell in real terms, resulting in Ehrlich losing the bet.**

Similarly, peak gold proponents argue that global gold supply is finite and that two thirds of all gold mined to date (212,582 t) has been mined since the 1950s. A recent report from S&P Global, authored by Paul Manolo, forecasts that global annual gold supply will peak in 2026 at 110 Moz or 3,420 t. One of the primary reasons cited is the lack of high-quality gold discoveries in the recent past, with only five major gold discoveries totaling 17 Moz of gold. In fact, not only has the number of new gold discoveries been trending downwards since 2000, but their size has also diminished significantly, with no discoveries in the past decade ranking among the top 30 discoveries since 1990. As Rick Mills states in an article for mining.com: “As for peak gold, it’s already here.”

However, the question of global gold supply presents a more complex picture than simply asking “When will we run out of gold?” Historical data reveals that global gold production has experienced multiple peaks throughout the past century – notably in 1912, 1940 and 1970 –each followed by periods of decline. Some analysts suggest that another peak occurred in 2018, when production reached 2,554 t.

Yet contrary to these predictions, a definitive peak in gold mining has not materialized. Technological advancements continue to enhance mining productivity and efficiency, maintaining the upward trajectory of gold production. **Should global mining supply begin to decline, the gold recycling market would likely serve as a buffer against supply deficits.**

The global volume of recycled gold has grown steadily over recent decades. During the 1990s, annual recycling volumes typically ranged between 800–900 t. By the 2000s, this figure topped 1,000 t, reaching a peak of 1,500 t in 2010 due to elevated gold prices before retreating to around 1000 t. **In recent years, recycled gold supply reached 1,237 t in 2023, thus representing 25.3% of the total global gold supply and a 9% increase compared to the previous year.** Newly mined gold accounted for the remaining 74.4%, or 2,544 t.

The upward trend continued in 2024, with recycled gold reaching 1,370 t. While this figure remains below the all-time high of 2009 of 1,728 t, equaling 42% of the total supply that year, it exceeds the 1,292 t during the first Covid year of 2020. This robust year-over-year increase in the recycling supply of 11% in 2024 was observed across all regions, except the Middle East.

Gold recycling from jewelry

Jewelry recycling represents the most traditional form of gold recycling, accounting for approximately 90% of all gold recycled globally. This percentage varies regionally, with higher rates in countries with a strong gold jewelry tradition like India, and lower rates in Western countries, where gold jewelry plays a smaller cultural role and other segments like electronic scrap are relatively more significant.

Buy less, choose well.
Vivienne Westwood

There's more gold in a ton of smartphones than a ton of ore from the best gold mine.
Koichi Tanaka, Nobel Laureate in Chemistry

We cannot solve our problems with the same thinking we used when we created them.
Albert Einstein

Computer, when was the last time we cleaned up Earth?
Captain McCrea

Recycled and *ethical gold* has become a prominent trend *within the global jewelry industry*. Brands including Chopard, Prada, Tiffany, and Pandora have committed to sourcing materials responsibly, particularly through the use of recycled gold. Additionally, *numerous emerging jewelry startups* exclusively utilize recycled precious metals, further driving demand for recycled gold.

Gold recycling from e-waste

E-waste has emerged as an increasingly important source of recycled gold. Global e-waste generation currently exceeds 60mn t annually, and is projected *to more than double to 137mn t by 2050*, representing a significant value. A substantial percentage of this e-waste contains precious metals, including gold. For context, *studies have shown* that a typical mobile phone contains approximately 7 to 34 mg of gold. Higher-end electronic devices, such as high-end desktop computers and server-grade motherboards, may contain as much as 1 g of gold.

Historically, e-waste recycling yielded relatively low recovery rates for precious metals. However, improvements in refining and separation techniques have significantly improved these rates, with modern e-waste recycling plants now capable of recovering over 90% of the gold contained in discarded electronics. Recent *scientific papers* have even introduced the use of biodiesel in gold recycling processes as an alternative to fossil fuels. However, as *a recent study* by the University of Pforzheim highlights, gold recycling from e-waste remains considerably more energy-intensive than jewelry recycling. **According to estimates, up to 15% of the world's gold supply could be derived from e-waste by 2030.** Currently, however, e-waste generation is growing *five times faster* than e-waste recycling.

A paradigm shift is underway in the sector. Most recently, *UK Royal Mint has established a recycling facility* in Wales, using cutting-edge processes to extract precious metals from circuit boards in discarded electronic devices. Collaborating with the Canadian start-up *Excir*, the Royal Mint is pioneering a new sustainable precious metal technology allowing gold extraction from e-waste in seconds. The Royal Canadian Mint and clean tech start-up *Enim* have formed *a similar partnership*. **On a national level, the United States leads in gold recovery from discarded electronics, followed by China and Germany, according to a recent study by The Gold Bullion Company.** Based on 2022 data, the US generated 4.1bn kg of formally documented electronic waste, from which an estimated 13,767 kg of gold could be recovered. Despite generating only half as much e-waste, China follows in second place with an estimated 6,630 kg of recycled gold.

On a per capita basis, Norway leads globally with the highest amount of gold recycled from e-waste, at 0.066 grams per person. Rounding out the top five are Finland, Austria, Switzerland, and Sweden.

Drivers of global gold recycling

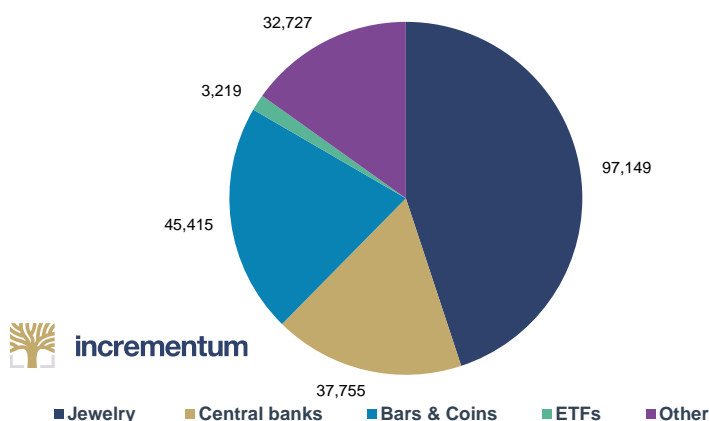
Before concluding our examination of urban gold mining, it is worthwhile analyzing the drivers of global gold recycling, particularly the price sensitivity of

One man's trash is another man's treasure.
English Proverb

A preliminary observation: Despite expectations, comprehensive studies on the price sensitivity of gold recycling supply are scarce. Most research in this area focuses primarily on the technical procedural aspects, presenting substantial opportunities for future research.

As noted earlier, the total above-ground stock of gold – estimated at approximately 212,582 t – is stored in its various forms and has the potential to re-enter the market through recycling. The largest portion exists as jewelry (44%), followed by investment gold (24%) in the form of bars and coins, central bank holdings (21%), and technology (5%).

Above Ground Gold Stock by Sector, in Tonnes, 2024



Source: World Gold Council, Incrementum AG

Nothing gold can stay.
Robert Frost

In practice, however, only a fraction of this above-ground stock will return to the market via recycling. Various factors contribute to this limitation, including family heirlooms being passed through generations, central banks storing gold as reserve assets, and electronic waste being discarded in landfills without precious metals recovery. **As of 2025, only approximately 0.5% of the total above-ground stock of gold is being recycled annually.**

Nature does not hurry, yet everything is accomplished.
Lao Tzu

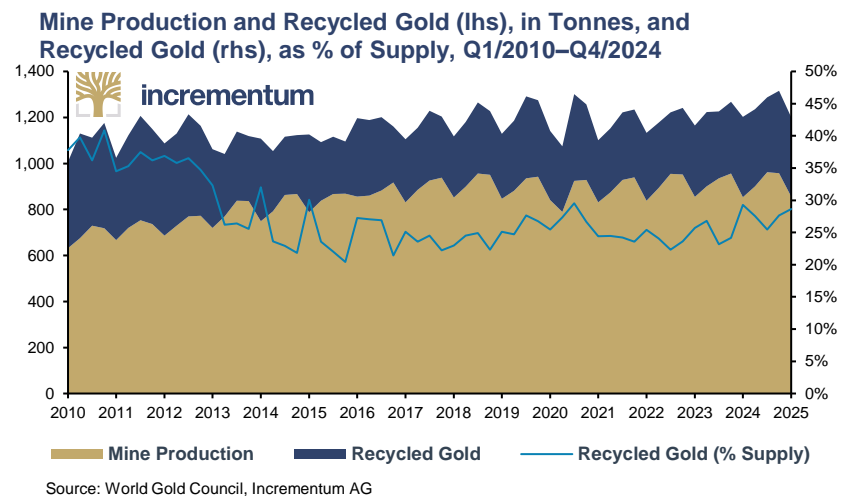
With mining supplying most of the global gold, it undoubtedly wields considerable market power. Consequently, a supply shock – whether positive or negative – would significantly impact prices.⁶² However, mining production involves substantial lead times.⁶³ Often, several decades elapse between the exploration and discovery of precious metals deposits and the subsequent development of mines before production can commence. **As a result, precious metals mining responds relatively slowly to market price changes.**

Gold scrap supply exhibits greater volatility due to its much shorter time-to-market. Unlike mining, it is not subject to seasonality. However,

⁶² See "Asteroid Mining and Deep-Sea Mining," In Gold We Trust report 2024

⁶³ See "Life Cycle of a Mining Project," In Gold We Trust report 2023

seasonality in mining output does influence the relative importance of recycling, which typically increases during the first quarter of each year.



While the scale and variability of scrap gold give it significant potential to influence the gold price, the relationship operates in reverse: **The key driver of recycling volumes is the gold market price. Thus, recycling is a price taker.**

Jewelry is eternal. It never goes out of fashion. It will always be there.

Kate Moss

A primary reason for this dynamic lies in the composition of the **gold scrap supply**: Over 90% originates from jewelry, of which almost three quarters comes from emerging markets. **These countries have highly price-sensitive jewelry sectors that respond rapidly to market price fluctuations, with individuals often liquidating gold jewelry when they require immediate funds.** Beyond China and India, countries such as Turkey, Iran, Iraq, Egypt, and Thailand play significant roles.

While gold recycling generally functions as a price taker globally, it can become a price driver in more localized markets. At times, swings in country-level jewelry demand may cause local markets to trade at discounts relative to world prices. **According to the LBMA**, weak Chinese gold demand has sometimes been responsible for the Shanghai Gold Exchange trading at a discount.

A recent study by Goldbroker examined recycled gold. It calculated the elasticity of recycling gold at a value of 3, implying that a 1% increase in the gold price results in a 3% increase in recycled gold supply. **Research by BCG** arrived at a different conclusion, estimating an elasticity of 0.6. According to our analysis, the supply of recycled gold is significantly influenced by the gold price, albeit with varying effects.

The greatest danger in times of turbulence is not the turbulence — it is to act with yesterday's logic.

Peter F. Drucker

One explanation for this volatility can be found in human psychology.

For instance, the breaching of significant price thresholds, such as the 3,000 USD mark, produces a psychological impact, particularly when widely covered by the media. Additionally, human expectations are not necessarily rational but are often influenced by hopes, fears, and wishful thinking. Consequently, sudden consumer interest – buying or selling – can be triggered. Local gold prices are key in this regard, as shown in November 2022 when euro gold topped EUR 50 per gram,

In times of crisis, people are generally blind to everything outside their immediate necessities.

Albert Einstein

Stock-to-flow isn't just about scarcity—it's about predictability. Markets pay a premium for assets with transparent, unmanipulable supply schedules.

Nic Carter

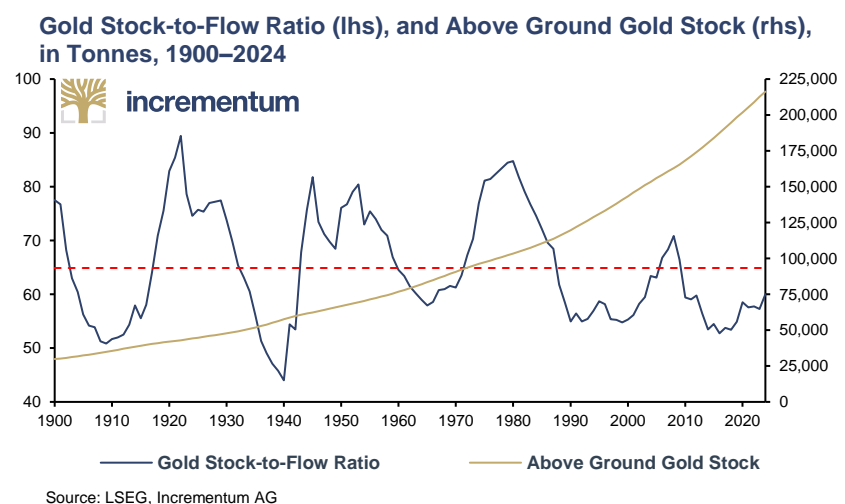
Fiat currencies have near-zero stock-to-flow—central banks can print unlimited amounts. That's why they lose value against hard assets.

Lyn Alden

Currency crises and economic recessions are additional powerful catalysts for gold recycling, as individuals are often compelled to liquidate their gold during financial hardship. The Egyptian currency crisis of 2015/16 illustrates this phenomenon: Egyptian scrap supply exploded **from 6t in Q4/2015 to 27t in Q2/2016**. A crucial prerequisite for significant recycling volumes is, of course, a substantial local pool of gold products, particularly jewelry. **Hence, countries with strong gold jewelry traditions demonstrate greater potential for recycling.**

An examination of historical data confirms the positive correlation between gold price increases and recycling supply growth. Every major price rally in the past was followed by a visible uptick in recycling output – whether during 2010/11 in the aftermath of the global financial crisis, in 2020 during the Covid-19 pandemic, or in 2023/24 after the outbreak of the Ukraine war.

All these examples beautifully illustrate the power of the market process. Gold price increases incentivize miners to boost output and potentially render previously uneconomical deposits viable for extraction. Similarly, businesses and individuals become motivated to monetize their gold holdings once prices reach certain thresholds. **On a more abstract level, the ratio between mining supply and recycling supply is equilibrated by the same market signal: the price of gold.**



Another critical observation emerges when examining the total stock-to-flow ratio (SFR) for gold. Since the beginning of the 20th century, annual gold production has remained relatively constant relative to the amount of gold already mined.⁶⁴ The stock-to-flow ratio compares the current stock of a commodity against the flow of new production. A high ratio, typical for gold or Bitcoin, indicates scarcity and signals lower inflationary pressure, as new supply

⁶⁴ See "Stock-to-Flow Ratio as the Most Important Reason for Gold's Monetary Importance," In Gold We Trust report 2013

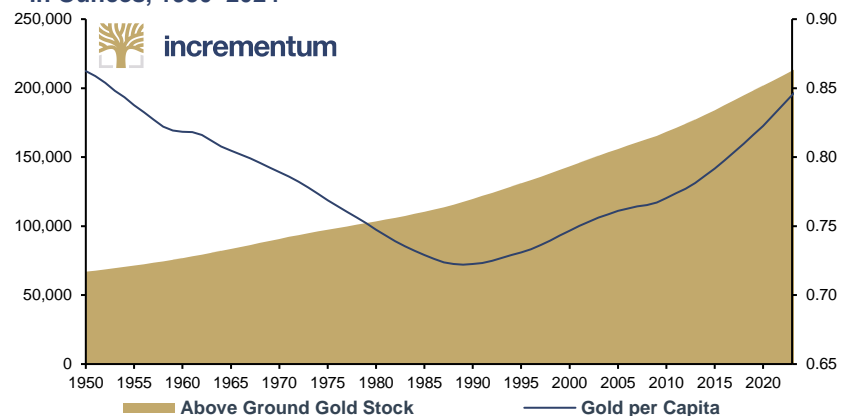
Rising prices signal scarcity, stimulate new production, and encourage consumers to economize and substitute.

Thomas Sowell

has little impact on the market. In contrast, a low ratio suggests greater susceptibility to inflation, since new production carries more weight.

This fact is well illustrated by the following chart: The global stock of gold per capita has fluctuated within a narrow range of 0.70 to 0.85 ounces. This is particularly noteworthy considering the global population has exploded from 2.5bn people in 1950 to some 8bn people today. **In other words, this data contradicts the peak gold theory, as supply has grown more or less in parallel with population growth.**

Above Ground Gold Stock (lhs), in Tonnes, and Gold per Capita (rhs), in Ounces, 1950–2024



Source: UN, World Gold Council, Incrementum AG

The main error in this thinking is that demand is not a quantity. Demand is the willingness of buyers to offer more money in exchange for a good at a range of prices.

Robert Blumen

Therefore, returning to the question of what drives gold recycling supply, the answer is remarkably straightforward: the market mechanism itself. **As long as there is a free price determination mechanism, absent price controls or similar interventions, the gold price can function as a signal to all market participants. There is always enough gold to satisfy demand at the given price.**

Urban Mining – Silver

Without silver, there is no modern photography, no solar energy, no smartphones.

Robert Friedland

Silver, the second most prominent precious metal, shares many features with its golden counterpart, including its use as both a monetary metal and an investment asset. Its durability, scarcity, decorative beauty, and special physical and chemical properties – such as electric and thermal conductivity and resistance to atmospheric oxidation – make it a highly sought commodity. **According to Sprott**, silver is the second most used commodity after oil, and is found in electronic devices, solar panels, electric vehicles, semiconductors, and more than 10,000 other applications.⁶⁵

In contrast to gold, however, silver finds much broader usage in industrial applications and experiences actual “consumption”. This means that a portion of all silver ever mined disappears irrecoverably, for example due to abrasion (coins) or as silver-containing solid waste and solutions. As a

⁶⁵ See also “Breakout or Fake-out: Is this Silver’s Golden Moment?,” In Gold We Trust report 2024; “Silver’s Time to Shine?,” In Gold We Trust report 2023

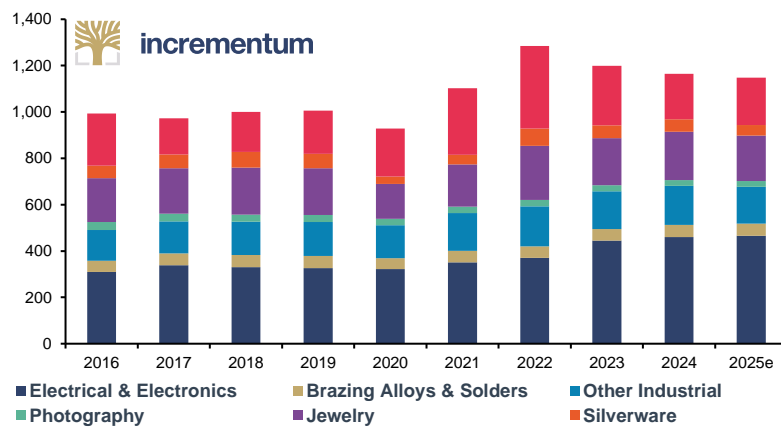
*Nothing lasts forever but the
Earth and sky.*
Kansas, Dust in the Wind

result, **the Silver Institute considers** the total historical mine production of silver – approximately 57bn ounces up to 2023 – an inappropriate measure for the actual size of the above-ground stock of silver.

Further, a significant proportion of silver contained in fabricated products will never be recycled, as the amount is too small to justify the economic effort of recycling. This silver is effectively lost. The specific threshold determining whether silver is worth recycling depends on the prevailing market price. For gold, however, most of the above-ground stock exists in jewelry and bullion and therefore theoretically remains available to the market.

The following chart highlights silver’s strong and growing industrial demand over recent decades, with jewelry making up only a small share. This distinct demand profile—unlike gold’s—also affects its recycling potential, as we’ll examine further.

Global Silver Demand by Sector, in Moz, 2016–2025e



Source: The Silver Institute, Incrementum AG

On the supply side, traditional mining dominates silver production. Over 80% of the global silver supply stems from primary silver mining or byproducts of gold, copper, and zinc mining.

*Silver is, quite simply, a
technology enabler.*
Silver Institute

Silver recycling accounts for a smaller share of total supply than gold, amounting to 178.6 Moz or 5,063 t, i.e. 18% of supply in 2023. The industrial sector was the most significant contributor by volume, driven particularly by increased recycling of EO catalysts and pent-up recycling from the Covid years. Jewelry contributed 31.7 Moz, followed by Silverware at 22.7 Moz and photographic scrap (including medical x-ray and industrial X-ray scrap film containing silver) at 17 Moz. Coin recycling remained minimal at just 3.2 Moz.

Out of sight, out of mind.
English proverb

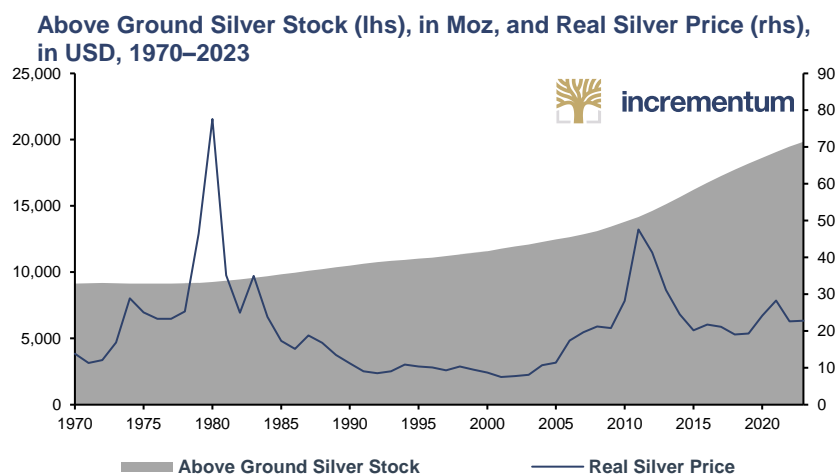
From a regional perspective, East Asia is the leader in recycled silver, accounting for 55.3 Moz in 2023, almost one third of the global total. North America and Europe lagged, with 51.7 and 31.1 Moz respectively. This counterintuitive discrepancy likely stems from **significant exports of waste** from European countries to Asia.

Silver's use in green technologies continues to expand, especially in solar energy.

World Bank

An interesting development to monitor will be the recovery of silver from retired photovoltaic panels. On average, a solar panel contains **20g of silver**, making it a key component. Currently, **only about 10% of panels are recycled** due to limited economic incentives, but this situation might change in the coming years as more photovoltaic panels reach the end of their operational life. Similarly, electric vehicles, which contain **25–50g of silver** each, will become increasingly important as a recycling source. In general, **recycled silver is refined to a purity level of 99.9%**, allowing for further processing into alloys or silver bars and coins.⁶⁶

The *Silver Institute* has recently published a **detailed analysis** with intriguing conclusions regarding the price sensitivity of silver stocks and recycling volumes. **Contrary to what might be expected, there is no direct correlation between the above-ground stock of silver and the silver market price, as illustrated below.** One explanation for this disconnection is the “immobility” of a majority of silver – most is integrated into products such as cell phones, x-ray equipment, and other goods, making it difficult to access.



At the same time, additions to or deductions from the bullion stock do show significant price impacts. **For example, growth in the stock of silver often correlates with market price increases, as buyer demand drives prices upward.**

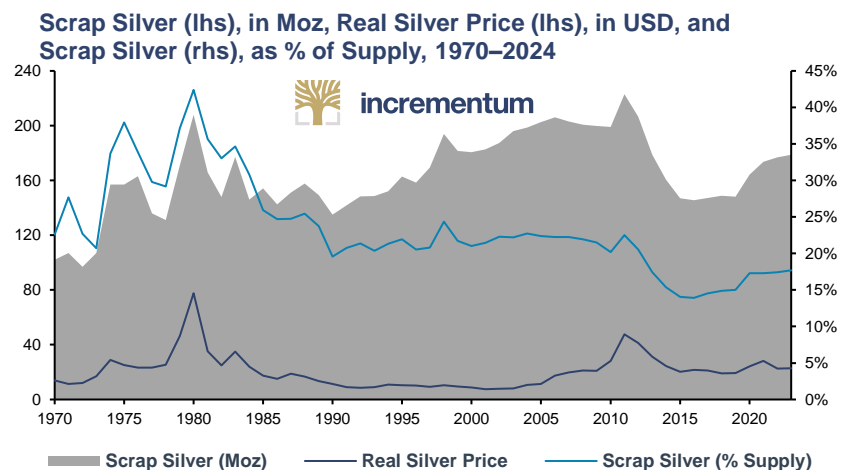
Similarly, fabricated products demonstrate far less price sensitivity than silver bullion, again, due to the “immobility” of the silver. This observation extends to the final lifecycle stage of fabricated products – recycling. Consequently, scrap recycling is only partially influenced by price changes. Environmental policies and product life cycles exert a greater impact.

*I am like any other man.
All I do is supply a demand.*

Al Capone

Nevertheless, significant changes in silver scrap supply can affect market prices on a secondary level. Generally, significant decreases in available silver scrap supply tend to support price levels, whereas considerable increases tend to limit price appreciation.

⁶⁶ See also “Breakout or Fake-out: Is this Silver’s Golden Moment?,” In Gold We Trust report 2024; “Silver’s Time to Shine?,” In Gold We Trust report 2023



Source: The Silver Institute, LBMA, Precious Metals Insights, LSEG, Incrementum AG

However, focusing solely on market price dynamics in relation to silver scrap supply would be misleading, as becomes evident when taking a longer-term perspective: **Over the past 20 years, real silver prices have doubled while the overall amount of silver scrap supply has declined, from 199 Moz in 2004 to 177 Moz in 2023.** The composition of the scrap supply is a much more important driver. While industrial production, particularly electronics, has grown massively, photographic demand has plummeted. Scrap supply from silver jewelry and silverware has fluctuated over this period. *According to the Silver Institute's research*, silver prices and industrial scrap supply exhibit a positive correlation of 0.65 for the period 2011–2023. As expected, the relationship between silver prices and silver jewelry and silverware scrap is even stronger at 0.93.

Sustainability Benefits of Recycling

The world's appetite for electronics is growing, but the planet's resources are not. Precious metal recycling is key to meeting future demand sustainably.

Achim Steiner,
United Nations

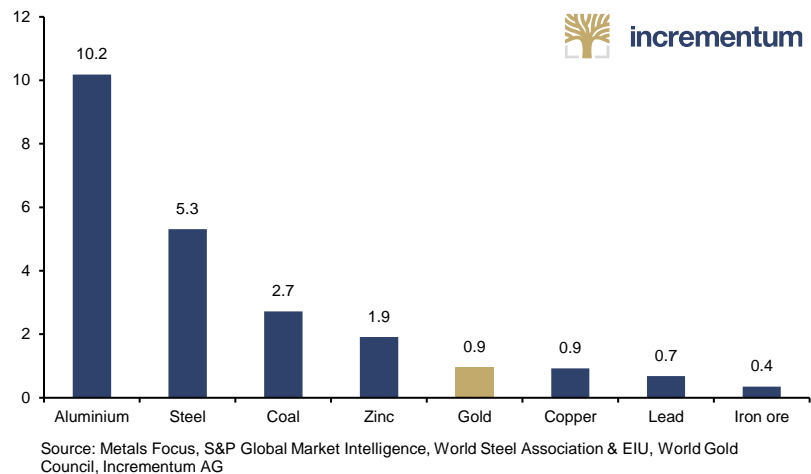
Our analysis would not be complete without acknowledging the positive contribution of gold and silver recycling to environmental sustainability. During the “green” wave of recent years, many have positioned urban mining as the only alternative to traditional mining. This is an incomplete perspective, as all above-ground stocks of gold and silver had to be mined at some point. Relying exclusively on recycled precious metals does not eliminate the alleged negative environmental impact. However, recovering scrap gold from waste before it enters landfills might typically be more resource-efficient than extracting the same amount of gold from ore. To quantify this difference, the production of one ounce of gold through traditional mining emits, on average about 1 t of CO₂.⁶⁷

By recycling gold and silver, the need for traditional mining practices is reduced, decreasing the carbon footprint associated with production. Gold's quasi-infinite *lifespan* means that its carbon emissions predominantly occur during the initial mining process. **Therefore, each recycling round saves approximately 90% of CO₂ emissions compared to primary mining.** However, this needs to be put into further perspective: Aluminum, steel, copper,

⁶⁷ See “The New Low-Emissions Economy: Gold as a Savior,” In Gold We Trust report 2022

coal, and zinc all have much larger CO₂ footprints than gold. For environmentally conscious investors, this presents a compelling case for a gold allocation in order to achieve an improved overall sustainability score across their portfolios.

Emissions Intensity per Value Unit, in kg CO₂/USD



Circular economy is a strategic approach to reducing dependency on imported raw materials.

European Commission

The greatest threat to our planet is the belief that someone else will save it.

Robert Swan

Use it up, wear it out, make it do, or do without.

New England proverb

As a result of geopolitical tensions, recycling is now also taking on strategic significance. After all, recycling reduces the demand for newly mined metals, some of which have to be sourced from countries with which the importing country has a critical relationship. For example, the EU meets 100% of its demand for heavy rare earths from China, 98% of its demand for boron from Türkiye, and 71% of its demand for platinum from South Africa.

Thus, there is a need for at least 25% of the annual consumption of the 34 minerals listed as critical raw materials in the EU to be obtained through recycling by 2030. This would also contribute to developing the circular economy desired by the EU.

Where Are Precious Metals Recycled?

The gold recycling market can be divided into high- and low-grade categories. Depending on the category, different factors influence the recycling location.

High-grade scrap

High-grade scrap consists primarily of metal with minimal nonmetallic components that displays a minimum of 40% gold purity, with most of it achieving higher percentages. Due to its high monetary value and expensive transportation and insurance costs, high-grade scrap is typically refined in its country of origin.

The United States occupies a central position in the precious metals recycling ecosystem. In 2023, it contributed 100 t of recycled gold to the global supply. Major US-based refineries specializing in gold recycling include Asahi Refining (which acquired Johnson Matthey in 2015), The Refining Company, and Palladium Refining. **China and India also account for a substantial share of the global recycled gold supply.**

If you want grown-ups to recycle, just tell their kids the importance of recycling, and they'll be all over it.

Bill Nye

It can be assumed that the current perceived inflation has an impact on the intentions to sell old gold.

Sven Reinicke

Gold is virtually indestructible—there's no excuse not to reuse it.
Thomas Graedel

In Europe, Italy has developed a well-established jewelry industry, particularly in cities like Florence and Vicenza, which drives significant gold recycling in the region. The country's focus on high-quality gold jewelry and luxury goods has created a robust market for recycled gold, especially in gold scrap from old jewelry. The Italian gold recycling market also benefits considerably from the EU's open borders, importing large volumes of gold scrap from neighboring countries. **Italy had firmly established itself as the world's 3rd largest gold scrap supplier**, recycling 116.5 t and ranking alongside the US and China.

Dubai plays a similar central role for the Middle East. Its outstanding importance for the gold trade was recognized in an entire chapter of the *In Gold We Trust Report 2024*. While the city is renowned as the region's gold trading center – with 20–30% of all gold traded globally each year passing through the city –, it unsurprisingly also handles large volumes of gold recycling for neighboring countries that lack gold refinery facilities.⁶⁸ Today, some of the world's largest refineries operate in Dubai, including **MTM Gold Refinery DMCC**, **Emirates Gold**, and **SAM Precious Metals**.

Switzerland, the world's dominant gold refining country, is also a major player in gold recycling. Home to five of the world's largest and most essential refineries – **MKS PAMP**, **Argor-Heraeus**, **Metalor**, **Valcambi**, and **Cendres Métaux** – Switzerland processes and mints approximately 70% of all globally mined gold. Valcambi is the largest refinery worldwide, processing more than 2,000 t of gold, silver, platinum, and palladium per year.

A survey of 2,633 Swiss people conducted by the University of St. Gallen on behalf of philoro Edelmetalle in 2023 showed the widespread use of gold recycling in Switzerland. 52% of respondents stated that they had sold old gold jewelry at least once. 35% of respondents who cited "quick money" as the reason for selling were particularly pleased with the gold price rally and the high liquidity of gold. However, to profit appropriately and achieve an adequate selling price, the price estimation method and the buyer's seriousness are essential. 12% of respondents stated that an estimate was based on gut feeling or a sense of proportion, while only 10% required the use of the precise method of X-ray fluorescence analysis to determine the price.

Low-grade scrap

Lower-grade scrap material contains a very low precious metal content of around 1% or less, found in sources such as burnt electronic scrap or non-auto catalysts. Compared to high-grade scrap, low-grade precious metal scrap has a lower monetary value per unit, consequently presenting less financial risk to transport. As a result, there is worldwide competition for these materials, although fewer specialized refineries can process them efficiently. Japan has developed expertise in this sector, becoming well known for importing and recycling this category.

Worldwide, countless gold and silver refineries operate; however, the most important ones have received accreditation by the LBMA (London Bullion Market Association) for adhering to the stringent

⁶⁸ See "Dubai, the Golden Oasis Driving the UAE Gold Market's Growth," In Gold We Trust report 2024

standards of Good Delivery or by the Responsible Jewelry Council (RJC) Chain of Custody standard (COC). On a global scale, the top refineries are: Agosi (Pforzheim, DEU); Argor-Heraeus (Mendrisio, CH); Cendres + Métaux (Biel, CH); Emirates-Gold (Dubai, ARE); Engelhard (Newark, USA); Heimerle+Meule (Pforzheim, DEU); Heraeus (Hanau, DEU; Johnson Matthey (London, GBR); Metalor (Neuchâtel, CH); PAMP (Castel San Pietro, CH); Perth Mint (Perth, AUS); Rand Refinery (Germiston, ZAF); Tanaka-Kikinzoku (Tokyo, JAP); Umicore (Brussels, BEL); Valcambi (Balerna, CH).

The **Good Delivery standard** (GDG) by the LBMA, not only specifies strict criteria for gold and silver bars to be allowed in settlement at the wholesale London bullion market, but also includes a comprehensive list of all approved refineries capable of producing gold and silver bars adhering to those criteria. For example, GDG-approved refineries must produce at least 10 t of refined gold or 50 t of refined silver per year. They must have a long-standing history in the market, solid financial standing, including a tangible net worth of at least GBP 15mn, and produce bars of approximately 400 oz for gold and 1,000 oz for silver.

Furthermore, the casting process, final appearance, markings, size, and other specifications are laid out. Additionally, all bars not meeting the high technical standards must be stamped as NGD (Non-Good Delivery) near the LBMA-approved manufacturer's mark. Strict independent quality controls ensure the maintenance of this high standard.

Thanks to the reputation and market trust placed in Good Delivery, the direct trade of precious metals (OTC) in the Loco London Market has evolved to its current size. All market participants can trust that all bars have the same fine ounce weight, purity, and physical appearance. Currently, a total of 85 refineries in 27 countries are listed as approved for Good Delivery by the LBMA.

We set the stringent Good Delivery standards, trusted around the world, that enable the global trade in gold and silver bars.

LBMA

Many international precious metals exchanges refer partly or fully to the LBMA's Good Delivery Standard to categorize the refiners accepted in their markets. International exchanges using the LBMA reference include ICE, Borsa Istanbul, CME Group, TOCOM, the Singapore Bullion Market Association, Shanghai Gold Exchange, and Dubai Multi Commodities Centre. Importantly, beyond the outlined criteria for a Good Delivery Bar by an accredited refinery, only acceptance by a London vault transforms such a bar into a London Good Delivery (LGD) bar. **In other words, the London vault managers serve as the true gatekeepers for Good Delivery by accepting LGD bars into their vaults and, hence, into the Loco London marketplace.**

On the other hand, the Chain of Custody (COC) Standard by the Responsible Jewelry Council (RJC) specifies an approach for participants in the jewelry market on how to trade precious metals in a fully traceable, ethical, and responsible way.

Perfection is not attained when there is nothing more to add, but when there is nothing left to take away.

Antoine de Saint-Exupéry

Key Steps in Gold and Silver Recycling

Gold and silver recycling follow similar processes, with a few distinctions due to their different physical and chemical properties. The key steps in gold and silver recycling include collection, sorting, physical processing, chemical processing, and refinement to meet market standards.

Collection

The recycling journey begins with the collection of gold- and silver-containing materials:

- Gold: Sourced primarily from old jewelry, as well as electronics (smartphones, computers, and circuit boards), dental work, and industrial machinery.
- Silver: Collected from jewelry, coins, flatware, photographic film, electronics, and older mirrors.

Sorting and Pre-Treatment

Materials undergo sorting to separate precious metals from other components:

- Gold: Jewelry or electronics require disassembly to isolate gold-containing components (e.g., connectors or pins).
- Silver: Items are cleaned to remove tarnish or contaminants and sorted based on their purity.

Shredding or Crushing

- For larger items or bulk materials, gold and silver are shredded or crushed to make extraction easier.
- Electronics, for instance, are often crushed to release small gold or silver components.

Melting

- The gold pieces are placed in a furnace, where they are heated to a temperature of approximately 1,064°C, i.e. the melting point of gold. Any non-gold components, such as stones or plastic, are removed or separated.
- The process of separating silver from gold is known as "parting." Depending on the desired purity of the final gold, either the Miller or the Wohlwill process is used.

Refining

- Once the gold is melted, it is refined to remove impurities and other metals. There are several refining methods used to purify gold, including:
 - The aqua regia process: This chemical method involves a hydrochloric and nitric acid mixture. The gold dissolves in this mixture, and the impurities are separated. The dissolved gold is then precipitated out using other chemicals.
 - The electrolytic process: This method uses electricity to purify the gold. The gold is placed in a solution of gold chloride, and an electric current is passed through it. The gold is deposited onto an electrode, leaving impurities behind.
 - The cupellation process: This involves heating the gold to high temperatures in a cupel, where it is oxidized and impurities are absorbed by the cupel, leaving pure gold behind.

- Both metals undergo various treatments to ensure high purity, typically over 99%.

Purification

- Further purification steps are sometimes required to achieve the highest purity level, especially if the metal is used for specific high-grade applications.

Casting

- After purification, gold and silver are cast into bars, ingots, or coins. This allows them to be stored, traded, or reused in manufacturing processes.
- Gold is often cast into large gold bars or ingots, or is shaped into coins or jewelry, depending on demand.
- Silver: After refining, silver is cast into bars, coins, or sheets for industrial use.

Quality Control and Reintroduction into the Market

- A final inspection ensures the metals meet the required purity and quality standards.
- Both gold and silver are tested, often by assaying, to ensure that they meet industry specifications.
- The final step in the recycling process is selling and distributing the refined gold. Recycled gold is sold to manufacturers who use it to produce new jewelry, electronics, or investment products.
- Gold from recycled jewelry is indistinguishable from newly mined gold, making it a valuable resource for various industries. As demand for gold continues to rise, recycled gold will play an increasingly important role in meeting the supply requirements.

Conclusion

The economy is a wholly owned subsidiary of the environment.

Herman E. Daly

Precious metals recycling has flown under the radar of public interest despite the growing popularity of gold and silver as investment assets. Yet recycled gold accounts for 25% of the global gold supply, while recycled silver represents 18% of the total silver supply. The remainder of the supply for both metals comes from traditional mining operations, with the ratio between recycling and mining supply remaining surprisingly constant over recent years.

The recycling markets for gold and silver exhibit fundamentally different drivers, reflecting their distinct usage profiles and market structures. For gold, recycling is dominated by jewelry, which accounts for roughly 90% of scrap supply, while electronic waste plays a minor role. This composition makes gold recycling highly price-sensitive, as individuals typically sell jewelry in response to financial distress or psychological triggers – such as record-high prices. **Consequently, gold scrap acts more as a price taker than an independent supply buffer.**

Resources come out of people's minds more than out of the ground.

Julian Simon

Pollution is nothing but the resources we are not harvesting. We allow them to disperse because we've been ignorant of their value.

Buckminster Fuller

In contrast, silver recycling is shaped by its industrial applications. A significant share of fabricated silver is never recovered due to uneconomically small quantities per unit. The largest sources of recycled silver — electronics, solar panels, and legacy photographic films — are less responsive to price fluctuations, as recycling rates depend more on product life cycles and environmental policies. However, jewelry and silverware scrap remain price-sensitive, mirroring gold's behavior but on a smaller scale.

These differences highlight a key divergence: gold recycling is driven by *emotional and economic* factors, while silver recycling is largely dictated by *industrial and regulatory* forces. **Understanding these dynamics is critical for assessing secondary supply elasticity in precious metals markets.**

Closer examination reveals an intriguing trend: since 2015, scrap gold has represented a steady share of around 25% of the global gold supply. The current scrap gold ratio of 27.5% falls significantly short of pre-2015 levels. **Despite record gold prices, this comparatively modest increase can be interpreted as a fundamental shift in gold owners' perception of the metal.** Increasingly, physical gold is viewed not merely as a disposable asset to be liquidated when prices rise but as a long-term store of value to be retained through economic cycles.

Demystifying the Value of Gold

Nobody really understands gold prices and I don't pretend to understand them either.

Ben Bernanke

- The price of gold is not a mystery, but a function of liquidity and trust. The more nominal monetary units in circulation and the less investor confidence, the higher the price of gold.
- Investor confidence is not an abstract concept, but can be specifically measured and evaluated using various indicators.
- The value of gold in USD and the value of the S&P 500 can be explained and calculated in the same way, even though gold pays no dividend. The key is to understand that the profits of the companies in the S&P 500 have been largely driven by US monetary developments since the late 1940s, and that investor confidence in gold and the S&P 500 has the opposite effect.
- Investor confidence is subject to secular cycles. The phases of declining confidence were secular gold bull markets and the phases of increasing confidence were secular equity bull markets.



Dietmar Knoll

Dietmar Knoll worked for four decades in corporate banking at Deutsche Bank AG, most recently as a restructuring expert in risk management advisory. In his retirement, he is researching the question of what really drives the price of gold.

This article is based on the findings of “[The Synchronous Equity and Gold Price Model](#)”, which was presented in detail in the *In Gold We Trust* report 2022. Based on in-depth analyses, we will demonstrate,

- why the development of both the gold price and the S&P 500 is ultimately functions of liquidity and confidence,
- why both assets can be valued in the same way,
- how the intrinsic value of gold can be calculated,
- which is why this new explanatory approach is entirely compatible with the prevailing common sense of equity valuation

and consistently adopt the perspective of equity investors.

Thus, the task is not so much to see what no one has seen yet but to think what nobody has thought yet, about what everybody sees.

Arthur Schopenhauer

Intrinsic value can be defined simply: It is the discounted value of the cash that can be taken out of a business during its remaining life.

Warren Buffett

State Street Global Advisors and the World Gold Council conducted a survey of 400 major asset managers in North America in Q4/2023 and [published the results in June 2024](#). **One of the two main reasons given for not investing in gold is that the intrinsic value of gold is difficult to calculate, as no established model is available. This criticism is entirely justified.** After all, although gold is currently as valuable as it has always been historically and enjoys overwhelming acceptance in almost all societies and cultures, its intrinsic value is still controversial.

This criticism does not exist regarding the S&P 500. Common sense on the markets regarding equity valuation essentially defines the current value of a company as the present value of its expected risk-adjusted net earnings. However, fluctuations in profits or profit expectations are far from sufficient to explain the price developments on the stock markets. The reason is simple to understand: If investors have confidence in the economy's strength and the financial system's stability, they are prepared to pay higher valuations for the same profits than if they are worried or have doubts about future economic developments. A two-stage process is therefore required to correctly explain past price developments on the stock market or to correctly forecast future developments: firstly, the determination of profits as the basic driver and – building on this – the valuation of these profits by investors.

There are undoubtedly many reasons why, in contrast to the stock market, no reliable explanatory model has established itself for gold.

Most importantly, none of these approaches successfully explain the gold price trend consistently and without contradiction. And only then would a method have the legitimacy to establish itself as common sense for the valuation of gold.

Unfortunately, however, all previous attempts to attribute the historical fluctuations in the gold price to individual or a few selected drivers only work at best for a specific period, but never for the entire period since the closing of the gold window on August 15, 1971.

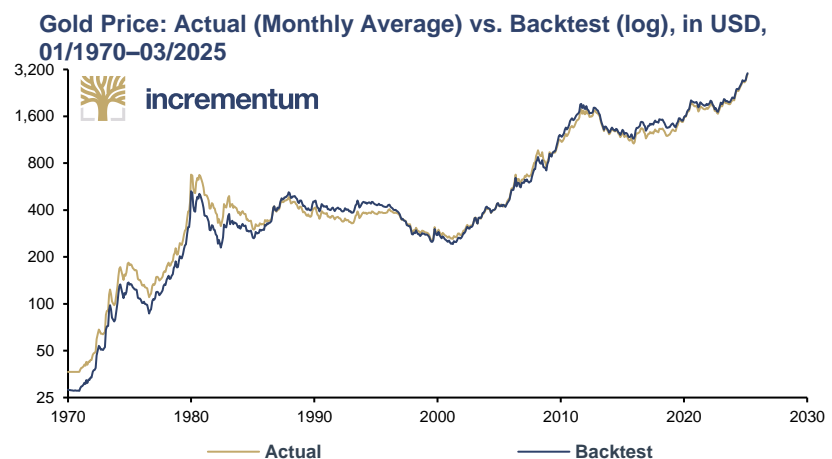
The theory that it is not the price of gold that is rising but rather the purchasing power of the currency in which it is measured that is declining, is not convincing either. Although the cost of gold always balances out monetary inflation in the long term, there is no constant value that is mystically attached to the yellow metal.

Why Make Things Simple When You Can Make Them Complicated?

This is because the assessment of the benefits of sound money, i.e. a proven store of value and an insurance policy against wealth losses, undoubtedly varies.

The starting point for this article is the analysis of the “[The Synchronous Equity and Gold Price Model](#)” that was discussed in detail in the *In Gold We Trust* report 2022. The basis of the work at that time was two central observations. Firstly, there is a strong positive correlation between the US money supply M2 and the S&P 500 and gold, as soon as both assets are considered together. And secondly, that the opposing fluctuations in the two asset prices can be explained as secular fluctuations in investor confidence.

However, before we start our analysis, we will put the cart before the horse. Therefore, we want to show what results this new explanatory approach can produce. Below is the backtest for a recalculation of the gold price using only two variables: the 48-month average of US M2 and the investor confidence prevailing in the US capital market.



For the past 40 years, around 92% of all gold prices recalculated on a monthly basis have been within a deviation range of $\pm 15\%$, around 75% within a range of $\pm 10\%$, and around 47% within a range of just $\pm 5\%$.

The next steps are as follows: Based on an in-depth analysis of the two-stage valuation process for equities, the findings are transferred to gold. The calculation of the intrinsic value of gold is then derived, and guidelines for the possible development of the gold price up to the end of 2030 are drawn up. Finally, there is a brief review of the four secular bull markets for the S&P 500 and gold.

The Underestimated Importance of the Money Supply

The list of potential factors influencing stock market prices is long. If the list is condensed as far as possible and the remaining factors are assigned to only one of the two main drivers of the equity price explanation, the result could be as follows:

Main driver: corporate profits significantly influenced by the following factors	Main driver: valuation significantly influenced by the following factors
<ul style="list-style-type: none"> • Money supply inflation • Operating profitability • Economic fluctuations • Corporate taxes • Share buybacks 	<ul style="list-style-type: none"> • Macroeconomic data • Interest rate policy and capital market interest rates • Exchange rate effects • Political and geopolitical influences • Industry trends and technology • Investor interest • Market sentiment

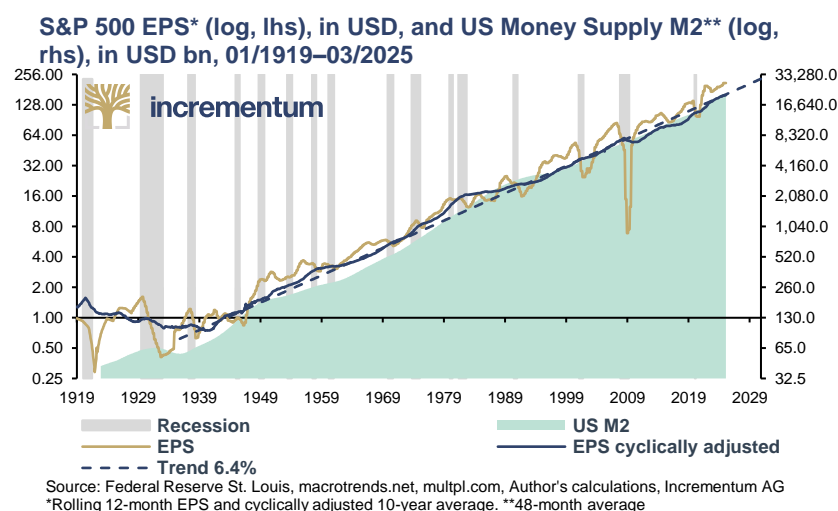
Source: Incrementum AG

News is not important. It is the way the market reacts to the news that is important.

Joseph E. Granville

This shows that the drivers of corporate profits are comparatively complex and predictable. In contrast, the drivers of valuation contain many components that cannot be explained logically and mathematically but are primarily psychological.

The following chart depicts the moving 12-month earnings per share (EPS) for the S&P 500 together with the cycle-adjusted EPS, which serves as the basis for calculating the CAPE ratio, also known as the Shiller P/E ratio. Also shown is the US money supply M2, as well as recession phases of the US economy.



The chart illustrates two things:

- Due to economic fluctuations, the path of the moving 12-month EPS is much more volatile than the development of cycle-adjusted EPS, which, as is well known, summarizes a 10-year period adjusted for inflation.
- There is a strong correlation between both earnings figures of the S&P 500 and the US money supply M2, as all three figures have been growing at a trend of 6.4% p.a. since the end of the 1940s. The following rule of thumb applies: Every USD 130bn increase in the M2 money supply increases the EPS of the S&P 500 by USD 1.

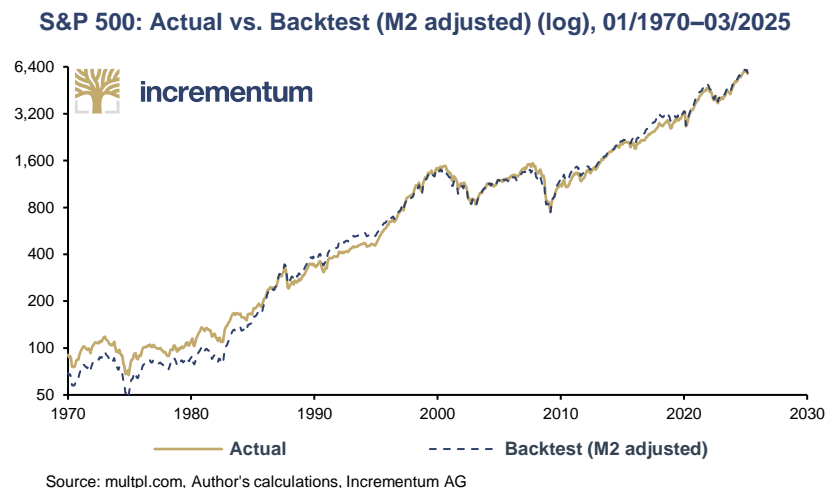
The Correlation Between Money Supply and Corporate Profits

Individual companies can undoubtedly increase their profits over long periods thanks to a superior business model, a strong market position, better products, or

cost advantages. However, the entire corporate sector of an economy requires a corresponding expansion of the money supply. Thinking through to the end, this means that the earnings prospects of a broad equity market, such as the S&P 500, are ultimately limited by the growth in the money supply of the relevant economic area.

The following chart compares the actual price performance of the S&P 500 with a simple recalculation in which US-M2 replaced the cycle-adjusted EPS of the S&P 500. The adjustment factor is also included based on the rule of thumb described above, according to which every USD 130bn increase in the US-M2 results in a USD 1 increase in cycle-adjusted EPS. The specific formula is therefore as follows:

$$\begin{array}{l} \text{M2 adjusted} \\ \text{(recalculation of the S\&P 500)} \end{array} = \frac{\text{48 – month average US – M2 in USD billion}}{130 \times \text{CAPE ratio}}$$



Today's (new) debts are tomorrow's profits.

Oeconomia, the movie

The chart supports the thesis of the close correlation between money supply growth and the earnings performance of the S&P 500. The extraordinary synchronization of the M2-adjusted recalculation with the actual price performance since the mid-1990s is particularly noteworthy. During this period, over 86% of the recalculated prices have been within a deviation range of +/- 10% and around 57% have been within a range of only +/- 5%.

Measuring and Evaluating Investor Confidence

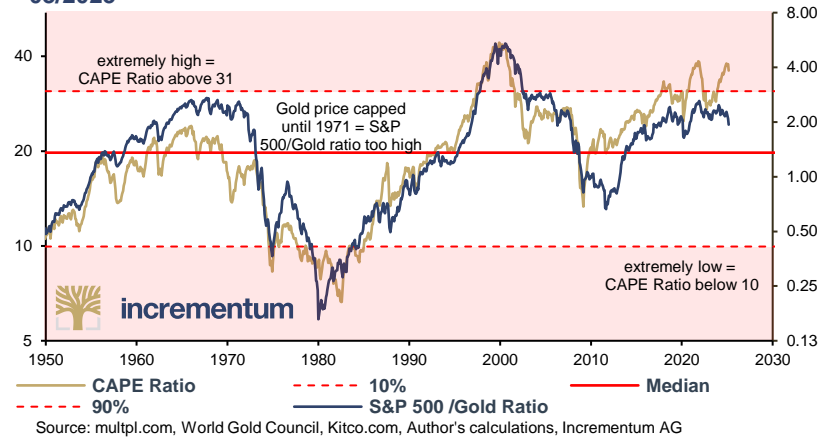
Trust looks to the future, forms itself in the present, and feeds itself from the past.

In Gold We Trust report 2019

Our presentation of the “**Synchronous Equity and Gold Price Model**” already demonstrated that investor confidence is far more than just an abstract concept. The model itself uses the S&P 500/gold ratio for this purpose. The aim now is to clarify whether and to what extent the investor confidence expressed in this ratio is comparable with the valuation on the US stock market, as measured by the CAPE ratio for the S&P 500.

Both indicators are generally expected to rise if confidence is high and to fall if there are doubts and concerns about the future economic development.

CAPE Ratio (log, lhs), and S&P 500/Gold Ratio (log, rhs), 01/1950–03/2025



This ratio (the S&P 500 to Gold Ratio) is popular and worth monitoring because it can easily gauge the 'mood' of the investment community. A low ratio indicates investors are feeling pessimistic about the outlook for the economy and financial markets, whilst a high ratio suggests investors are optimistic.

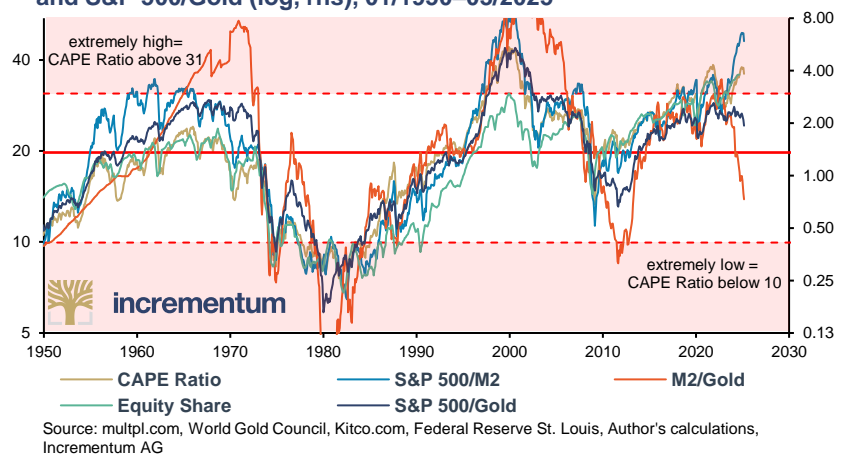
Perth Mint

The chart shows how similar the two valuations are – when appropriately scaled. The underlying message is clear: Investor confidence similarly affects both indicators. Investor confidence could also have a congruent impact on other indicators. **The following three indicators are the focus of interest:**

- the S&P 500/M2 ratio, which indicates the valuation of the stock market in relation to the money supply;
- the M2/gold ratio, which depicts the valuation of gold inversely to the money supply and is therefore comparable;
- the percentage share of directly and indirectly held equity investments in relation to the total financial assets of US households.

The underlying expectation is always the same: If investors have confidence in the economy's strength and the financial system's stability, these indicators should also rise. And if concern and doubt prevail, then the curves should fall. **Below are all five confidence curves in one chart.**

CAPE Ratio, S&P 500/M2, M2/Gold, and Equity Share (log, lhs), and S&P 500/Gold (log, rhs), 01/1950–03/2025



The message of this chart is also evident: Although investor confidence can be measured and evaluated in very different ways, the measurement results always

have reliable equivalents. It follows that the development of gold and equity prices can, in principle, be explained by any of these indicators, provided that the development of US-M2 is also included. **And this leads directly to the central thesis of this article: that the prices of equities and gold are ultimately a function of liquidity and confidence and can therefore be valued in the same way.**

The Rosetta Stone for Investor Confidence

The following **Rosetta Stone** for investor confidence simplifies the scaling and thus the translation of the corresponding confidence levels based on the CAPE ratio as one of the central tools of equity analysis:

The Rosetta Stone for investor confidence

	CAPE ratio	S&P 500/ gold	S&P 500/M2	M2/gold	Equity share in %
	40	3.36	0.238	14.10	48.0
Extremely high	35	2.80	0.215	13.00	42.7
	30	2.25	0.192	11.75	37.0
	28	2.03	0.182	11.25	34.7
	26	1.83	0.172	10.75	32.4
	24	1.63	0.162	10.25	30.1
	22	1.43	0.151	9.75	27.8
	20	1.25	0.141	9.20	25.5
	18	1.08	0.129	8.55	23.2
	16	0.91	0.118	8.00	20.9
	14	0.76	0.107	7.35	18.4
	12	0.61	0.095	6.70	16.0
	10	0.47	0.083	5.95	13.5
Extremely low	9	0.40	0.076	5.60	12.3
	5	0.18	0.049	3.85	7.2

Source: multpl.com, World Gold Council, Federal Reserve St. Louis, Author's calculations, Incrementum AG

It could rightly be argued that although the five confidence curves are similar, they are not perfectly alike. **This leads us directly to the question of which confidence measure is the best.**

Betting against gold is the same as betting on governments. He who bets on governments and government money bets against 6,000 years of recorded human history.

Charles de Gaulle

The correct answer has at least two facets: Firstly, it can be said that the average of all 5 curves is broadly similar to the S&P 500/gold ratio, which probably makes this ratio stand out as the most balanced single ratio. The other part of the answer is that it is precisely the observable differences that provide valuable information.

The following two examples illustrate this:

- It is due to the special characteristics of the gold market – safe haven asset, psychology, relative market size, etc. – that the M2/gold ratio tends to be extremely exaggerated in turning points of investor confidence. However, this should by no means be seen as a weakness of the ratio, but rather as a valuable indication that – in comparison with the other confidence ratios – the exaggerations of the gold price at the end of the 1970s and in 2011 can be

detected just as easily and reliably as historically unique buying opportunities such as in December 1970 and mid-2001.

- Currently, both money supply-related indicators, i.e. the S&P 500/M2 ratio and the M2/gold ratio, show a substantial deviation from other confidence indicators, as both assets are simultaneously overvalued in relation to the US money supply. However, this should not be seen as a confidence anomaly, but rather as a consequence of the current exceptionally high attraction of both assets to global liquidity.

The Limits of This New Explanatory Approach

Essentially, all models are wrong, but some are useful.

Georg Box

The main advantage of the new explanatory approach is that it can explain the gold price in US dollars in a reliable and consistent manner. This is because the profit trend in the corporate sector is also largely driven by monetary inflation. The limits of the explanatory approach are as follows:

- The joint explanatory approach is beneficial for medium- and long-term allocation decisions, but is by no means a short-term trading instrument.
- When central banks, as state actors with a political agenda, act as substantial sellers or buyers of gold and equities, there can be significant distortions in the measurement and valuation of confidence.
- Another legitimate question is whether US-M2 can be a suitable liquidity proxy for modeling globally demanded asset prices. Friedrich August Hayek, one of the most important representatives of the Austrian School of Economics and winner of the Nobel Prize for Economics, looking back on his research, said at the age of 75: “While I still believe that it is true that the price level is determined from the quantity of money, we never know what the quantity of money in this sense is.”

It's not just the USD 20trn of deposits in the domestic commercial banking and credit union sector. There's another USD 13trn of dollar funding offshore in non-US banks.

Gary Gensler, SEC

To the credit of US-M2, it should be noted that the data goes back a long way and the correlation to the S&P 500 and gold price is higher than that of other US monetary aggregates, including the *True Money Supply* (TMS) as defined by the Austrian School.

Using a broader money supply at the level of the G20 countries does not bring any significant improvement, either. Still, it has the drawback of an enormous additional effort in data collection and the clear disadvantage that a reliable correlation has only become apparent since the bursting of the dotcom bubble.

Calculating the Intrinsic Value of Gold

You can invest in crypto for fun or gold 'out of superstition,' but both lack intrinsic value.

Howard Marks

Gold has intrinsic value.

Peter Schiff

If you can't say it simply and clearly, keep quiet, and keep working on it 'til you can.

Karl Popper

Wikipedia defines intrinsic value as “the calculated value of a company or financial instrument that is attributed to it based on business ratios or accounting rules (“fair value”)”. In other words, intrinsic value is the value that would be attributed to an asset based on its fundamentals. This leads directly to the question of what the fundamentals of gold are and how the intrinsic value of gold can be calculated without its paying coupons (bonds), dividends (equities), or rental income (real estate).

Some analysts argue that no intrinsic value can be calculated for gold because there are no corresponding cash flows for valuation. This would equate gold with art or collector's items. Others argue that gold has an intrinsic value because it is rare, limited, and sought-after; but they fail to explain how high this intrinsic value is and how it can be calculated.

With the findings from this article, however, the intrinsic value of gold can be answered just as easily and clearly as the question of the inherent value of equities. Having shown that the price of gold is a function of the currency in which it is quoted and investor confidence in the strength of the economy and the stability of the financial system, the intrinsic value of gold can be calculated using these two parameters. **In very simple terms: the more nominal monetary units and the lower the prevailing investor confidence, the higher the intrinsic value of gold.**

A little more detail:

- The money supply determines the price level of a currency area and therefore also the nominal value of gold in local currency. The level of money-supply inflation explains the general increase in the value of gold in local currency over time.
- Like all currencies, gold is based on trust. Anyone who does not trust fiat currencies, governments, and central banks or questions the strength of the economy and the stability of the financial system buys gold, because it is the best, most stable, and most independent money and has been a reliable store of value for thousands of years. As a result, its value rises wherever mistrust arises, and it falls or stagnates where trust prevails.

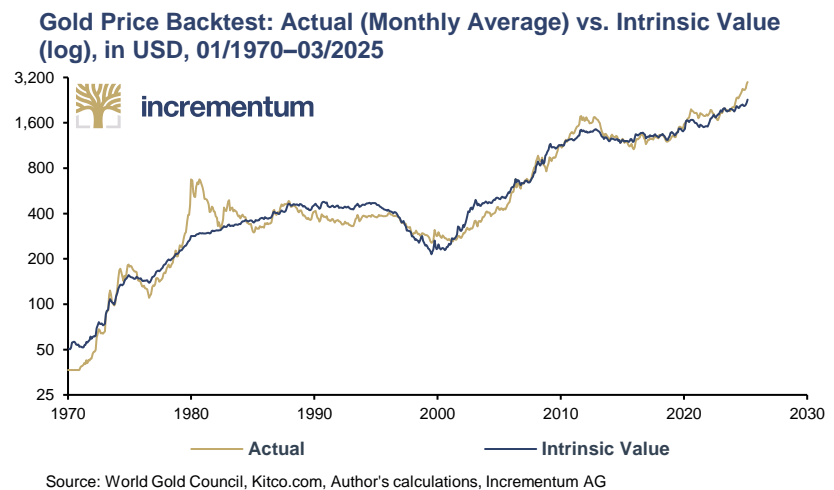
If the aim is to track past gold price movements as accurately as possible based on money supply and investor confidence, then it makes sense to first calculate the S&P 500 price using money supply and the CAPE ratio, as shown above, and then to derive the gold price using the S&P 500/gold ratio. The result corresponds to the first chart in this article.

However, if the goal is to get close to the intrinsic value of gold and thus to visualize the phases in which the gold price is overvalued or undervalued, then the logic of *The Synchronous Equity and Gold Price Model* provides a more interesting result. This model assumes that the US M2 money supply linearly

drives the value of an equally weighted index of the S&P 500 and 1.5 oz. of gold. Accordingly, the intrinsic value of gold can be calculated using the following simple formula:

$$\text{Intrinsic Value of Gold} = \frac{48 - \text{month average US} - \text{M2 in USD billion}}{(\text{S\&P 500} / \text{goldratio} + 1.5) \times 2.7}$$

In this respect, the fair gold price is equivalent to the intrinsic value of gold. The formula is based on the following idea: The money supply drives an equally weighted index of the S&P 500 and gold in such a way that for every increase in the money supply in USD billions, the value of an equally weighted index of the S&P 500 and gold increases by a factor of $1/2.7$. The allocation between equities and gold determines the S&P 500/gold ratio. Because the gold price is weighted at 1.5 oz in relation to the S&P 500 in the index used, 1.5 oz must be added to the S&P 500/gold ratio. The following chart illustrates the results:



Value Investing with Gold

In classic value investing, investors focus on quality companies listed below their intrinsic value. Value investors expect that the undervaluation of these stocks will decrease over time and that the equity price will return to its intrinsic value. Ideally, this makes it possible to achieve above-average returns. To determine the intrinsic value of an equity, value investors make assumptions about both the future development of earnings and the appropriate valuation of these earnings.

Gold is a way of going long on fear, and it has been a pretty good way of going long on fear from time to time.

Warren Buffett

Personal assumptions on the further development of the money supply and investor confidence are required to calculate the relevant intrinsic value of gold. For this purpose, however, equity investors can easily fall back on personal assessments of medium-term earnings growth for the S&P 500 and individual expectations of the future development of the valuation level based on the CAPE ratio for the S&P 500.

Guardrails for the gold price trend until the end of 2030

For example, the following table contains various gold price scenarios for 2030, depending on the assumed earnings growth (= money supply development) and the valuation level for the S&P 500 (= investor confidence).

US money supply		US investor confidence						
Cycle-adjusted earnings growth	Target: 48-month Average	CAPE ratio 10	CAPE ratio 15	CAPE ratio 20	CAPE ratio 25	CAPE ratio 30	CAPE ratio 35	CAPE ratio 40
= Increase M2	M2 End of 2030	S&P 500/Gold 0.47	S&P 500/Gold 0.84	S&P 500/Gold 1.25	S&P 500/Gold 1.73	S&P 500/Gold 2.25	S&P 500/Gold 2.80	S&P 500/Gold 3.36
Fair gold price in USD								
4.4% p.a.	27,200bn	5,120	4,310	3,670	3,120	2,690	2,345	2,075
5.4%p.a.	29,100bn	5,475	4,610	3,920	3,340	2,875	2,505	2,220
6.4% p.a.	31,000bn	5,845	4,920	4,190	3,565	3,070	2,680	2,370
7.4% p.a.	33,200bn	6,240	5,255	4,470	3,805	3,280	2,860	2,530
8.4% p.a.	35,400bn	6,660	5,605	4,770	4,060	3,500	3,050	2,700

Source: multpl.com, World Gold Council, Author's calculations, Incrementum AG

The message of the table is clear: If investor confidence, which was already high at the end of March, continues to rise or remains essentially unchanged, the price of gold is unlikely to rise much further, despite further growth in the money supply. This is because the current gold price is already around 31% above its intrinsic value compared to the current money supply.

Significantly higher price targets only arise if a significant decline in investor confidence is assumed. With a confidence level like that at the time of the global financial crisis in 2007/2008, with a CAPE ratio of around 15, the gold price could rise to over USD 5,000 by the end of 2030, depending on the development of the money supply. If confidence falls to the level of the late 1970s with a CAPE ratio below 7, gold prices of USD 6,000 to USD 7,000 are realistic.

When paper money systems begin to crack at the seams, the run to gold could be explosive.

Harry Browne

Such an erosion of confidence within the next five years can, of course, be considered unrealistic. **Nevertheless, the following points should be taken into consideration:**

- If globalization and China's integration into the world economy have led to low inflation, high corporate profits, and increased global prosperity through low costs, what are the consequences of decoupling, tariffs, and economic warfare?
- Now that US government bonds have been turned from a neutral global currency reserve into a political weapon, the obvious question is, who will finance the growing US budget deficits in the future if foreigners reduce their exposure and Washington cannot pay risk-adjusted interest rates?
- How long will the Federal Reserve be able to pursue direct government financing without triggering new waves of inflation and – faced with the choice – will it ultimately sacrifice the economy or the US dollar?

- If the previous rescue policy of Western central banks can no longer be continued due to overindebted balance sheets, who will save the rescuers who have become capital-less in the next crisis?

Past Bull Markets for the S&P 500 and Gold



Courtesy of Hedgeye

Equities vs. gold – there is hardly a more controversial investment topic. The fact is, however, that the S&P 500 and gold can look back on a comparable increase in value from the beginning of the 1970s. During this time, it was usually only possible to make money with one of the two antagonists, a fact that is impressively underpinned by the following table of secular bull markets since 1970:

Bull market	Duration	Gold Price	S&P 500	M2 growth
Gold	Jan 1970 – Jan 1980	+ 1,828% in total. + 34.5% p.a.	+ 23% in total. + 2.0% p.a.	+ 151% in total. + 9.8% p.a.
S&P 500	Feb 1980 – Aug 2000	- 59% in total - 4.3% p.a.	+ 1,188% in total. + 13.6% p.a.	+ 222% in total. 6.0% p.a.
Gold	Sep 2000 – Sep 2011	+ 551% in total. + 18.5% p.a.	- 20% in total - 2.0% p.a.	+ 96% in total. + 6.3% p.a.
S&P 500	Oct 2011 – Dec 2021	+ 7% in total. + 0.75% p.a.	+ 287% in total. + 14.5% p.a.	+ 125% in total. + 8.5% p.a.
Total	Jan 1970 – Dec 2021	+ 5,006% in total. + 8.0% p.a.	5,076% in total + 8.0% p.a.	3,555% in total + 7.3% p.a.

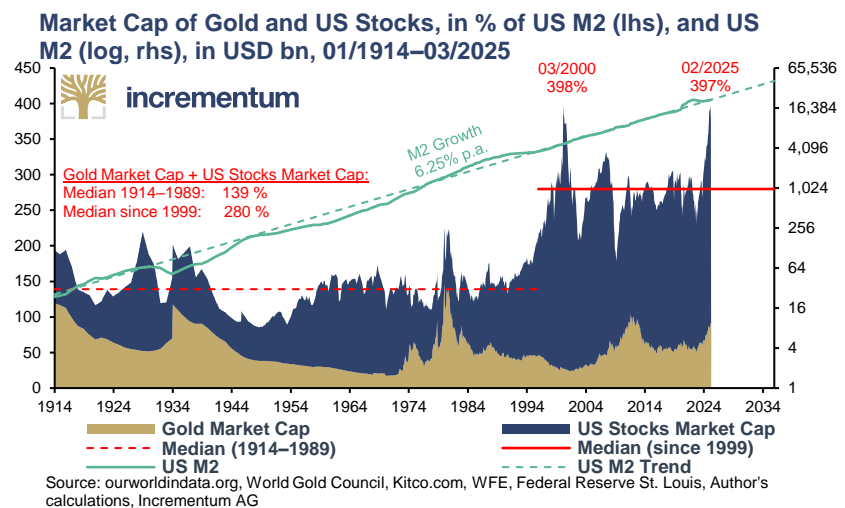
Source: World Gold Council, Federal Reserve St. Louis, Author's calculations, Incrementum AG

The longer the bull market lasts the more severely investors will be affected with amnesia; after five years or so, many people no longer believe that bear markets are possible.

Benjamin Graham

The development since December 2021 has been fascinating, as the unprecedented expansion of the money supply during the two pandemic years of 2020 and 2021 of around 40% even surpassed the previous peaks from the Second World War and is still having an impact today. **Simultaneous all-time highs for gold and the S&P 500 are historically a rare phenomenon, and a sustained trend – over a period of months – is even rarer.** In 2024, based on daily closing prices, gold recorded 44 all-time highs in US dollars, while the S&P 500 recorded a whopping 57. A comparable development was only observed in 1972.

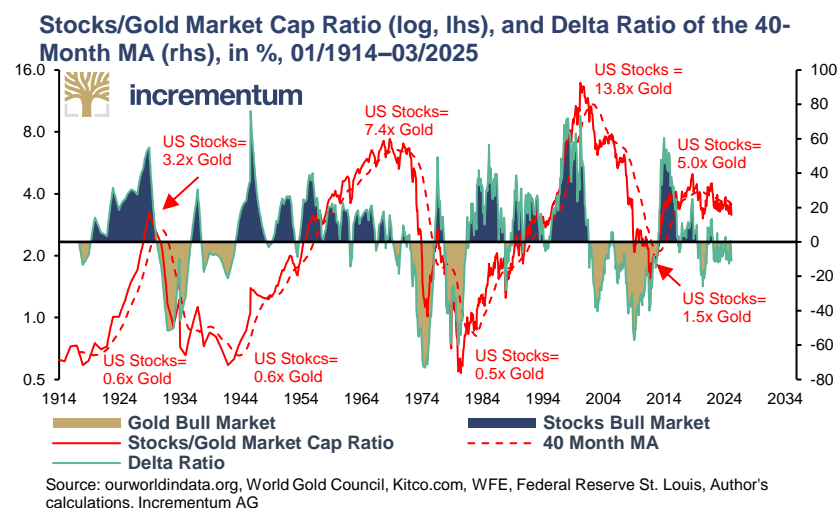
The following chart illustrates how extreme this development has become. It shows the combined market capitalization of gold and US equities in relation to the US money supply. The message is clear: If the US money supply can indeed be seen as the main driver of both asset prices and investor confidence affects only the allocation but not the combined total, then extreme caution is now called for. **The combined market capitalization of US stocks and gold in relation to the US money supply reached almost a new all-time high in February.**



This raises the question of how this overvaluation of the two asset prices will likely unwind. Suppose the mechanisms outlined for the sequence and duration of secular bull markets continue to hold and global confidence continues to erode due to deglobalization, increasing geopolitical tensions, and global trade conflicts. In that case, the gold bull market that started in December 2021 will enter a new, much stronger phase after a correction in the stock market. This will become apparent from the significant gap of the S&P500/gold ratio from its 40-month average in percentage terms.

Donald Trump's proclamation of Liberation Day may have accelerated these developments. However, the suspension of the newly introduced tariff regime — only a few days after its implementation — has, for the time being, largely mitigated losses in the capital markets. Nevertheless, unpredictability and uncertainty persist. **The ongoing erosion of rules, frameworks, institutions, and alliances continues — a development that is typically detrimental to investor confidence.**

Should the loss of confidence intensify, this will be reflected — even if the gold price experiences temporary volatility — in a further decline of the S&P 500/gold ratio, leading to a significantly wider gap between the confidence ratio and its 40-month average. As of the end of March, this gap stood at -14.1%. Historical patterns suggest that this divergence can widen to -40% or beyond during pronounced gold bull markets. As the following chart illustrates, this phenomenon applies to the relative performance of the two asset classes and the comparison between the market capitalizations of gold and US equities.



The preceding chart is to be interpreted as follows: By looking at the US equities/gold ratio, the influence of the money supply on the market capitalization of both assets is eliminated. If the ratio rises, investor confidence grows; if it falls, confidence declines. The current ratio is compared with its 40-month average to filter out short-term fluctuations. If the current ratio is above this average, the market capitalization of US equities is trending faster than that of gold and we are in an equity bull market. If the current ratio is below this average, the market capitalization of gold tends to grow faster than that of US equities, and there is a gold bull market. The strength of the respective bull markets can be seen from the size of the difference between the current price and the 40-month average.

How these cycles can be implemented for the flexible part of the portfolio in the form of an alternating trend-following strategy is described in detail in the *In Gold We Trust* Report 2023, “*The Synchronous Bull Market Indicator*”. **In September 2024, this indicator recommended switching from the S&P 500 to gold. This was only the tenth such signal in 51 years.**

Conclusion

The astonishing performance of gold is not given the attention it deserves by many equity investors, probably because, more than 50 years after the failure of Bretton Woods, it has still not been possible to find a plausible and reliable explanation for the price development of gold.

However, the findings of this article clarify the view:

- Stocks and gold can be explained by the same two fundamentals: money supply and investor confidence.
- This new approach does not contradict the established common sense of explaining stock prices, because ultimately the money supply drives cyclically adjusted corporate earnings. Similarly, gold does not have to pay dividends to be valued like the stock market.

- This new approach provides convincing back-test results on both the equity and gold sides and enables easy-to-model forecasts. It is also advantageous that any positioning on the stock market automatically results in a position on the gold side and vice versa.
- Equity investors can fall back on familiar key figures: The assumed earnings growth of the S&P 500 can be equated with the expected growth in the US M2 money supply, and the assumed CAPE ratio can be used as a reliable measure of investor confidence, including on the gold side.
- Finally, the right understanding of the two drivers also facilitates and optimizes investment success through the right investment and allocation decisions. This is because the secular fluctuations in investor confidence can only ever favor one of the two antagonists. In addition, comparing the sum of the values of both assets with the money supply warns against exaggerations in overheating phases, just as it draws attention to historical entry opportunities after corresponding market corrections.

To ESG or Not to ESG?

To be, or not to be: that is the question.

Hamlet, William Shakespeare

- Once a rising theme, ESG is now facing global disillusionment — marked by fund outflows, political backlash, and the retreat of former champions like BlackRock.
- ESG fund net inflows peaked at USD 70bn in 2021 but have since reversed, with worldwide net outflows recorded in Q1/2025 — even in Europe, the last stronghold.
- Unlike mainstream ESG, which often places disproportionate emphasis on E, S or G, Incrementum AG assigns equal importance to all three.
- In 2023, WGC member companies contributed USD 60.4bn to host nations through wages, local procurement, and taxes — plus USD 651mn to Indigenous and local communities.
- Each mining job supports 6–10 additional jobs in supply chains and local economies, especially vital in remote regions with limited alternatives.
- Within the ESG concept, the social aspect receives relatively little attention. Some examples from our In Gold We Trust Premium Partners show what a major positive impact a commitment in this area can have for all involved.

Studies highlight that focusing on social responsibility, e.g., CSR, SLO, builds trust, reduces conflict, and secures long-term community alignment.

Introduction

In the *In Gold We Trust* report 2023, our chapter titled “Responsible Gold Mining: Meeting the Growing Demand for Sustainability”⁶⁹ channeled the spirit of Clint Eastwood, dividing the theme of ESG into “the good, the bad, and the ugly”.

Emphasizing that the push towards sustainable gold mining was gaining momentum across the board, this chapter concluded on an optimistic note:

In conclusion, the increasing demand for responsible gold is a positive trend that has the potential to drive constructive change in the industry. While there is still much work to be done, we as investors can all contribute to creating a more sustainable and responsible future for the gold mining community.

It is not the strongest of the species that survives, nor the most intelligent – it is the one most adaptable to change.

Charles Darwin

We focus on sustainability not because we're environmentalists, but because we are capitalists.

Larry Fink

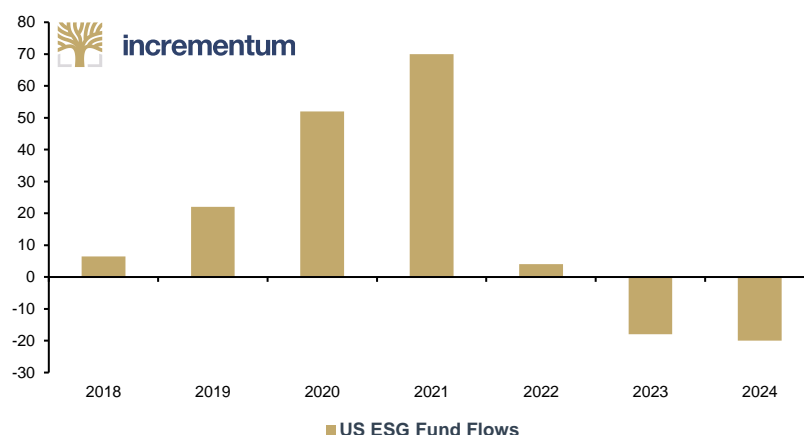
A markedly different tone characterizes our return to this theme this year. Namely, having been central to the discourse in the board rooms of leading financial institutions only 2 years ago, ESG and DEI initiatives have been all but abandoned in 2025. In part, this can be attributed to the former flagbearer of ESG, BlackRock, swiftly reneging on its sustainability pledges – a step change that may have had something to do with the firm anticipating that the White House would take on a distinctly orange hue after November. **Chiefly, BlackRock's heel-turn began in June 2023, when CEO Larry Fink announced he would stop using the term ESG, citing its politicization: “I don't use the word ESG anymore, because it's been entirely weaponized by the left and the right.”**

In September 2023, ESG's demise quickened further as BlackRock began closing certain ESG-focused funds amidst intensifying scrutiny from media outlets. Furthermore, January saw **BlackRock withdraw from the Net Zero Asset Managers (NZAM) initiative** – a coalition committed to supporting net-zero greenhouse gas emissions. Then, in March, Fink planted the final nail in the coffin of ESG, **omitting the mention of the abbreviation** entirely in his annual letter to shareholders.

Meanwhile, net outflows from ESG funds rose in the US from USD 18bn to USD 20bn in 2024, according to research from **Morningstar and Bloomberg**. Admittedly, these analyses also show that strong inflows were recorded in Europe in 2024. **However, the US outflows came a mere 2 years after inflows to ESG funds were marginally positive at USD 3bn in 2022.** Even more phenomenally, net inflows into US ESG funds peaked at USD 70bn in 2021.

⁶⁹ “Responsible Gold Mining: Meeting the Growing Demand for Sustainability,” In Gold We Trust report 2023; “The Challenges of the Gold Mining Industry,” In Gold We Trust report 2022; “ESG and Your Portfolio – Building a More Sustainable Future,” In Gold We Trust report 2021; “ESG Compliance and Financial Stability,” In Gold We Trust report 2020

US ESG Fund Flows, in USD bn, 2018–2024



Source: Morningstar, Bloomberg, Incrementum AG

All [ESG and social license] means is doing the right thing. And that's not rocket science.

Ross Beaty

In Q1/2025, **net outflows were recorded worldwide**, even in Europe. However, this hasn't changed the fact that the vacuous drivel of "ESG-speak" remains commonplace. Much like the prospectors arriving to the Klondike camp in the Yukon after the boom ended in 1899, the sentiment towards ESG has become one of faded optimism – one which sooner begs the question "What could have been?" as opposed to "What could be?". As a result, we find ourselves repurposing a well-known quote from a Shakespearean tragedy for the title of this year's chapter, rhetorically posing the question: To ESG or not to ESG? **And yet, despite this irony, we will be the first to say that all is not lost when integrating sustainable practices into business operations.**

Doing the right thing is never the wrong thing.

Ted Lasso

At Incrementum, we view ESG through a qualitative, long-term lens rooted in broad stakeholder responsibility. As an owner-managed firm, we focus on diligent client service, fair treatment of employees, regulatory compliance, and minimizing our environmental footprint. We treat all three ESG pillars equally, using sustainability data as a valuable input, while remaining critical of superficial ratings and flawed monetary policies. **For us, true sustainability is best achieved when companies that are responsibly run operate within a sound monetary framework.**

Incrementum AG's ESG stance in a nutshell:

- **Holistic sustainability:** As an owner-managed firm, Incrementum sees sustainability as long-term, stakeholder-oriented entrepreneurship: serving clients, treating employees and partners fairly, meeting regulations and tax duties, and minimising environmental impact.
- Guiding investment principles
 1. **Preserve purchasing power & grow assets over the long run.**
 2. **Embed sustainability in every investment analysis,** because resource efficiency, prudent finances, sound

governance, and stakeholder responsibility all feed directly into profitability and risk.

3. **Use ESG data as input, not oracle.** External ratings help, but qualitative judgment has the final say; therefore, the firm does not market products as “sustainable” under the EU SFDR labels.

- **Balanced ESG focus:** Conventional ESG often over-weights the “E”. Incrementum assigns equal importance to **s**ocial and **g**overnance factors, viewing strong culture and governance as indispensable for durable corporate success.
- **Macro perspective on true sustainability:** The team regularly criticises the credit-based monetary system and persistent deficit spending, arguing that ballooning debt and potential currency debasement are unsustainable. A sound monetary framework, plus innovative, responsibly run companies, are seen as the twin pillars of a genuinely sustainable economy.

In short, Incrementum integrates ESG as a qualitative, long-term risk and opportunity lens grounded in broad stakeholder responsibility and skeptical of both box-ticking ratings and unsound monetary policies.

Companies and societies are built with a long-term perspective. Creating them is a permanent process, but it is also associated with a lasting return.

Martin Dilg

Even though broader institutional enthusiasm may have waned for ESG, it is critical to note that a plethora of mining companies, not least our Premium Partners, have continued to advance sustainability efforts. **Often with little fanfare, these exemplary companies are redefining ESG and, in some cases, have become quiet leaders in responsible practices.**

Initially, this is evidenced by the fact that environmental targets are still being set and that governance standards are continuously being strengthened. More presciently, though, our hope derives from the grossly underappreciated *social* aspect of ESG, which is beginning to emerge as a vital sustainability linchpin. **Naturally, the purpose of this year’s chapter will be to draw from industry and academia to highlight and define examples of social responsibility in mining.** In keeping with the broader ESG framework, the chapter will also supplement this with cases of environmental and governance excellence.

ESG Insights from Industry and Academia

Companies should view responsible mining and the implementation of ESG standards not as a burden, but as a selling point.

Romina Bandura und Austin Hardman

Starting with a study supported by Rio Tinto, a white paper written by Romina Bandura and Austin Hardman from the Project on Prosperity and Development highlights sources of conflict in mining operations. Titled “**Environmental, Social, and Governance Best Practices Applied to Mining Operations**”, their research concludes that conflicts principally arise from poor community consultation, unequal benefit distribution, and environmental concerns. Similarly, the Inter-American Development Bank identified poor social responsibility as a key cause of

Good people don't need laws to tell them to act responsibly...and bad people will find a way around the laws.

Plato

The business of business is improving the state of the world.

Marc Benioff

The first step in the evolution of ethics is a sense of solidarity with other human beings.

Albert Schweitzer

setbacks. They cited issues like conflict and malpractice across the mineral value chain, underscoring the need for careful planning.⁷⁰

Fortunately, conflicts of this caliber can be resolved by harmonizing local community interests with mining company activities. This is perhaps best evidenced by the World Gold Council's (WGC) report titled "**The social and economic contribution of gold mining**", which empirically highlights the progress towards more sustainable mining practices in 2023. **According to the data, 29 WGC members, 238 active operating mines, and 101 additional sites across 36 countries contributed a total of USD 60.4bn to host economies.** Notably, this comprises USD 41.1bn of payments to in-country suppliers, USD 11bn in wages to employees, and USD 8.3bn in payments to governments via taxes and royalties.

Beyond this, USD 651mn was invested in local communities and Indigenous groups in 2023, marking an increase of USD 81mn from 2022. Importantly, these direct contributions help mitigate the hardships faced by these communities whilst also dispelling the myth that all mining activities are exploitative.

Furthermore, the gold mining industry directly employed over 212,000 people and contracted an additional 163,000 workers in 2023, with 95% of the workforce being nationals of the respective host countries. The study shows that every direct job in the gold mining sector supports an additional six jobs in supply chains and nearly ten when induced employment is factored in, illustrating the sector's broad multiplier effect on local and national economies.

Moreover, the WGC's report also sheds light on gold mining's role as a catalyst for economic development, particularly in remote areas with limited alternative industries. Ultimately, the findings confirm that gold mining can generate more significant economic and social value when it adheres to the UN Sustainable Development Goals and Responsible Gold Mining Principles. The consensus is that future efforts should be geared towards deepening cooperation with host governments and local communities to ensure that mining continues to drive sustainable development.

Shining the Spotlight on "Social"

Building further on the "S" aspect within the ESG framework, it's also worth noting that there is a growing trend to implement Corporate Social Responsibility (CSR). A publication titled "**Emerging ESG Issues in Mining for 2024**" from SRK notes that stakeholders are increasingly applying a human rights perspective when evaluating mining companies. Incidentally, a 2023 exploratory study by Rey-Marti et al. in the *Resources Policy* journal, titled "**Developing models to assess the social impact of mining: An exploratory study**

⁷⁰ Bandura, Romina and Hardman, Austin: "Environmental, Social, and Governance Best Practices Applied to Mining Operations", White Paper, Center for Strategic and International Studies (CSIS), November 16, 2023, p. 2

through necessary conditions analysis (NCA)”, concluded that focusing on people – aka the “S” in ESG – is *the most effective way* for mining companies to establish long-lasting productive relationships with local communities.

In the same vein, another exploratory research study published in the *Cogent Social Sciences* journal in 2024, titled “Corporate social responsibility programs in mining areas: insights from stakeholder groups in Indonesia”, concluded that a well-thought-out CSR framework is at the heart of a positive engagement between mining companies and local communities. Interestingly, the study defines social responsibility as comprising internal matters such as health, safety, human resources, quality management, change management, and natural resource management. The study also defines an external dimension of CSR that includes local communities, business partners, public authorities, nonprofit organizations (NGOs), and the environment.

Successful people have a social responsibility to make the world a better place and not just take from it.

Carrie Underwood

EY published an insightful report in October titled “Top 10 risks and opportunities for mining and metals companies in 2025”. Distilled from a survey of 355 senior mining and metals leaders globally from organizations with at least USD 1bn in revenue, the report notably crowned a “Social License to Operate” (SLO) as a linchpin to success. As part of this, the report stated that “enhancing community impact and Indigenous trust remains high on the agenda of miners and investors”. EY also noted that companies that weave communities into their success strategy “are creating the foundation for long-term relationships and strengthening the brand”. **In other words, the firms that prioritize the social aspect of their ESG policies are directly maximizing their probability of success.**

Touching on similar themes, an article published in 2023 by Gregory Poelzer, an associate senior lecturer at Luleå University of Technology, titled “Corporate Engagement Strategies in Northern Mining: Boliden, Sweden and Cameco, Canada”, indicated that high levels of trust are established when companies prioritize transparency and collaboration, leading to long-term partnerships that address both socio-economic and environmental concerns. As such, this research also highlights the importance of the Social License to Operate (SLO), especially in contexts where mining activities impact Indigenous lands and livelihoods.

Ethics is knowing the difference between what you have a right to do and what is right to do.

Potter Stewart

A 2023 systemic literature review offers a broader examination of the practical implications of a mining company engaging in CSR in their overall ESG practices. Moreover, the Global Reporting Initiative (GRI) is a global sustainability reporting framework for mining companies to measure, manage, and publicly report their sustainability performance to address the unique impacts and challenges of the mining industry. The “GRI 14: Mining Sector 2024”, which is scheduled to become effective on January 1, 2026, also provides an excellent compass for where the future of sustainability in mining is headed.

The greatness of a community is most accurately measured by the compassionate actions of its members.

Coretta Scott King

In summary, these studies demonstrate that mining companies can provide unparalleled economic benefits to the communities in which they operate – most notably when they prioritize the social element of ESG as part of their fiduciary obligation. In turn, communities will feel more incentivized to support mining, whilst the undesirable – and often unjust –

allegations of environmental damage and exploitation by mining companies will be more effectively combated.

The following examples of ESG from our Premium Partners should serve as shining examples of industry-leading sustainability practices.

But first, we wish to highlight a case study from Nations Royalty, a company bridging the gap between the royalty model and Indigenous communities in Canada – the home to half of the world’s mining firms and roughly 1.8mn Indigenous people.

Nations Royalty – An Indigenous Case Study

We do not inherit the Earth from our ancestors; we borrow it from our children.

Native American proverb

As part of the *In Gold We Trust* report 2023, we expressed our belief that local communities should be financially incentivized by the mining companies that operate on their land.⁷¹ In 2025, Nations Royalty is evidence of this theory in action, as the first and largest majority-Indigenous-owned public company in Canada, created to help Indigenous communities diversify their assets and unlock the maximum value of mining projects on their land. **Naturally, we will now hand it over to Nations Royalty to share their unique perspective:**

For millennia, Indigenous Peoples have harnessed the power of natural resources and precious metals to secure their economic future. Despite historic marginalization, they’ve stewarded their land responsibly, leveraging sustainable development practices while balancing resource extraction and protecting their land and culture. Now, shifting attitudes, evolving legal frameworks and Indigenous-led advocacy have empowered Indigenous voices in resource development, aligning communities and developers towards common goals.

For context, the 2021 Canadian census recorded that over 17,000 Indigenous People were employed in Canada’s mining and mineral processing industries, making the mining industry the largest private sector employer of Indigenous Peoples in Canada. Increasingly, this partnership results in the creation of robust Impact Benefit Agreements (IBAs) and royalty payments issued to communities driven by the mining projects on Indigenous-controlled land. Primarily, these agreements allow Indigenous leaders to bring respect for culture, people and the environment to the forefront of negotiations, putting their people first and creating an avenue for responsible resource development and wealth creation.

Nations Royalty is empowering communities to take their royalties even further by employing the classic mining royalty company business model while keeping Indigenous wealth in Indigenous hands. For the first time, Indigenous groups can diversify their financial interests and eliminate single-asset risk by pooling their royalties together in exchange for shares in a public company, potentially unlocking higher values of these Indigenous royalties. By leveraging capital markets, Nations Royalty also allows

⁷¹ See “Responsible Gold Mining: Meeting the Growing Demand for Sustainability,” *In Gold We Trust* report 2023

Indigenous partners to access the present value of their royalty agreements, providing capital to accelerate economic development initiatives for their people today rather than waiting years for mines to make annual payments. This means that communities can invest more in healthcare, housing, social programs and infrastructure projects that will make a tangible difference in the lives of their communities.

*While the mining royalty model has been used for decades, Nations Royalty is breaking new ground by tapping into one of the last sources of existing royalties – Indigenous-owned royalty payments negotiated through IBAs. According to the Mining Association of Canada, more than 500 of these agreements are currently in place. Estimates from Natural Resources Canada indicate that in 2023, more than CAD 700mn in royalty payments were made to Indigenous communities across the country. These ventures are high quality, long-life projects located in one of the safest, most responsible jurisdictions in the world. For example, Nations Royalty's founding partner, the Nisga'a Nation, have vended in their royalty on *Seabridge Gold's Kerr-Sulphurets-Mitchell project* – the world's largest permitted undeveloped gold-copper project with a 72-year mine life.*

Nations Royalty highlights the potential for resource companies to pursue financial success and fuel positive social and economic outcomes. As social responsibility, Indigenous reconciliation and human-centred initiatives continue to play a role in ESG investment trends, such approaches will become increasingly relevant.

For more information regarding Nations Royalty Corp, we invite you to visit their [website](#).

How Are Some of Our Premium Partners Doing ESG?

Act as if what you do makes a difference. It does.

William James

To shine a spotlight onto further positive examples of miner-stakeholder engagement, we now turn our attention to the way ESG principles are being implemented by our Premium Partners – a group of companies who are truly flying the flag for gold and silver mining by means of sustainable practices.

We work closely with local communities and Indigenous Peoples, valuing and including their views in how we operate. Our regional focus helps us reduce environmental impacts, increase social benefits and contribute to local economies.

Ammar Al-Joundi,
President & CEO, Agnico Eagle

If the gold mining industry is to survive in the changing world, it must recognize and acknowledge its duty to all stakeholders, and make sure that they benefit fairly from the value it creates.

Mark Bristow,
President & CEO, Barrick

Agnico Eagle

We start with one of the most renowned gold mining companies globally, Agnico Eagle, which has prioritized the integration of social responsibility into its core practices for the 65 years it has been operating. Working closely with local and Indigenous communities, Agnico employed around 650 Indigenous individuals in Canada by the end of 2024. Moreover, the company is responsible for significant contributions to regions like Nunavut, where it accounts for a quarter of the region's GDP, thanks in part to the company spending over USD 1.4bn with Indigenous businesses in 2024.

Beyond this, Agnico's approach fosters highly respectful partnerships, as is exemplified by the 20 agreements it has with Indigenous Peoples in Canada, as well as the historic 2024 agreement it made with the Dja Dja Wurrung People in Australia. In 2024, Agnico also became the first Canadian mining company to publish a Reconciliation Action Plan, developed with over 250 contributors, featuring seven pillars and 40 commitments to enhance reconciliation efforts. In summary, this plan builds on decades of long-term initiatives, which aim to empower stakeholders, boost community prosperity, and adapt responsibly to local needs, as is detailed in their latest [Sustainability Report](#).

Barrick

Joining Agnico Eagle as one of the top 3 gold miners in the world in terms of market capitalization, Barrick's commitment to sustainability is characterized by the distribution of USD 11.9bn worth of economic value to its host countries. More specifically, Barrick's [Community Development Committee](#) (CDC) model serves as evidence of the company's commitment to championing the social aspect of ESG. This initiative, designed to provide local communities with the opportunity to debate, discuss and select projects for funding, includes – but is not limited to – investments in schools, health clinics, and water programs.

Barrick's commitment to social initiatives is perhaps even better illustrated by its total contribution of USD 43mn in community investment and \$10mn towards education. Barrick CEO Mark Bristow adds some further color to the company's ESG philosophy, stating that "Sustainability is not a peripheral issue for us; it's the foundation of our business, ensuring we create shared value for all stakeholders." As evidence of these words in action, Barrick recently refurbished water plants in Argentina and delivered clean water to 30,000 Tanzanians near North Mara. For more information on Barrick's ESG initiatives, the company's latest [Sustainability Report](#) provides a comprehensive summary.

We're committed to integrating environmental, social, and governance considerations into every level of decision-making – from managing climate risk and reducing emissions to supporting local development and maintaining high ethical standards. ESG is not a separate initiative; it's a core part of how we run our business and deliver lasting value to all our stakeholders.

Mark Learmonth
CEO & Director, Caledonia Mining

Caledonia Mining

A multi-asset gold producer in Zimbabwe, Caledonia Mining's ESG policy is “built on the belief that long-term success depends on responsible growth, resilient operations, and strong community partnerships”, according to CEO Mark Learmonth. Caledonia's partnership with the Sitezi Secondary School and Clinic transforms these words into action and is characterized by the company's ability to create practical solutions to the community's infrastructural challenges. At the school, access to science, technology, engineering, and mathematics (“STEM”) facilities has drastically improved, as the company restored 5 classrooms and an administration block, provided 15 digital interactive boards and accessories, and rehabilitated 2 computer and science labs. Meanwhile, at the clinic, Caledonia also improved healthcare delivery by installing solar power and constructing a shelter for waiting mothers to support maternal health.

Ultimately, the results of Caledonia's ESG efforts are visible in the comments of local stakeholders, one of whom states: “Every time Caledonia visits, we feel seen and inspired. We cannot go it alone – the partnership is invaluable.” Reinforcing this positive community feedback, Caledonia invested a total of USD 1.5mn in community development in the year 2023 and also accommodates 5000 people – 15% of the local community – at the mine village adjacent to its Blanket Mine. [Caledonia's website](#) contains further details regarding the company's ESG activities for those interested in learning more.

By listening to communities and responding with tangible support – whether it's educational materials, jobs, or environmental restoration—we're investing in a future that's shared, healthier, and more resilient.

Guy Goulet,
CEO, Cerro de Pasco Resources

Cerro De Pasco Resources

Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru, Cerro de Pasco Resources (CDPR) is embarking on a vision “to provide a template for sustainable and competitive mining in Cerro de Pasco, driving the creation of circular economic solutions for problematic mining waste”. With respect to the company's “Social” impact, consistent engagement with stakeholders and community leaders has already secured them a social license. Going forward, a core focus of CDPR's mission will be the remediation of environmental damages through the reprocessing of historical mining waste – material that has contributed to poor health amongst residents for decades.

Beyond the company's environmental stewardship, its project offers renewed economic promise for the city of Cerro de Pasco, which serves as home to over 50,000 inhabitants. Namely, the Pasco region – of which Cerro de Pasco is the capital – suffers from a poverty rate of 39.9% and an extreme poverty rate of 9.3% as of 2022, making it one of the poorer areas in the country. Helping to alleviate this issue further, CDPR engages directly with the community through outreach activities, including school-focused programs during local festivities, where essential supplies and gifts are distributed to families. Further information about CDPR's sustainability practices can be located on the [company website](#).

We are committed to operating with transparency, respect, and a deep sense of responsibility – not only to the environment, but to the people and communities we work alongside.

**Shawn Khunkhun,
CEO & Director, Dolly
Varden Silver**

Dolly Varden Silver

Committed to advancing its high-grade silver and gold projects in British Columbia’s Golden Triangle, Dolly Varden Silver’s ESG efforts revolve around its long-standing and growing partnership with the Nisga’a Nation. Approximately one-third of the company’s exploration team is composed of Nisga’a Nation members, with additional support provided through skills training, local hiring, and contracting opportunities with Nisga’a-owned businesses. In 2023, Dolly Varden co-hosted a cultural awareness and safety training session led by Nisga’a Elders to strengthen understanding and respect for local traditions. Furthermore, the company regularly travels to domestic and international mining conferences with Nisga’a Nation representatives, jointly presenting their shared vision for sustainable and inclusive development.

In light of these commitments, it should not come as a surprise that the President & CEO of Dolly Varden Silver, Shawn Khunkhun, views the company’s partnership with the Nisga’a Nation as a “cornerstone of the company’s identity”. More broadly, Dolly Varden is a proud member of the British Columbia Regional Mining Alliance (BCRMA), thereby enabling the company to actively promote responsible development alongside Indigenous communities, industry peers, and the provincial government. Of course, Dolly Varden Silver’s sustainability activities also extend to the environmental front. For those interested in learning more, further information can be found on the [company website](#).

At Endeavour, our purpose is to produce gold that delivers meaningful value to people and society. ESG is deeply embedded in how we operate, from advancing local talent and inclusive procurement to investing in education, health, and economic development.

**Ian Cockerill, CEO,
Endeavour Mining**

Endeavour Mining

Operating gold mines across Côte d’Ivoire, Burkina Faso, and Senegal, Endeavour Mining “recognizes that responsible mining can be a powerful catalyst for economic and social development in host countries”. A concrete example of this commitment is the ‘N’Goto Yè Tè Hè’ (“Building for the Future”) program at the Lafigué mine. This multi-faceted initiative was designed to support the mine’s transition from construction to operations while providing employment opportunities for youth from surrounding communities. Notably, the program also offers vocational training, internships, and entrepreneurial support and has already benefited 136 young people to date.

Coinciding with this theme of uplifting young people in the local community, the company’s Jeunes Filles en Scolarité program focuses on supporting the education of young girls in disadvantaged communities, as was evident in 2024 with the 60 young girls who benefited from this initiative. Similarly, the company’s Elites of Tomorrow program, which aims to nurture the future of mining talent in West Africa, brought on 5 new students in 2024, bringing the total to 37. One of the students, Hannah Sawadogo, who has since become a Junior Mining Engineer, commented: “[Thanks to the Foundation’s scholarship, I was able to continue my studies at École Centrale Casablanca without any financial worries.](#)” To learn more about Endeavour Mining’s ESG activities, we direct you to the [company website](#).

Our ESG policy is a strategic imperative – guiding us to foster inclusive and safe communities, respect human rights, and ensure robust governance across our operations.

Dan Dickson,
CEO, Endeavour Silver

The mining industry was an early adopter of ESG – specifically the Social aspect of the acronym. From the very start, community engagement and local investment have been cornerstones of our responsible and long-lived mining operations. At First Majestic, we work closely with our neighboring communities because together we thrive.

Keith Neumeyer,
President & CEO, First Majestic Silver

Endeavour Silver

Principally engaged in the exploration, development, and production of silver in Mexico, Endeavour Silver is a company whose commitment to the “S” in ESG can be observed in its financial contributions to its local communities. In 2023, the company invested USD 854,620 in communities across Mexico and Canada – more than double the amount from the previous year – with most of the funding directed toward community infrastructure. Namely, this investment included the company’s collaboration with the municipality of Bolañitos to rehabilitate 1,417 m² of local roadways that were in poor condition, as well as upgrade 300m of sewage pipe around the town centre.

In addition to Endeavour Silver’s infrastructure investments, 142 scholarships were granted to members of the local community in 2023, extending the total number of scholarships awarded by the company to 855 since 2017. As part of this, the company went the extra mile to lessen the burden of student living costs and travel, donating a vehicle in Guanaceví to transport kids from San Pedro to the closest school, which was a considerable distance away from the town where they live. For those interested in learning more, a summary of Endeavour Silver’s sustainability initiatives can be found on the [company website](#).

First Majestic Silver

Primarily operating in the Mexican states of Durango, Sonora, and Jalisco, First Majestic Silver has invested a total of USD 1.2mn in community programs, thereby benefitting up to 48,000 residents across the communities in which it operates. This commitment was reinforced in October 2024, when the company implemented a three-phase, multi-year project to establish a sports complex within the community of Banámichi. Then, in March, First Majestic continued to bolster its social license, delivering 194 high-quality pairs of glasses to children and adults in the communities of San Dimas in Durango and Banámichi in Sonora, in partnership with the nonprofit organization Ver Bien para Aprender Mejor (See Well to Learn Better).

Importantly, the latter initiative was born out of the company’s attentiveness to the concerns of local stakeholders, as is exemplified by the community surveys it conducted at all 3 of its operating mines. Namely, the surveys enabled communities near First Majestic’s San Dimas and Santa Elena sites to voice their need for solutions to vision problems – a challenge that 12.7% of school-age children face, according to the Mexican Ministry of Public Education. Ultimately, by listening and responding with practical support, First Majestic has enabled future generations to access a level of education that they would otherwise not have received. For those interested in learning more about the company’s ESG reporting, more information can be found on the [First Majestic Silver website](#).

We embrace challenges and continuously strive for optimal solutions as part of our approach to ESG.

**Dan Wilton,
CEO & Director, First Mining
Gold**

First Mining Gold

Just like First Majestic, First Mining Gold shares a strong commitment to sustainable mining practices, as is affirmed by CEO Dan Wilton: “At First Mining Gold, the principles of ESG are deeply embedded in how we operate every day... a cornerstone of our business philosophy”.

These words are reinforced by the socially conscious nature of the company’s flagship **Springpole Gold Project**, where 55% of the workforce is represented by Indigenous people. Moreover, the company has spent USD 4mn on goods and services with locally and Indigenous-owned businesses to date and continues to share funding opportunities with its nearby Indigenous communities and stakeholders.

Serving as further evidence of First Mining Gold’s attuned social compass, the company responded to over 600 comments and questions from local communities in 2023. The relatively high number comes after the company established a Sioux Lookout office in Ontario to provide a friendly space for the local communities to ask questions and learn more about the Springpole project. Notably, the company also sponsors local events promoting health and well-being, with around USD 48,000 provided in 2023 alone for various community initiatives. For a more holistic view of First Mining Gold’s sustainability initiatives, the company’s most recent **ESG Report** should suffice.

At Fortuna Mining, sustainability isn’t just a checklist, it’s a strategic imperative that drives how we operate, grow, and create long-term value.

**Jorge A. Ganoza, President,
CEO, and Co-Founder,
Fortuna Mining**

Fortuna Mining

Recognizing the importance of proactive community engagement, Fortuna Mining has invested significantly in programs that expand access to educational and training opportunities in the regions where it operates. In 2024, Fortuna launched the “Education 360 Program” in the Caylloma district of Peru, where the company operates its Caylloma Mine. The program includes the development of interactive classrooms, fully equipped computer labs, high-speed internet access, and pedagogical training for educators at all primary and secondary schools. In Argentina’s Puna region, where Fortuna operates the Lindero Mine, the company also helped establish the Virtual University Center (CUV) of Tolar Grande in collaboration with local stakeholders. This initiative was created in response to the limited availability of higher education opportunities in remote areas, enabling residents to pursue university-level studies without having to leave their communities.

Shifting away from the Americas to Africa, Fortuna launched the “Our Books Boxes Project” in the Séguéla region of Côte d’Ivoire, where the company operates the Séguéla Mine. Primarily focused on installing libraries in primary schools, the initiative provided over 1,300 students across the region with free access to books, addressing a critical gap in the educational system whilst also helping to build more resilient, self-sustaining communities. For more information, we guide you to **Fortuna’s website**, where sustainability reports and performance-related data can be found.

Strong stakeholder relationships, active engagement, and collaboration are essential components of our ESG framework, enabling us to fulfil our intention of Mining with Purpose and being the partner of choice wherever we operate.

Beyers Nel, CEO, Harmony Gold

Harmony Gold

Claiming the title as South Africa's largest gold producer by volume, Harmony Gold is a mining company whose ESG activities are "guided by the strategic pillar of responsible stewardship", according to CEO Beyers Nel. Serving as a prime example of this commitment, the company established the Harmony Virginia Sports Academy in 2003 – a multi-disciplinary training institution in South Africa aimed at developing talented sportsmen from disadvantaged backgrounds. For over 2 decades, the academy has nurtured the athletic potential of its members, offering life skills, medical care, and injury rehabilitation, whilst Harmony covers school fees, transport, and uniforms. Following their time at the academy, several alumni have gone on to compete in the Premier Soccer League and National First Division Leagues. Meanwhile, Rugby successes include players who have reached national levels with the Springbok Sevens team.

Importantly, the company's ESG initiatives do not stop with sports academies. For one, Harmony has partnered with the Safer South Africa Foundation to implement a justice programme aimed at addressing a national crime rate that costs South Africa approximately 10% of its GDP each year. Having reached over 300 schools and impacted the lives of over 250,000 youth since 2012, Harmony's contribution of R740000 has certainly not gone to waste. The company's most recent [ESG report](#) provides a comprehensive summary for those interested in learning more.

While mining provides the foundation for our modern world, most people don't want to hear of more mines being built. But mining has changed significantly for the better. The industry's ESG practices need to be shown so that the world can understand its new, sensitive approach to protecting the environment and the communities around a mine.

Rob McEwen, Chief Owner, McEwen Mining

McEwen Mining

Diversified across the US, Canada, Mexico, and Argentina, McEwen Mining places the social aspect of ESG at the front and centre of its sustainability approach, with its programs and efforts benefiting a total of 7,115 residents across 36 communities in 2023. More specifically, McEwen Mining visited 12 of the communities in which it operates to perform eye exams for 253 students, and subsequently donated glasses to the children diagnosed with vision problems. As an extension of this, McEwen Mining showed appreciation for the cultural traditions of its Mexican communities during the December Posadas. As part of this, the company distributed 1,600 bags of sweets in 29 communities for Christmas celebrations independently organized by each community.

Alongside McEwen Mining's commitment to the community engagement facet of social responsibility, the company is also passionate about investing in the future careers of its employees. For example, the company's Open High School Program aims to reduce the number of employees without a high school diploma by 50% and has already seen a group of 10 students graduate. Meanwhile, at the Los Azules project, the company promises to create over 1,000 high-quality local Argentinian jobs over the life of the mine, stating: "[We think people will covet working for McEwen Copper, because not only do we focus on safety, but also dignity and livability.](#)" To learn more, we invite you to read the company's recent [ESG report](#).

Listening to stakeholders and understanding how we can best partner on long-term community solutions is an important aspect of how we do business. We are committed to setting industry standards, driving responsible partnerships and championing ethical practices to create sustained value.

Peter Toth,
Chief Sustainability and
Development Officer,
Newmont Corporation

Pan American manages its operations by adhering to the following principles: providing a safe and healthy workplace, fostering respectful relationships with our communities and employees, investing in social and environmentally sustainable practices, and delivering strong operating margins through operational excellence.

Michael Steinmann,
President & CEO, Pan
American Silver

Newmont Corporation

Serving as the only gold producer presently listed in the S&P 500 Index, Newmont's commitment to ESG is a common thread throughout its global operations, which span jurisdictions such as Africa, Australia, Latin America & Caribbean, North America, and Papua New Guinea. For example, the company's 'Agua para Cajamarca' ('Water for Cajamarca') program is a public-private partnership that was launched in 2012 to address regional water challenges where the company operates in Peru. As part of this, Newmont has led the development of engineering design solutions and fostered effective collaboration between national, regional, and local governments. In doing so, the company has ensured the successful implementation of these projects under a shared funding model, securing financial contributions from multiple stakeholders. Since 2022, the initiative has focused on building physical and natural infrastructure, including four water wells, reservoirs, and the reforestation of over 3,500 hectares. By 2026, the current 40% domestic water gap for 250,000 people will be closed, and long-term water availability will be ensured. As a result, this nationally recognized collaboration not only enhances sustainability but also reinforces a more autonomous and resilient water management system for Cajamarca. For investors interested in learning more, extensive documentation of Newmont's ESG activities can be found on the [company website](#).

Pan American Silver

Pan American Silver, a company with major operations across the Americas, makes social investments informed by participatory processes, which target socio-economic growth, community services, local employment and procurement development. Such efforts include the company's 'Education that Transforms' initiative, which seeks to enhance educational infrastructure through digitization at their Shahuindo and Huaron mines, as well as the company's strengthening of the avocado supply chain in Peru – an initiative which empowers 500 producers, adds 155 hectares, trains 250 farmers, and creates 200 jobs.

In Peru, Pan American remains busy developing comprehensive health campaigns near its Shahuindo mine, deriving benefits for over 1,150 people in nearby populated centers. Across the border in Bolivia, the company's llama breeding program, which was started in 2016 near the San Vicente mine in Bolivia, was expanded in 2023 with the construction of 6 sheds and the allocation of 45 hectares for growing native grasses to support the local community. Not least, the company also helps fund a ranching program in Mexico that recently trained 47 people across 260 hours. For more information regarding Pan American's ESG activities, we encourage you to visit the [company's website](#).

We are actively helping develop the next generation of mining professionals through various scholarships at five universities and colleges, and we have remained supportive of efforts in our local communities to address food insecurity and healthcare.

William H. Heissenbuttel,
President & CEO Royal Gold

Royal Gold

Holding royalty and streaming interests in mining operations across North and South America, Africa, and Australia, Royal Gold is adamant that responsible mineral development can contribute to the development of sustainable communities while at the same time creating long-term shareholder value. The successful striking of this balance is evidenced by the company's USD 1.5mn contribution last year towards 'supporting organizations that serve critical needs in their surrounding communities and initiatives of mining partners'. Importantly, this figure should be viewed in a historical context, which is to say that, since its inception, Royal Gold has contributed an approximate total of USD 7.9mn to more than 130 charitable organizations.

During these years, the company's mining-focused contributions have included entering into a five-year commitment to an agricultural program in Ghana near the Wassa mine, helping fund the shipment of medical supplies to community clinics near Barrick's Pueblo Viejo mine in the Dominican Republic, and providing construction funding for the Toteng Health Clinic near the Khoemacau mine in Botswana. Most recently, Royal Gold established a contractual commitment embedded in its stream agreement to fund community programs at the Xavantina mine in Brazil. With that said, the [company's website](#) serves as a more detailed resource for those interested in learning more about Royal Gold's ESG activities.

Through meaningful partnerships and skill-building initiatives, we aim to create lasting benefits that extend well beyond the life of the project.

Ken Konkin,
Senior Vice President of Exploration, Tudor Gold

Tudor Gold

Primarily focused on its Treaty Creek project located in the Golden Triangle of Northwestern British Columbia, Tudor Gold is advancing towards a sustainable future "in a way that respects Indigenous rights, supports local communities, and builds shared prosperity". Most notably, this endeavor involves recognizing and acknowledging the asserted interests of the Tahltan Nation, the Nisga'a Nation, and the Tsetsaut Skii km Lax Ha Nation in the region. To this point, the company has signed formal agreements with the Tahltan Central Government and the Nisga'a Lisims Government to support open communication, collaboration, and shared opportunity. In addition, a Memorandum of Understanding is in place with the Tsetsaut Skii km Lax Ha Nation, whose territory encompasses the project area.

At the same time, Tudor Gold conducts an annual two-day Geotechnical and Core Cutting Training Program in Dease Lake, located within the Tahltan Territory. This hands-on course provides up to 20 participants with practical skills, safety training, and exposure to experienced geologists and technicians. Beyond training, Tudor Gold works closely with local contractors that directly employ First Nation members each field season. The company also actively recruits First Nations members for roles in geology, heavy equipment operation, first aid, and mechanics—prioritizing local hiring to foster economic development in nearby communities. For more information, we encourage you to visit [Tudor Gold's website](#).

A key part of gaining acceptance is transparency and a willingness to talk to people, institutions and interested parties.

George Bee,
President & CEO, US Gold Corp

US Gold Corp

A US-focused gold exploration and development company advancing projects in Wyoming, Nevada, and Idaho, US Gold Corp. recognizes the importance of prioritizing the social aspect of ESG, particularly when it comes to the advancement of its fully permitted CK Project. As an example, US Gold will be sponsoring the Frontier Days Rodeo in late July again this year. Held annually since 1897 in Cheyenne, Wyoming – where the company’s flagship CK project is located – the iconic 10-day event draws approximately 200,000 visitors each year. Understanding the importance of the event to the local community, President and CEO of U.S Gold George Bee, states: “US Gold will again be a proud sponsor at the Frontier Days Rodeo in July, a premier rodeo event near and dear to the local community, reinforcing our commitment to being a responsible corporate citizen that values the social well-being of the communities in which we operate.”

Since 2020, the company has also held over 225 meetings with over 260 stakeholders, who have ranged from elected officials and neighbors to vendors and community leaders. By engaging with local stakeholders and contributing to community events in this manner, US Gold Corp. continues to build trust and demonstrate its dedication to social responsibility. Those interested in learning more about US Gold’s initiatives are welcome to visit the [company website](#).

Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success.

Michael Porter

Mining is essential to extracting the minerals people need for the green economy, but it is essential to do so responsibly to protect the environment and people.

Geralda Wildschutt

All in all, when we consider the exemplary sustainability efforts of our Premium Partners, it is clear that mining’s “dirty” reputation has less to do with mining companies themselves and more to do with a misguided interpretation by NGOs and environmental pressure groups, who often miss the mark when it comes to aligning their narratives with the boots on the ground reality. Of course, mining’s reputation is not helped by the few bad eggs, such as the dire treatment of cobalt miners in the DRC. **That said, mining deserves to be celebrated – not chastised – for its propensity to advance humanity forward in a manner that balances economic incentives with social responsibility.**

Therefore, whilst we accept that financial institutions have cast aside ESG, we strongly believe that mining companies – in place of the space vacated by BlackRock – should be the ones to set a new and improved definition for sustainability. Ideally, this definition would be less predicated on fluffed-up compliance language and more often typified by practical action and meaningful social engagement. Fortunately, our Premium Partners are already spearheading the mining industry’s charge toward the realization of this definition. **We sincerely hope this leadership inspires companies from other sectors to follow suit.**

Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?

Strategy is about making choices, trade-offs; it's about deliberately choosing to be different.

Michael E. Porter

- Gold mining companies prioritize capital discipline over growth at any cost: Unlike during the last gold bull market, today's major producers focus on balance sheet strength, cash flow stability, and controlled growth.
- Despite high gold prices, production volumes have declined at four of the six largest producers since the 2011/12 peak, mainly due to asset sales and declining ore grades.
- CAPEX remains subdued despite the price rally: Since 2015, investments have significantly lagged the gold price trend – only Agnico and Newmont reached 2012 levels again by 2024.
- Sharp increases in production costs have significantly weighed on profitability. Only the strong rise in the gold price in 2024 brought a clear recovery.
- Long-term debt has been substantially reduced in most cases – a clear departure from the risk-heavy leverage seen in the last cycle.
- A new balance between stability and growth is needed: The sector faces the challenge of balancing short-term financial discipline with long-term reserve and production security – "Grow or die" no longer applies.
- The performance of gold mining companies clearly shows that an active investment strategy outperforms a passive buy-and-hold approach.

Mining is like a search-and-destroy mission.

Stewart Udall

Like any asset, gold prices move in cycles. These fluctuations naturally affect gold miners, most visibly in their financial performance — but a deeper examination reveals broader impacts on their operational behavior. This chapter explores how gold mining companies have evolved over the years and whether they have changed since the last major gold bull market.

Due to data availability and consistency, it focuses on six major gold producers: Agnico Eagle Mines, Anglo Gold Ashanti, Barrick, Gold Fields, Kinross, and Newmont. We selected this group because they are among the largest gold producers, just as in 2009 at the beginning of the investigated period. We will look at the operational and financial results of the companies and their balance sheets.

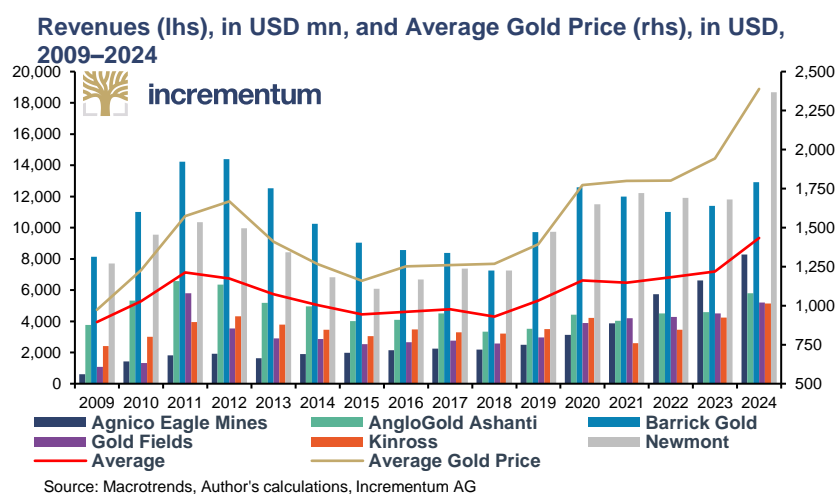
Revenue Trends: Following the Gold Price?

Let's start with revenues. As shown in the first chart, gold producer revenues followed the gold price relatively closely during 2009–2023. However, over the past year, a gap emerged, and revenues grew more slowly than the gold price. Although the first gold price peak during the period occurred in September 2011, at USD 1,920, the average gold price for the year – the average of daily closing prices, to be more precise – was only USD 1,573 in 2011. From this point of view, the gold price peaked a year later, in 2012, when the average amounted to USD 1,669.

Gold is a treasure, and he who possesses it does all he wishes to in this world.

Christopher Columbus

In 2024, the average gold price surged to USD 2,389, elevating average revenues to a new high. Looking at individual companies, Anglo Gold, Barrick, and Gold Fields were unable to come even close to the peak revenues reached in 2011 and 2012. Only Kinross, Agnico, and Newmont were able to beat them, as Agnico more than tripled its 2012 revenues, and by 2024, Newmont recorded an impressive growth in revenues. However, a large portion of the growth is attributable to the Newcrest acquisition, completed in Q4/2023.



Mining is one of the most dangerous jobs out there, and it shapes a particular type of person.

Robson Green

Know what you own, and know why you own it.

Peter Lynch

The fact is that one of the earliest lessons I learned in business was that balance sheets and income statements are fiction; cash flow is reality.

Chris Chocola

Production Volumes: The Output Paradox

The sluggish revenue growth can be attributed to a simple factor:

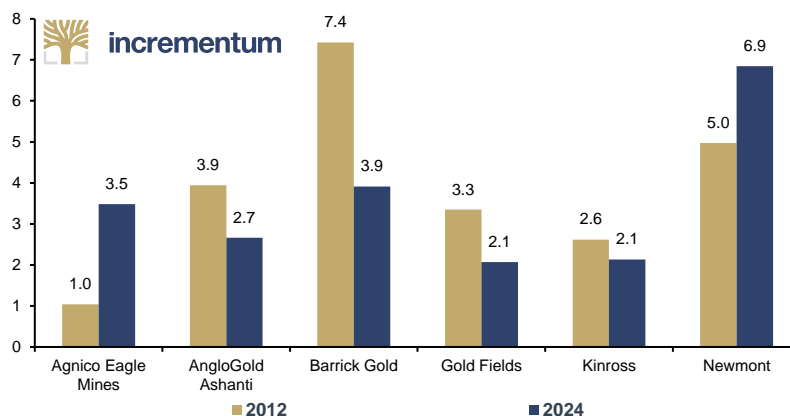
declining production volumes. While gold is their primary output, these companies also extract other metals—notably silver and copper—which contribute to their overall performance.

For example, Barrick produced 430mn lb. of copper in 2024. Still, gold remains the primary focus and revenue source for all six companies. The following chart shows that only Agnico Eagle and Newmont experienced production growth between 2012 and 2024. While Newmont grew its production by nearly 40%, Agnico achieved an impressive 230% growth during this period. Much of Agnico's growth is attributable to the 2022 merger with Kirkland Lake Gold. But even without the merger that gave Agnico the Detour Lake, Fosterville, and Macassa mines, production would still have increased by approximately 120%.

All the remaining four companies have experienced production

declines. Barrick had to face the biggest one, falling from over 7.4 Moz produced in 2012 to less than 4 Moz in 2024. Barrick experienced this decline despite its 2019 acquisition of Randgold, which produced nearly 1.3 Moz of gold in 2018. Barrick also divested several less-profitable assets, and there were also issues like declining gold grades and [the dispute over the Porgera mine](#). In the case of Gold Fields, the production decline is also attributable to asset divestments, as the company spun off some of its South African assets into Sibanye Gold in 2013.

Gold Production Volumes, in Moz, 2012 vs. 2024



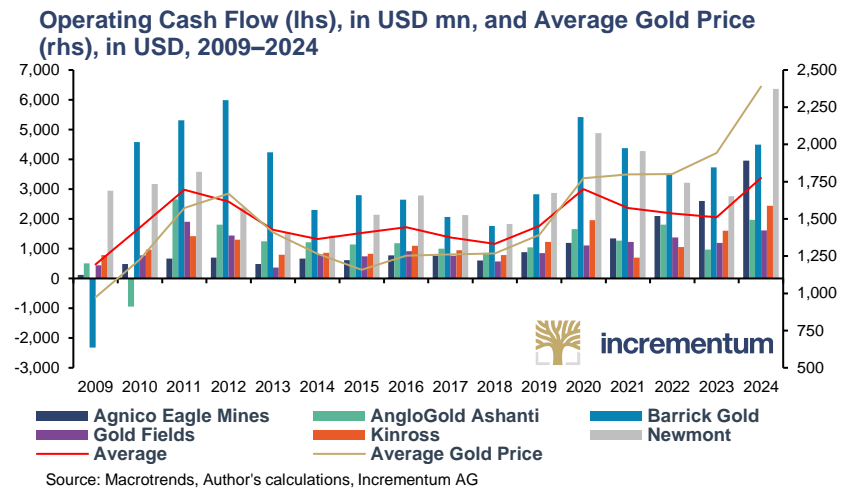
Source: Company Data, Author's calculations, Incrementum AG

Cash Flow and Profitability

A clear divergence can be observed when comparing gold prices with the gold miners' operating cash flows starting in 2021.

In 2020, the average operating cash flow peaked slightly above USD 3bn. Since then, it has been declining, despite the average gold price remaining almost stagnant: USD 1,774 in 2020, USD 1,799 in 2021, and USD 1,802 in 2022. In 2023, it even jumped to USD 1,943. During the same period, the average cash flow generated by the six major gold miners declined by one-third, from USD 3.04bn to USD 2.05bn. The decline cannot be blamed on any one company. The remaining companies declined except Agnico (118% growth) and Gold Fields (7.4% growth). The steep gold price

growth in 2024 was able to break the negative trend, and operating cash flows experienced a notable increase.



All a company report and balance sheet can tell you is the past and the present. They cannot tell future.

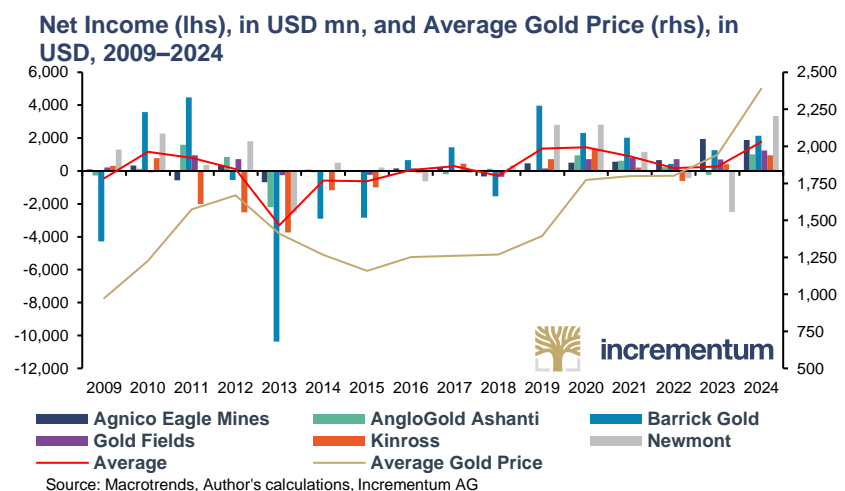
Nicolas Darvas

Net incomes followed a similar downward trend. Despite strong gold prices between 2020 and 2023, profitability steadily declined. The group's average net income plummeted from USD 1.45bn in 2020 to just USD 267mn in 2023—and this downturn was widespread. Only Agnico Eagle bucked the trend, with net income surging from USD 512mn to USD 1.94bn over the same period. The other five companies saw sharp profit declines, with the most severe drops at Anglo Gold Ashanti (falling from a USD 953mn profit in 2020 to a USD 235mn loss in 2023) and Newmont (plunging from USD 2.83bn in net income to a USD 2.5bn loss).

I call it the Rule of Three. If you read a company's financial statements three times, and you still can't figure out how they make their money, that's usually for a reason.

James Chanos

But in 2024, the record-high gold prices made all companies profitable again. Q4/2024 was the most profitable quarter in history. Nevertheless, as the numbers show, higher gold prices do not necessarily mean higher net incomes. The reasons for the fall in income are not only accounting practices, which are often used to artificially lower net income to reduce tax liabilities, but also growing costs.



AISC and Cash Cost Evolution

There are several ways of measuring production costs in the gold mining industry. The most common are cash costs and all-in sustaining costs (AISC). Cash costs include basic items such as mining, processing, refining, and transportation, royalties and production taxes, and labor and consumables costs. AISC is a broader category, as it includes cash costs and sustaining capital, G&A, exploration, and closure and reclamation expenses – in other words, the expenses needed to keep mining operations going. The long-term development of the AISC is shown in the next chart. AISC grew notably between 2012 and 2024.

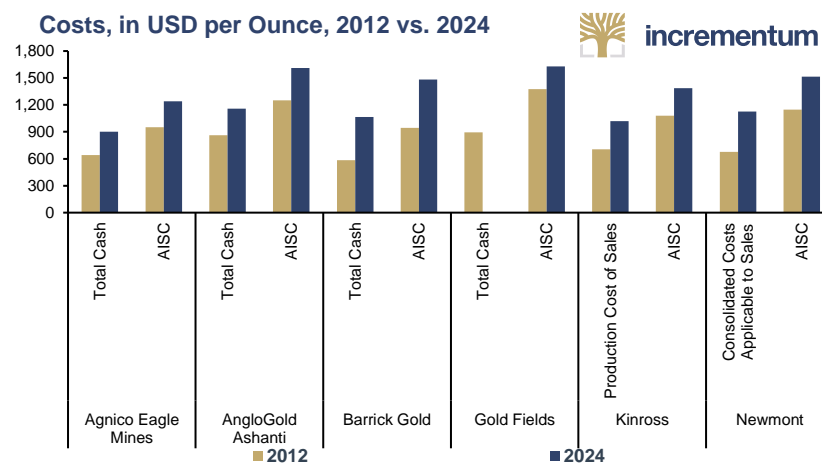
Agnico, Anglo Gold, Kinross, and Newmont experienced approximately 30% growth in AISC, Gold Field's AISC grew by nearly 20%, and Barrick sustained a 57% increase. On average, AISC grew by 32.5% between 2012 and 2024, or by approximately 2.37% per year. That doesn't seem like much, but most of the growth occurred over the last 2–3 years. During the same period, average operating cash flows and net incomes lagged notably behind gold price growth.

Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hit man.

Ronald Reagan

For comparison, the following chart shows the evolution of cash costs.

In all cases, cash costs and AISC experienced similar growth. However, it is essential to note that, unlike with AISC, cash cost reporting is not standardized. While Agnico, Anglo Gold, Barrick, and Gold Fields report total cash costs, Kinross reports the production cost of sales, and Newmont reports consolidated costs applicable to sales. Production cost of sales and consolidated costs applicable to sales are broader categories that include indirect costs.



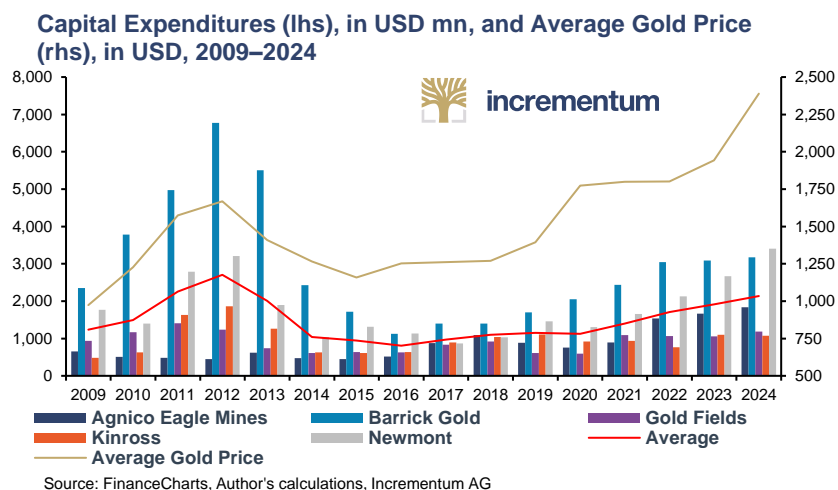
Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.

Sam Ewing

Capital Allocation: Learning from Past Mistakes?

Although AISC is a representative cost measure, it doesn't capture all the costs incurred by the mining companies. Besides various operating costs, AISC includes capital expenditures (CAPEX), though only the sustaining ones, which are the expenses for keeping current operations alive. Growth capital expenditures, which are mainly the expenses for the construction of new mines, are not included.

The following chart shows the changes in the six major gold producers' overall CAPEX. In general, the curve capturing the average annual volume of CAPEX for the whole group moves toward the gold price curve. However, between 2009 and 2014, both curves went steeply up and then steeply down. Then, starting in 2015, they began behaving more independently. Yet, except for 2015 and 2020, the direction of the curves is the same; both are growing. However, since 2015, the growth of CAPEX has lagged behind the growth of gold prices. **Only Agnico Eagle and Newmont had higher CAPEX in 2024 than in 2012. All the other companies are spending much less.**



Balance Sheet Management: Fiscal Discipline and Debt Control

There is only one side of the market and it is not the bull side or the bear side, but the right side.

Jesse Livermore

The current gold bull market reveals a distinct shift toward financial prudence among mining companies. This trend is most clearly illustrated by the sector's debt evolution, as shown in the accompanying chart. The data presents a striking departure from previous cycles, when miners prioritized aggressive expansion at the expense of balance sheet health, frequently accumulating significant debt to finance growth.

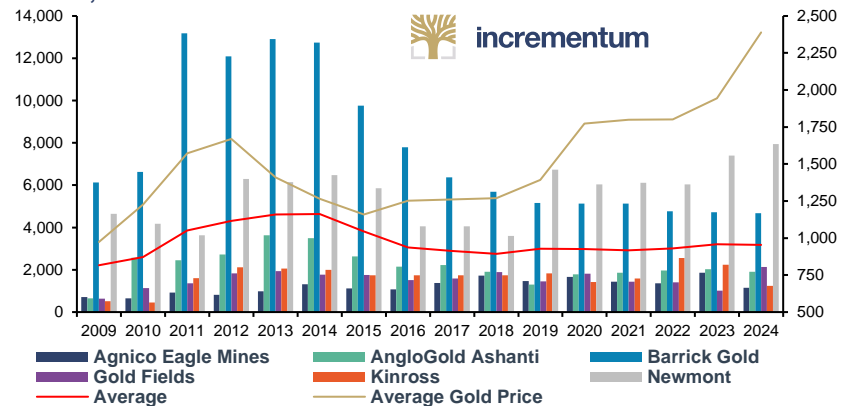
An analysis of long-term debt levels from 2016 to 2024 demonstrates this newfound discipline. Aggregate debt remained stable during this period, hovering consistently near the USD 3bn mark with minimal fluctuation. While individual company strategies varied, the sector-wide pattern reflects substantially more conservative financial management than historical norms.

Rather go to bed without dinner than to rise in debt.

Benjamin Franklin

This disciplined approach to leverage management contrasts sharply with previous bull market behavior. The deleveraging trend has been supported by reduced capital expenditures (see Figure Y), though this fiscal restraint may carry consequences. While stronger balance sheets represent a clear improvement, the concurrent decline in capital investment could potentially constrain future production growth, presenting a trade-off between current financial stability and long-term operational capacity.

Long-term Debt (lhs), in USD mn, and Average Gold Price (rhs), in USD, 2009–2024



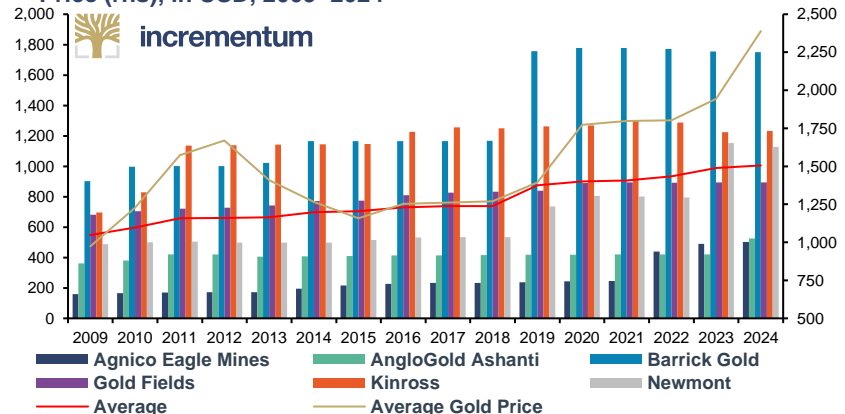
Source: Macrotrends, Author's calculations, Incrementum AG

Debt is like any other trap, easy enough to get into, but hard enough to get out of.

Henry Wheeler Shaw

It is possible to argue that the companies simply swapped debt financing for equity financing, but, as the next chart shows, that is not the case. The average volume of outstanding shares has kept on growing at a relatively stable pace, regardless of the phase of the gold market cycle. The stable pace of growth was interrupted only in 2019, when Barrick merged with Randgold and Newmont merged with Goldcorp, both in all-share transactions. In 2022, in another all-share deal, Agnico merged with Kirkland Lake Gold. Except for these three big deals, the share counts remain relatively stable. Kinross even reduced its share count by nearly 3% between 2020 and 2024. Also, between 2009 and 2011, the pace of average share count growth was quicker than it is now. In 2010 and 2011, the average share count grew by 8.8% and 10.5%, respectively. Between 2012 and 2018, it grew by 1.9% per year on average. In 2019, it jumped by 18.5%, and between 2020 and 2024, the average growth rate equaled 2.8%. In 2024, however, it was as low as 1.6%.

Number of Shares Outstanding (lhs), in mn, and Average Gold Price (rhs), in USD, 2009–2024



Source: Macrotrends, Author's calculations, Incrementum AG

Conclusion

The stock market is a device for transferring money from the impatient to the patient.

Warren Buffett

A marked evolution in strategic approach distinguishes today's gold mining majors from their 2011 counterparts. During the previous cycle, producers pursued aggressive expansion through high-risk greenfield projects in challenging jurisdictions, often with reckless disregard for capital efficiency. The current paradigm reveals fundamentally different priorities: disciplined capital allocation, conservative production targets, and sustained balance sheet strength – with sector-wide debt levels remaining notably below 2012 peaks.

This strategic transformation stems from two plausible drivers:

1. **Macroeconomic Conditions:** The era of ultra-cheap capital (2009–2015 federal funds rate near 0%) has given way to tighter monetary policy, with rates currently exceeding 4%. This structural shift has fundamentally altered capital availability.
2. **Industry Maturation:** Mining executives appear to have internalized the lessons of previous cycles. The conspicuous absence of billion-dollar greenfield gambles and the preference for strategic acquisitions through industry consolidation demonstrate more measured growth strategies.

The investor's chief problem – and even his worst enemy – is likely to be himself.

Benjamin Graham

Whatever the exact motivation may be, less leverage and more equity are undoubtedly positive developments. However, the temptation remains: if gold prices stay elevated, it's likely only a matter of time before the mantra of “growth at any cost” resurfaces. **It is now up to the management teams of the major producers to resist the siren calls and consistently prioritize the interests of their shareholders.**

Investment Implications

These market dynamics render passive investment approaches particularly ineffective for gold equities. Instead, they create ideal conditions for active strategies that can:

- Identify cyclical opportunities
- Adjust exposure based on fundamental indicators
- Capitalize on shifting industry dynamics

Our proprietary *Incrementum Active Aurum Signal* embodies this approach, combining cyclical analysis with fundamental metrics to optimize allocation throughout market phases. **The following chapter will detail our methodology for navigating these complex dynamics through disciplined, active management in the mining sector.**

Performance Gold – Is It Time for Mining Stocks?

Value investing is pain, and the higher the level of pain, the better the future performance.

Jean-Marie Eveillard

- Following the successful breakout of the gold price, now is the time for performance gold. However, mining shares are not a simple buy-and-hold investment, but require active management.
- An active mining stock strategy using our new, proprietary Incrementum Active Aurum Signal is clearly superior to a passive strategy from both a performance and a risk perspective.
- While the gold price reached new all-time highs in the spring, the valuation of gold mining companies does not yet reflect the sharp rise in profitability.
- In the short term, the technical situation for gold miners seems somewhat extended. Additionally, the second half of the year tends to be the less bullish half for mining equities. In this respect, any second-half pullbacks could offer attractive entry points.
- We expect strong producer cash flows will lead to replenishing their dwindling reserves through acquisitions. The beneficiaries of this development will be junior producers, well-funded developers and explorers with world-class discoveries in Tier 1 regions.
- Despite the largely positive developments, there are still only a few sectors that are more underweighted by investors than the mining sector. This is reflected in the sector's almost dwarfed market capitalization.

At the risk of oversimplifying, gold equities display above-average volatility because they are affected by an above-average list of externals. Trading profits aside, daily volatility in gold shares seldom corresponds to a relevant change in underlying corporate fundamentals.

Trey Reik

There's two buttons I never like to hit: panic and snooze.

Ted Lasso

You gotta make hay while the sun shines, especially in the Klondike.

Tony Beets

Commodities and mining stocks are considered a highly complex and demanding asset class. Fortunes are made and also quickly wiped out again. Complex interactions between price trends, technical challenges in extraction, management risks, substitution, and technological progress characterize the micro level of the industry. Forecasts in this area, therefore, regularly turn out to be a waste of time.

At the macroeconomic level, factors such as interest rates, energy and labor costs, political uncertainty, and the interplay between inflation and deflation collectively influence the success or failure of a mining investment. **In our opinion, this requires active timing when investing in mining stocks.**

Time for Performance Gold?

“Should I buy gold or gold mining shares?” is a question journalists and investors often ask us. Our slightly mischievous answer is usually that this is as meaningful a comparison as between the Austrian ski jumping team and the Brazilian national soccer team. The comparison only makes minimal sense.

Attentive readers of our gold studies are already familiar with our differentiation between *safe-haven gold* in the form of physical gold on the one hand and *performance gold* such as (gold) mining shares and mining funds on the other. While the primary aim of acquiring physical gold, i.e. *safe-haven gold*, is to preserve purchasing power, gold and silver mining shares and mining funds, i.e. *performance gold*, offer the potential for significant capital growth.

	Safe-haven gold	Performance gold
Goal	Monetary insurance	Return and capital growth
Purpose	Hedging against uncertainties, inflation, or other risks	Benefit from rising gold prices and achieve a higher (risk-adjusted) portfolio performance
Shape	Physical (coins or bars)	Gold mining stocks, gold funds or derivative financial instruments
Costs	Acquisition costs (spread), costs for safe custody	Transaction and management fees
Advantages	Physical store of value, no counterparty risk	Potentially high returns, source of income (dividends, option premiums), flexibility
Disadvantages	No productive capital	Higher volatility, default / company risks
Investment character	Preservation of capital and protection against loss of value in times of economic turbulence	More speculative investment that targets price movements and market trends

Source: Incrementum AG

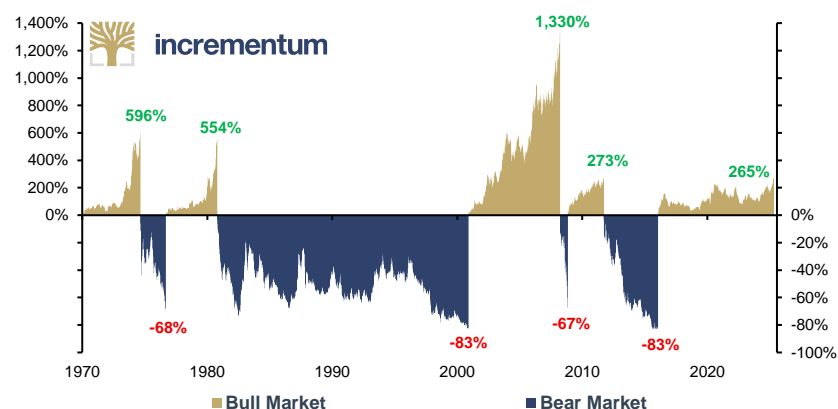
One thing is clear: gold mining shares are not a buy-and-hold investment. The assumption that they are merely a direct lever on the gold price is an oversimplification. Rather, every type of mining company – whether explorers, developers, producers, or royalty companies – harbors a multitude of risks and opportunities that go beyond the pure gold price and have a significant influence on the price trend.

Asset value	Alpha potential	Leverage to gold	Diversification	Exploration Upside	Dividend	Operational risk	Capex risk	Worst-case scenario protection
Exploration (shares)								
Development (shares)								
Mid Cap (shares)								
Large Cap (shares)								
Royalty & Streaming (shares)								
ETFs (shares)								
ETFs (precious metals)								
Physical (precious metals)								

Source: Jefferies, Incrementum AG

Given the many risks, we advocate an active investment strategy when dealing with gold mining stocks. This is because bear and bull markets in this sector are typically more extreme than conventional equities.

Gold Miners* Bull/Bear Markets, 01/1970–04/2025



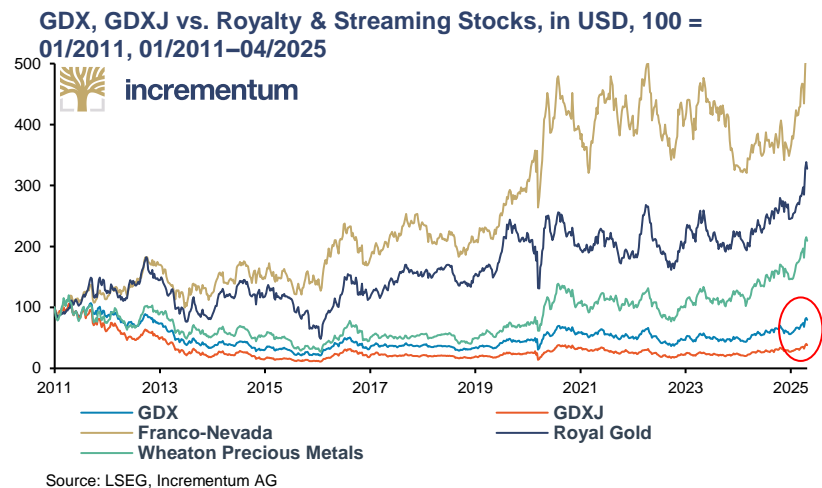
Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 1970–2000, HUI = 2000–

Diversification is the only free lunch in investing.

Harry Markowitz

A proven approach to risk diversification in a portfolio of mining stocks is to focus on royalty and streaming companies. These companies are characterized by the fact that they do not operate their own mines, but focus on acquiring rights to future gold and silver production.⁷² Their business model has proven to be extremely robust, as they generate solid returns during upturns and are often more resilient than the overall market during downturns.

⁷² See "Royalty & Streaming Companies: An Excellent Way of Investing in Gold," In Gold We Trust report 2022



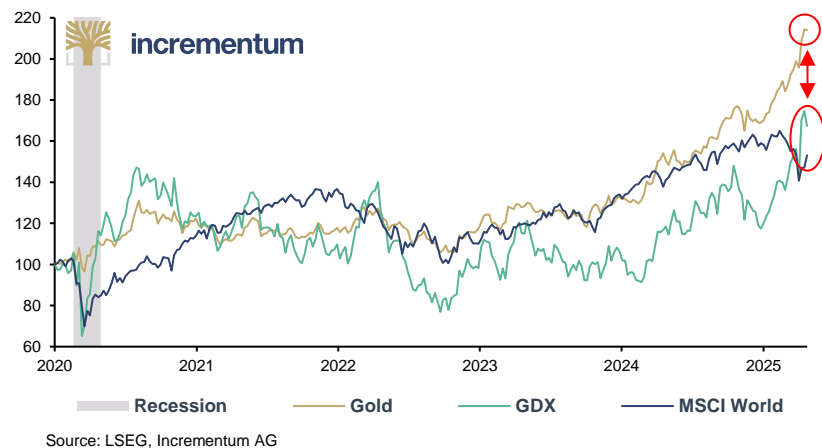
*What doesn't kill me
me stronger.*
Friedrich Nietzsche

Thanks to their business model, which allows them to benefit from rising gold and silver prices without bearing the direct operational risks of mines, they exhibit remarkable anti-fragility. Their diversified portfolios reduce the risk of individual mines and thus offer a better hedge against market fluctuations.

Gold mining stocks: Active management is required!

Gold and silver mining stocks are significantly more volatile than royalty and streaming stocks. **Despite the recent stellar performance, the gold mining sector is still as unpopular with generalist investors as Elon Musk is with civil servant unions.**

Gold, GDX, and MSCI World, in USD, 100 = 01/2020, 01/2020–04/2025



*Catenaccio is not just defending;
it's about knowing when to
strike. You wait, you watch, and
then you kill them on the counter.*
Nereo Rocco

The Incrementum Active Aurum Signal

But what indicators are there for recognizing the optimal time to go on the offensive and performance gold to your portfolio? And when is it time – according to the football wisdom “offense wins games, but defense wins championships” – to act more defensively?

Over the past years, we have worked intensively on this issue and developed a signal that helps us precisely anticipate this point in time. **The result of our**

The art of investment is the discipline of inaction in the absence of a good opportunity, but aggressive action when one is identified.

Li Lu

analysis is our proprietary *Incrementum Active Aurum Signal*. The signal determines the optimum time to adjust the gold exposure in the portfolio.

It examines when it is advisable to acquire *performance gold* in the form of mining shares or equity funds to increase the gold beta. It also determines when it is appropriate to take a more defensive approach to gold exposure. This can be implemented, for example, by shifting from higher-risk mining stocks - particularly in the small caps segment - to bonds issued by mining companies or royalty and streaming companies, or simply by reducing the exposure in order to achieve a lower overall beta to gold.

Composition of the signal

The *Incrementum Active Aurum Signal* consists of two sub-signals: the *cycle signal* and the *fundamental signal*. The cycle signal is made up of five anti-cyclical components:

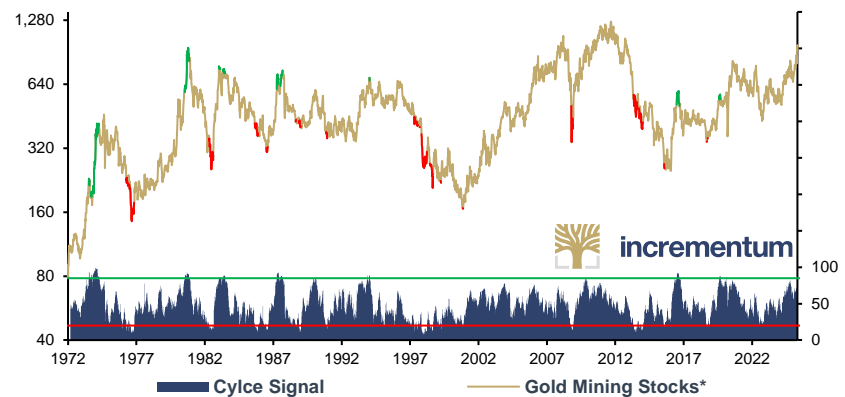
- **Momentum: Relative Strength Index (RSI) of gold mining stocks:**
The RSI of the gold mining sector provides information on whether gold mining stocks are overbought or oversold. This can be an indication that the market is overheated or that a trend reversal is looming.
- **Sentiment: CFTC net gold positioning:** Total net gold positioning as measured by CFTC data can indicate how market players such as hedge funds and other institutional investors are positioned. Extremely positive or negative sentiment can indicate that the market may be at a turning point.
- **Risk appetite: Bollinger Bands on gold mining stocks/gold ratios:**
Analyzing the Bollinger Bands of mining stocks versus gold and junior mining stocks versus mining stocks can indicate how risk-averse investors are. High volatility and a strong movement of the bands can indicate increasing uncertainty and risk aversion.
- **Macro environment: *Treasury Inflation-Protected Securities (TIPS)*:** The TIPS analysis compares the real yield of inflation-protected bonds with their 52-week moving average. This can provide an indication of market expectations regarding inflation and real interest rates, which in turn can affect the attractiveness of gold as an inflation hedge and thus also the price performance of gold mining stocks.
- **Boom/bust indicator: Gold mining stocks relative to their moving average:** The delta between the current price and the moving average can indicate whether gold mining stocks are fundamentally overvalued or undervalued. A significant delta can indicate that the market is in an overbought or oversold phase, and a correction is likely.

The greatest discoveries often arise from a series of smaller discoveries that come together.

Alexander Flemming

All sub-indicators oscillate between 0 and 100, affecting the cycle signal with different weightings. Overall, this results in the cycle signal with a value between 0 and 100. Buy or sell signals are achieved when the cycle signal is above 85 (= sell signal) or below 20 (= buy signal). A high value therefore indicates a potential overbought situation or a largely exhausted upside, while a low value indicates an oversold situation and limited downside.

Gold Mining Stocks* (lhs, log), in USD, and Cycle Signal (rhs), 01/1972–04/2025



Source: LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

Markets are never wrong - opinions often are.

Jesse Livermore

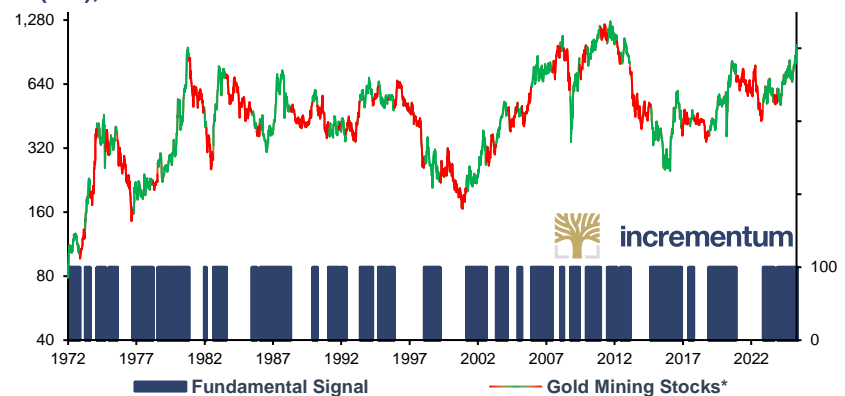
The second cornerstone of the *Incrementum Active Aurum Signal* is the *fundamental signal*, which can be understood as a pro-cyclical indicator for gold mining companies. A gold mining stock margin trend channel was created as a central input factor that takes into account developments on the commodities market.

In contrast to the cycle signal, the fundamental signal only has two levels:

- 0: negative/weak fundamental environment
- 100: positive/strong fundamental environment

A buy signal is triggered at a value of 100, and a sell signal at a value of 0.

Gold Mining Stocks* (lhs, log), in USD, and Fundamental Signal (rhs), 01/1972–04/2025



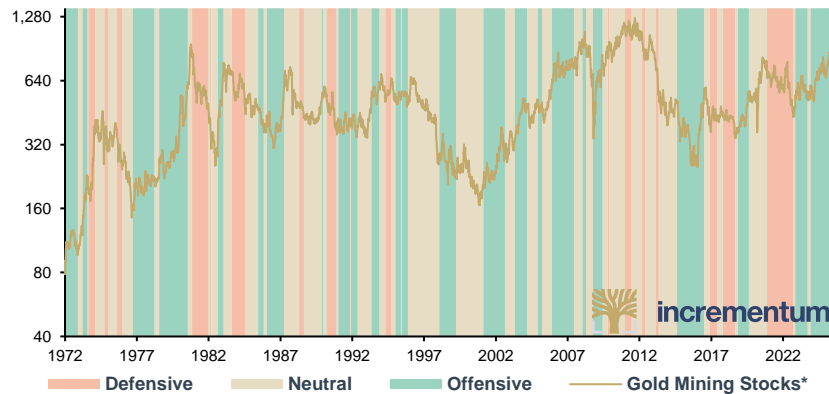
Source: LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

Interpretation

The combination of the two sub-signals cycle signal and fundamental signal results in the *Incrementum Active Aurum signal*, which has three different variations:

- Offensive: Both sub-signals indicate *buy*.
- Neutral: The two sub-signals give divergent orientations.
- Defensive: Both sub-signals indicate *sell*.

Gold Mining Stocks* (log), in USD, and *Incrementum Active Aurum Signal*, 01/1972–04/2025



Backtesting properties

In the backtest since 1971, the *Incrementum Active Aurum Signal* shows an average of 1.5 signal changes per year. We interpret this value as positive.

It is a capital mistake to theorize before one has data.

Arthur Conan Doyle

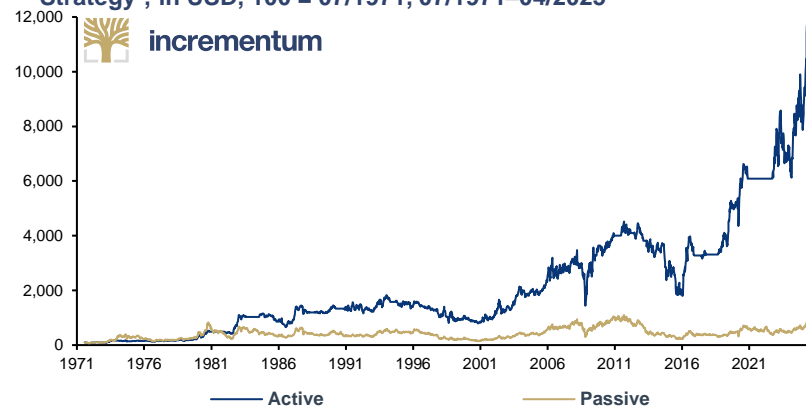
A simple backtest strategy using the *Incrementum Active Aurum signal* can be implemented by investing 100% in gold mining stocks in the case of an offensive signal, 50% in the case of a neutral signal and 0% in the case of a defensive signal. We have used the Barron's Gold Mining Index (BGMI) as an investment instrument for the backtest from 1971 to 2005 and the VanEck Gold Miners *UCITS ETF* (GDX) from 2006 onwards. While the BGMI is the oldest gold mining share index worldwide, the GDX is an investment vehicle in the gold mining sector in which the vast majority of investors can invest globally.

The best investment is in knowledge.

Benjamin Franklin

The central question now is: How does the performance of an active gold mining stock strategy using our *Incrementum Active Aurum Gold Signal* compare to a passive strategy, i.e., a strategy in which one is always 100% invested in gold mining stocks? **The results speak for themselves.**

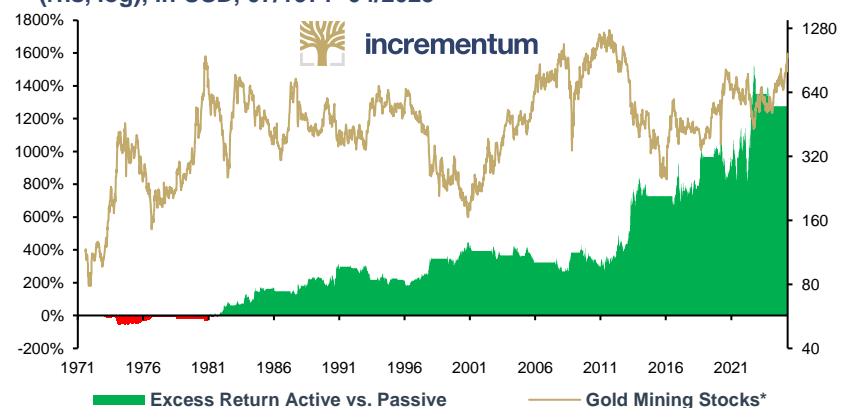
Performance Comparison: Active vs. Passive Gold Mining Stocks Strategy*, in USD, 100 = 07/1971, 07/1971–04/2025



Source: LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

While a passive strategy has achieved around 716% since 1971 (CAGR of 3.98%), the active mining stock strategy has gained over 11,000% (CAGR of 9.17%). In this context, it is positive to note that the excess return was not achieved due to a period-dependent outperformance in a short period but consistently over the entire period. **Therefore, the relative performance backtest results are independent of the time period.**

Excess Return Active vs. Passive (lhs), and Gold Mining Stocks* (rhs, log), in USD, 07/1971–04/2025



Source: LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

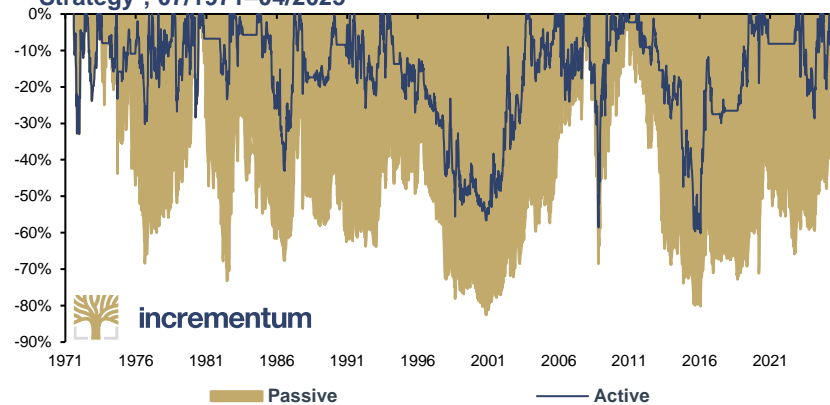
Volatility comes and goes, but the quality of a company remains.

Warren Buffett

Previously, we made it clear that investing in gold mining stocks may be a deterrent for many investors due to their pronounced volatility. It is important to look at performance as part of the backtest and to analyze key risk figures and volatility.

The following chart illustrates the drawdown comparison between passive and active mining strategies using the *Incrementum Active Aurum* signal. The result is clear: the active strategy recorded significantly lower drawdowns. **In addition, the annualized volatility of the active strategy is 26.19%, which is more than ten percentage points lower than the volatility of a passive strategy (36.76%).**

Drawdown Comparison: Active vs. Passive Gold Mining Stocks Strategy*, 07/1971–04/2025



Source: LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

The results thus suggest that an active strategy supported by the Incrementum Active Aurum signal is superior to a passive strategy in terms of both performance and risk characteristics.

Gains are overrated.

Avoiding loss is underrated.

D. Muthukrishnan

The signal enables an investment process that considers long-term market cycles and short-term volatility to better adapt the portfolio to changing market conditions. **In the backtest, the *Incrementum Active Aurum signal* demonstrates significant outperformance relative to a passive mining stock strategy.** This is illustrated by the following table, which lists both performance and risk figures.

Passive vs. Active Gold Mining Stock Strategies, in USD, 07/1971–04/2025

	Passive	Active
Performance	715.69%	11,107.38%
CAGR	3.98%	9.17%
Weekly standard deviation	5.10%	3.63%
Annualized volatility	36.76%	26.19%
Sharpe ratio	0.11	0.33
Sortino ratio	0.15	0.44
Omega ratio	1.04	1.16
Skew	-0.49	0.05
Max. Drawdown	-82.53%	-60.18%
RoMaD	2.54	7.84

Source: LSEG, Incrementum AG

The Big Long on Gold: Mining Shares as a Strategic Lever

Having established the rationale for the active timing of mining shares, let us now look at prevailing valuations in the gold mining sector.

I do not play according to a given set of rules; I look for changes in the rules of the game.

George Soros

History has repeatedly demonstrated that tactical exposures to gold shares have delivered significant alpha during Federal Reserve easing cycles or equity market declines. Given that we are in the early stages of an easing cycle and anticipate heightened volatility and structural headwinds across U.S. equity markets in 2025, we view gold mining stocks as well-positioned for a sustained phase of relative outperformance.

Historical performance

Gold will continue to vanish into private hoards against the day that even no metallic money will be had or seen any more...Gold mines will once again be viewed as mini-central banks.

Dan Oliver

In the following table, we present annual performances of spot gold, measured in US dollars, the Arca Gold Miners Index (GDM), the S&P 500, and the DXY, as well as annual averages for CPI, 10-year Treasury yields, and Federal Reserve funds.

We have selected these series to identify which economic variables have been most correlated to the performance of gold and gold equities. For the record, we use the GDM as our proxy for gold equities because GDM is the index on which the popular VanEck Gold Miners ETF (GDX) is based.

Performance of Various Investments and Macroeconomic Indicators, 2000–2025 YTD

Year	Gold (USD)	Silver (USD)	GDM	S&P 500	DXY	US CPI*	Effective Federal Funds Rate*	US 10Y*
2000	-5.3%	-15.0%	-31.3%	-10.1%	7.5%	3.38%	6.24%	5.96%
2001	2.4%	0.4%	39.3%	-13.0%	6.6%	2.83%	3.89%	4.96%
2002	24.4%	3.3%	79.7%	-23.4%	-12.8%	1.59%	1.67%	4.53%
2003	19.6%	24.6%	47.1%	26.4%	-14.7%	2.27%	1.13%	3.99%
2004	5.6%	14.5%	-9.6%	9.0%	-7.0%	2.68%	1.35%	4.26%
2005	18.1%	29.7%	29.1%	3.0%	12.8%	3.39%	3.21%	4.26%
2006	23.0%	46.1%	21.9%	13.6%	-8.2%	3.24%	4.96%	4.78%
2007	30.9%	14.8%	16.9%	3.5%	-8.4%	2.85%	5.02%	4.57%
2008	5.4%	-23.5%	-26.8%	-38.5%	5.8%	3.85%	1.93%	3.58%
2009	24.8%	48.9%	37.3%	23.5%	-4.1%	-0.34%	0.16%	3.27%
2010	29.5%	83.4%	33.9%	12.8%	1.5%	1.64%	0.18%	3.12%
2011	10.2%	-10.3%	-16.2%	0.0%	1.5%	3.16%	0.10%	2.73%
2012	7.1%	9.5%	-9.9%	13.4%	-0.5%	2.07%	0.14%	1.73%
2013	-28.0%	-36.0%	-54.4%	29.6%	0.3%	1.47%	0.11%	2.36%
2014	-1.8%	-19.3%	-12.7%	11.4%	12.8%	1.62%	0.09%	2.48%
2015	-10.4%	-11.7%	-25.5%	-0.7%	9.3%	0.12%	0.13%	2.09%
2016	8.5%	15.2%	53.3%	9.5%	3.6%	1.26%	0.40%	1.82%
2017	13.1%	6.4%	11.3%	19.4%	-9.9%	2.13%	1.00%	2.33%
2018	-1.5%	-8.7%	-9.6%	-6.2%	4.4%	2.44%	1.83%	2.89%
2019	18.3%	15.2%	39.7%	28.9%	0.2%	1.81%	2.16%	2.08%
2020	25.0%	47.8%	22.5%	16.3%	-6.7%	1.24%	0.38%	0.82%
2021	-3.6%	-11.7%	-10.9%	26.9%	6.7%	4.69%	0.08%	1.45%
2022	-0.2%	3.0%	-10.3%	-19.4%	7.9%	8.01%	1.68%	3.00%
2023	13.1%	-0.9%	8.8%	24.2%	-2.1%	4.14%	5.02%	3.97%
2024	27.2%	21.5%	9.1%	23.3%	7.1%	2.95%	5.14%	4.23%
2025 YTD	25.3%	12.9%	44.0%	-5.3%	-8.3%	2.74%	4.33%	4.28%

Source: LSEG (as of 04/30/2025), Incrementum AG

*Annual Average

These statistics yield a few objective conclusions about the performance of gold and gold shares. Concerning gold, the data support the view that while gold prices can correlate to economic variables such as Federal Reserve funds, 10-year yields, and CPI over short periods, these correlations generally break down over the long run. Additionally, these figures corroborate the contention that gold's negative correlation to the US dollar is its sole correlation, which tends to hold up over the long term. **With respect to gold equities, this historical data confirms that the primary driver of gold share performance is the underlying performance of spot gold.**

The price of gold is at an all-time high in both price and real terms. Institutional investors are ignoring this great opportunity because gold is not in their benchmark, and they remain highly confident in equities. What could possibly go wrong?
Charlie Morris

Gold shares and their inverse correlation to the S&P 500

On a more subjective level, we offer a few observations about the long-term performance of gold equities. First, the GDM Index (+768%) has substantially outperformed the S&P 500 Index (+566%) since 2001. Second, it is interesting to note that the GDM and S&P 500 have displayed a negative correlation for much of this time span. **Indeed, the negative correlation between gold equities and broad equities is perhaps the most underappreciated aspect of gold shares' investment utility.**

Over the past decade, central bank liquidity has made it somewhat difficult for stocks to decline. However, on the few occasions when stocks have suffered significant drawdowns, gold shares have provided reliable portfolio protection.

- During the “long way from neutral” Q4 2018 market selloff (9/20/2018–12/24/2018), the S&P 500 declined 19.78%, while the GDM increased 11.37%, a 31.15% differential.
- Similarly, during the first 11 weeks of the 2022 stock market slide (12/28/2021–4/18/2022), the S&P 500 declined 8.25% while the GDM increased 29.83%, a 38.08% differential.
- And during the March 2020 Covid collapse (3/4/2020–3/23/2020), the S&P 500 declined 28.52% and the GDM declined 24.53%, but by 8/5/2020 the GDM had rallied 102.76% while the S&P 500 had only increased 48.73%, a 46.71% aggregate differential.
- And most recently, through 4/30/25, the S&P 500 had declined 9.36%, while the GDM Index had increased 17.25%, a 26.61% differential.

Jensen Huang is basically the Taylor Swift of tech.
Mark Zuckerberg

To us, the inverse-performance potential of gold equities is eminently logical. When market caps of stocks like Nvidia fluctuate hundreds of billions of dollars per day, digging the earth's crust for four parts per billion element is unlikely to draw a big crowd. On the other hand, as the market declines of Q4/2018, March 2020, and Q1 2025 demonstrated, when stocks do go down, they tend to go down hard these days.

Gold shares during Federal Reserve pivots

Moreover, gold shares have historically proven to be one of the best-performing asset classes during the early phases of a Federal Reserve pivot to an easing posture.

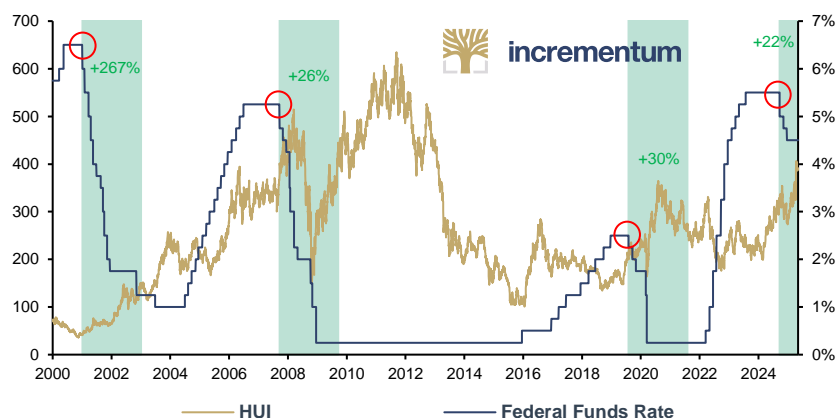
By way of example, there have been five prominent Federal Reserve policy shifts toward an easing posture since 2000. Below, we outline comparative performance statistics for the S&P 500, spot gold, and the GDM immediately following these Federal Reserve policy changes. **The outperformance of gold shares has been nothing short of spectacular.**

- On January 3, 2001, the Federal Reserve responded to the bursting of the dotcom bubble by cutting the federal funds rate from 6.50% to 6.00%, commencing an easing cycle that would take rates down to 1.00%. During the following 17 months through 5/28/2002, the S&P 500 declined 18.76%, spot gold rose 20.92%, and the GDM soared 177.87%.
- On November 25, 2008, in response to the spiraling GFC, then Federal Reserve Chair Ben Bernanke finally embraced the nuclear option of quantitative easing and launched QE1. During the following 12 months (through 12/2/09), the S&P 500 increased 32.76%, spot gold rose 47.90%, and GDM climbed 122.32%.
- On January 19, 2016, in an effort to quell global market stress triggered by the Federal Reserve's 12/16/2016 liftoff, Janet Yellen signaled a pause in rate hikes. Ultimately, the Federal Reserve did not attempt a second hike until 12 months later. During the seven months following Chair Yellen's mea culpa, i.e., through 8/12/2016, the S&P 500 rose 17.59% and spot gold 22.86%, while GDM exploded 147.36%.
- On December 19, 2018, Chair Powell (defiantly) hiked rates 25 basis points to 2.50%, predicted two 2019 hikes, and declared Federal Reserve balance sheet runoff was "on autopilot," "working well," and "not subject to review." Within days, market reaction – and pressure from President Trump – was so severe that the Federal Reserve executed one of its sharpest monetary policy U-turns in history. The Federal Reserve abandoned rate hikes in early January 2019, shut down QT by June 2019, and cut rates by July 2019. During the nine months following Chair Powell's fateful hike, i.e. through 9/4/2019, the S&P 500 rose 18.87%, spot gold rose 24.89%, and GDM increased 54.59%.
- On March 16, 2020, the Powell Federal Reserve responded to the unfolding Covid crisis by cutting Federal Reserve funds by 100 basis points, from 1.25% to 0.25%. During the next five months through 8/5/2020, the S&P 500 rose 40.42% and spot gold 34.61%, while GDM soared 104.30%.

Importantly, these time frames have been tailored to present gold equity performance in its strongest light. While it is impossible to predict how gold shares will perform during future Federal Reserve easing cycles, the fact

remains that gold equities have historically proven to be a potent tactical investment during the early stages of a Federal Reserve pivot to an easing posture.

HUI, in USD (lhs), and Federal Funds Rate (rhs), 01/2000–04/2025



Looking ahead, the Federal Reserve initiated a rate-cutting cycle at its September 2024 FOMC meeting, which now stands at 100 basis points. During the seven-plus subsequent months through April 2025, the S&P 500 had declined 1.16%, while the GDM had increased 24.43%. **The alpha generated by gold shares comes in bursts, but when prudently deployed, it can dramatically alter long-term portfolio returns.**

You get volatility in the market because people overreact to news, good or bad. That's where the bargains are.

Peter Lynch

Be right, when everyone else is wrong, at scale.

Naval Ravikant

Capital discipline and profitability

Today's gold mining industry still fights lingering perceptions of poor financial discipline and limited profitability. Dating back to industry write-downs in the early 2010s, this reputation for capital mismanagement is no longer warranted.⁷³ Capital discipline has become a primary focus of the contemporary gold mining industry. From the rigor of long-term stress testing to the transparency of fully loaded cost reporting, industry financial controls have taken enormous strides in the past decade.

Similarly, it is important not to confuse frequent capital market financings with poor capital management. As long as management is executing and milestones are met, capital intensity should not be interpreted as heightened investment risk. All in all, financial discipline in the gold mining industry far exceeds consensus perception. In fact, as demonstrated by the Q1/2025 financial metrics in the following table, the capital and leverage ratios of companies in the GDM compare quite favorably to the S&P 500.

⁷³ See chapter "Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?" in this In Gold We Trust report

Debt Ratios: GDM Index and S&P 500, Q1/2025

Index	GDM-Index	S&P 500
Current-Ratio	1.85	1.23
Net Debt/EBITDA	0.33	1.40
Total Debt/Enterprise Value	0.13	0.21
Total Debt/Total Equity	21.50	112.32
Total Debt/Total Assets	13.80	26.06

Source: Bloomberg, Incrementum AG

Over the years, the capital intensity and operational complexity of gold mining have earned the industry a reputation for challenging profitability. However, due to improved management and capital discipline, today's gold mining industry is far more profitable than commonly perceived. **In fact, gold mining companies enjoy profit margins that compare quite favorably to those of the S&P 500.**

Profitability Ratios: GDM Index and S&P 500, Q1/2025

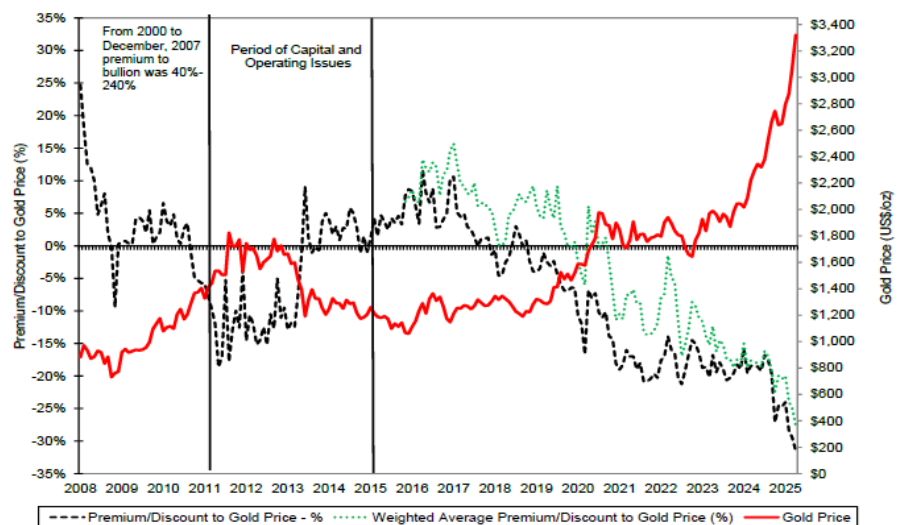
Index	GDM-Index	S&P 500
Gross Margin	38.95	34.32
EBITDA Margin	41.85	20.88
Operating Margin	26.97	14.34
Profit Margin	21.51	13.42

Source: Bloomberg, Incrementum AG

Historically cheap

Gold shares are historically cheap, whether measured against net asset value, production, reserves or book value. We find it baffling that gold equities are trading at their deepest discount to the gold price since the early stages of the post-2000 runup. In the chart below, Scotiabank graphs the average and weighted average discounts of producers in the Scotiabank universe for gold since 2008.

Average and Weighted Average Share Price of Gold Producers, in % of Gold (lhs) and Gold (rhs), in USD, 01/2008–04/2025



Source: Scotiabank

To investors comfortable with the Magnificent 7 market dynamics, the intrinsic value of gold producers may hold limited appeal. But for investors concerned about stretched equity valuations, approaching recession, or systemic liquidity challenges, the opportunity to purchase high-quality mining assets at such a steep discount to a gold price poised for significant gains is a golden investment opportunity. It is no coincidence that high-profile contrarian investors, such as Elliott Management's Paul Singer, are emerging in the gold sector.

Outlook

During 2024, the S&P 500 increased 25%, bringing its two-year return to a gaudy 57.8% and marking just the fourth occasion in 150 years the Index posted 20%+ gains in consecutive years. In retrospect, 2024's equity rally was driven by three developments: the Fed's easing pivot, AI exuberance, and optimism over Trump's pro-growth agenda. **Currently, each of these fundamentals is undergoing a downshift.**

Mining is a search for truth, hidden beneath layers of time and rock.

Ron Netolitzky

We believe US equities are due for a rough ride for the remainder of 2025. With gold setting all-time highs, we expect generalist investors to gravitate to the safety of hard assets and the earnings leverage of gold miners. As shown in the table, once investors begin searching for attractive sectors outside the Magnificent 7, they are likely to be surprised by how attractive gold share valuations have become.

Valuation Ratios: GDM Index and S&P 500, Q1/2025

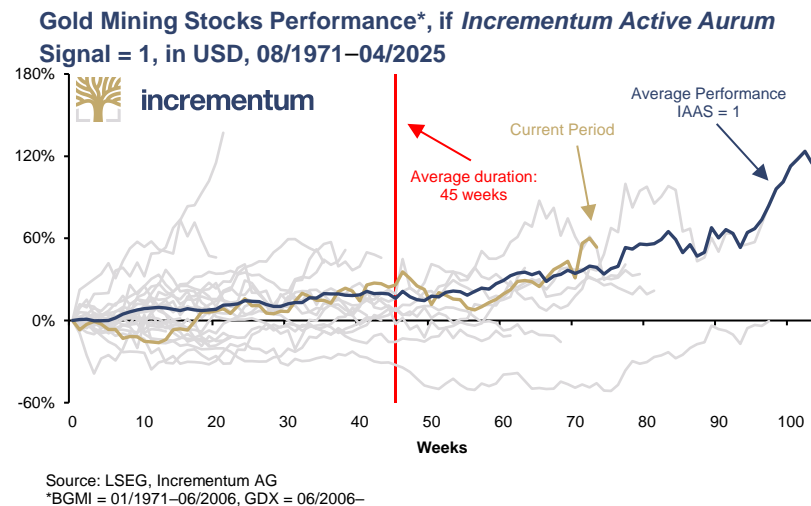
Index	GDM-Index	S&P 500
Price/Earnings	20.08	24.01
Price/Cash Flow	10.52	19.13
Price/EBITDA	8.99	13.70
Price/Book Value	2.29	4.82
Enterprise Value/EBIT	10.88	22.94
Enterprise Value/EBITDA	7.01	15.75

Source: Bloomberg, Incrementum AG

When you buy gold, you're buying insurance. When you buy a gold miner, you're buying leveraged speculation on that insurance.

Rick Rule

The time may have finally come for gold mining stocks, as indicated by the Incrementum Active Aurum Signal. Since December 2023, it has been recommending an offensive positioning. Compared to past periods of offensive signal phases, we are already in an advanced stage. Historically, the average performance during these phases has been 23% over a 45-week span. Currently, with a performance of 53% over 74 weeks, we are already exceeding these averages. **Nevertheless, the intact offensive signal still points to further upside potential in the ongoing cycle.**

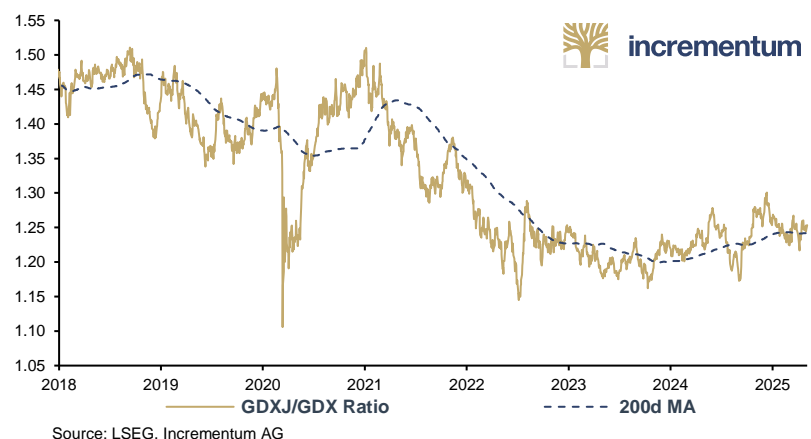


You only get a shot at a motherlode once, you better be ready for it.

Parker Schnabel

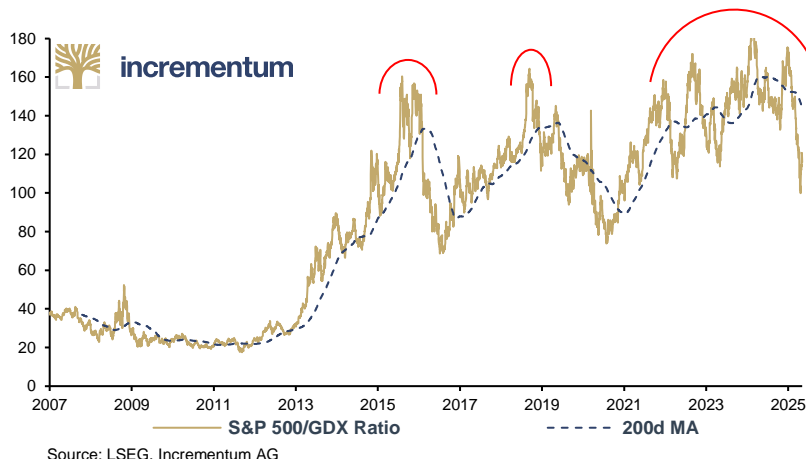
The last interest rate hike cycle had a significant impact on investors' risk tolerance. The wheat was separated from the chaff. A slightly increasing risk appetite is evident in the following chart. Since 2024, junior miners (GDXJ) have been gradually showing renewed relative strength compared to the seniors (GDX).

GDXJ/GDX Ratio, 01/2010–04/2025



The S&P 500/GDX ratio chart indicates that, after years of the S&P 500 outperforming gold miners, the trend is now reversing. The repeated rounding tops since 2015, with the latest forming between 2023 and 2025, suggest a maturing shift in relative strength toward miners. The recent drop below the 200-day moving average reinforces the view that gold miners are entering a phase of renewed outperformance relative to the broader equity market. This potential inflection point reflects both mean reversion and broader macro shifts, positioning gold mining stocks as increasingly attractive compared to general equities.

S&P 500/GDX Ratio, 01/2007–04/2025

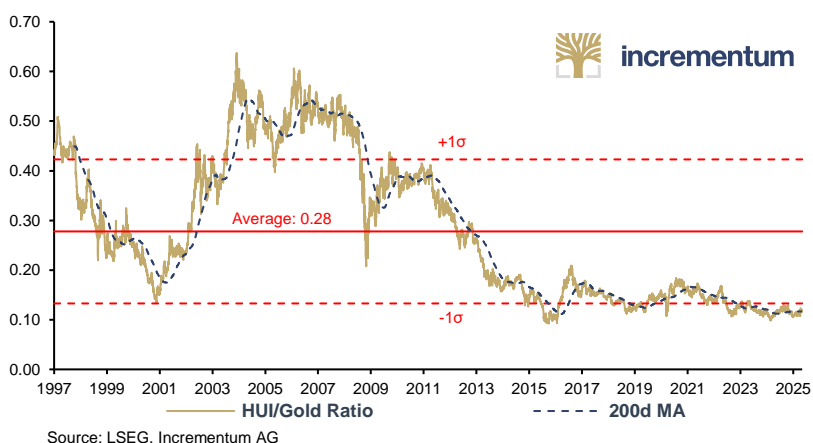


One of the things I have learned as a portfolio manager – maybe “the” hardest thing to do as a PM – is to do nothing.

Steve Eisman

A brief final look at the relative valuation of mining stocks compared to gold. In bull markets, gold mining stocks tend to trade at a premium to the price of gold. The HUI/Gold ratio indicates that, for years, gold mining stocks have been trading one standard deviation below the mean. **Based on this indicator as well, gold mining stocks appear to be glaringly undervalued.**

HUI/Gold Ratio, 01/1997–04/2025



In mining, grade is king, but management is emperor.

Mining industry saying

The gold mining sector continues to struggle with a reputation for poor financial discipline, a perception rooted in the wave of industry write-downs in the early 2010s. We believe this reputation is no longer justified. Particularly among the leading management teams, there is now a strong focus on conservative financial practices. The sector has clearly learned from past mistakes. Yet, broader groups of investors have yet to fully recognize the sector’s value proposition. **What matters most to us is that the sector is generating significant free cash flow (FCF).**

I’ve always said, the key organ here isn’t the brain, it’s the stomach.

Peter Lynch

To fully harness the investment utility of gold equities, investors must look past trading volatility in recognition of the value-creation opportunity mine development brings to the secular trend of rising gold prices. All things considered, building and operating gold mines is one of the longest-duration endeavors on the planet. It is somewhat incongruous that equities of such long-term assets are tossed around so ficklely by fluctuating economic data. **Employing Warren**

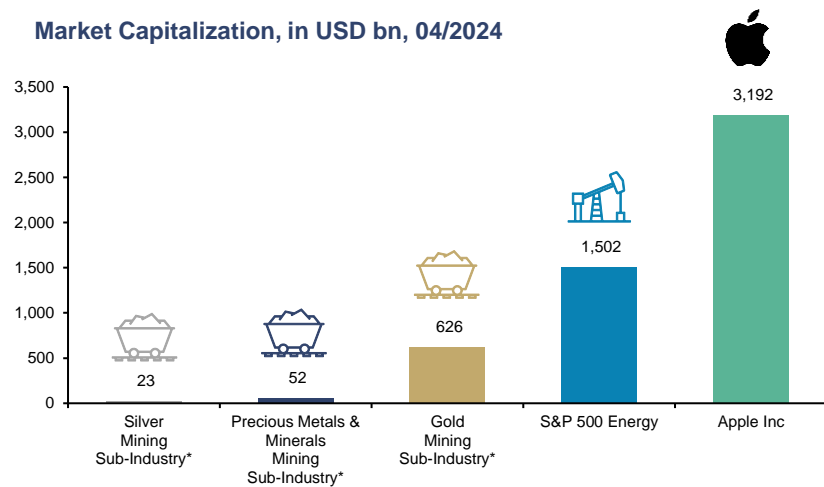
Buffett’s moat analogy, we would suggest there are few businesses as immune to competition as a well-operated gold mine on a world-class deposit. As long as management is executing and milestones are met, volatility in gold shares is a nuisance that should not be confused with elevated risk.

Smells like potential.

Ted Lasso

Despite the largely positive developments we have described above, a few sectors are still underweighted by the investment community more than the mining sector. This is reflected in the sector’s almost dwarfed market capitalization. In this respect, we expect mining stocks – and their shareholders – to reap a rich harvest over the next few years after a grueling dry spell. However, it is now up to the sector to deliver on the promises made in recent years and build new investor confidence.

Market Capitalization, in USD bn, 04/2024



Source: LSEG, Incrementum AG

*GICS classification (Global Industry Classification Standard)

Searching for the Silver Bullet: An Analysis of Silver Price Catalysts

It's hard to find a better-looking chart, in my view, particularly with over 50 years of historical perspective. After a strong performance in 2024, I believe 2025 will be the year that silver will finally take out its highs from 1980.

Tavi Costa

- With a 5th consecutive annual supply deficit of -117.6 Moz forecasted for 2025, the silver market will have been short a cumulative 800 Moz from 2021 to 2025 — equivalent to an entire year's worth of mine supply.
- Facilitated by the continued adoption of silver-laden TOPCON solar panels, silver offtake from photovoltaics reached an all-time high of 197.6 Moz in 2024, tipping total silver industrial demand to a record 680.5 Moz.
- The future of silver demand growth shines bright, with Samsung holding the keys to a silver-based solid state battery that promises to deliver double the energy density of leading LFP and NCM alternatives.
- As always, silver's propensity to hitch a ride on the coattails of big brother gold will be the principal determinant of its outperformance. Bullishly, a simple reversion to the mean gold silver ratio since 1970 would derive USD 55 at a USD 3,300 gold price.

Expectations vs. Reality: A Lesson from Warren Buffett

All intelligent investing is value investing, acquiring more than you are paying for.

Charlie Munger

Legendary value investor Warren Buffett purchased 129.7 Moz of physical silver between 1997 and 1998 at approximately USD 5 per ounce – equivalent to a staggering 25% of the annual silver mine supply. Buffett's rationale for the purchase was grounded in the laws of fundamental analysis that guide commodities investors today. Namely, he believed that the "equilibrium between silver supply and demand was only likely to be established by a somewhat higher price".

By 2006, Berkshire Hathaway had exited their silver position at USD 10, locking in a respectable double, or an average annualized return of 8.5% across the 8-9 years. Of course, the silver price went on to rise a further 400% between its humble 2006 price of USD 10 and its USD 50 peak in 2011. Had Buffett held on until this point, Berkshire would have clocked an outlandish 900% total return from dipping their toes in the silver market, equating to an average return of 18.5% per year.

My expectations had done some good to me after all. A great deal of good.

Pip from Great Expectations, by Charles Dickens

Notwithstanding this, the same 94-year-old former richest man in the world also once said, "**The secret to happiness is having low expectations**". Incidentally, Buffett's salient wisdom wouldn't go amiss with the long-suffering Manchester United fans, who hopelessly long for a return to the ecstasy of the 1999 treble win yet remain forlorn with the toothless, lackluster performances served up at Old Trafford each week in 2025.

More to the point, the silver stacker's dilemma isn't too dissimilar:

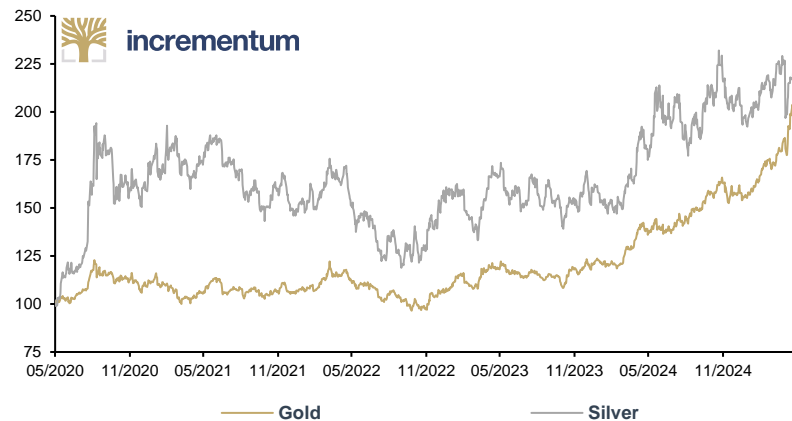
Accustomed to the explosive bouts of jubilation from past bull markets in 2011 and 1980, many silver investors are left wanting for the superlative returns of the past. As such, they dream of the day when silver will skyrocket to USD 300 and remain forever disappointed by anything materially less – just as Manchester United fans pine for a return to the era of footballing domination under the great Sir Alex Ferguson.

I won three trophies at Manchester United, and that was seen as a disaster.

Jose Mourinho

In doing so, both parties may have become blind to the more recent successes they've experienced. In the case of Manchester United, the club has won 6 major trophies since 2013 – a level of silverware that most English football supporters would kill for. Suffice to say, silver's highly respectable performance has largely gone under the radar, even though it outperformed gold over the past five years.

Gold and Silver, in USD, 100 = 04/30/2020, 05/2020–04/2025

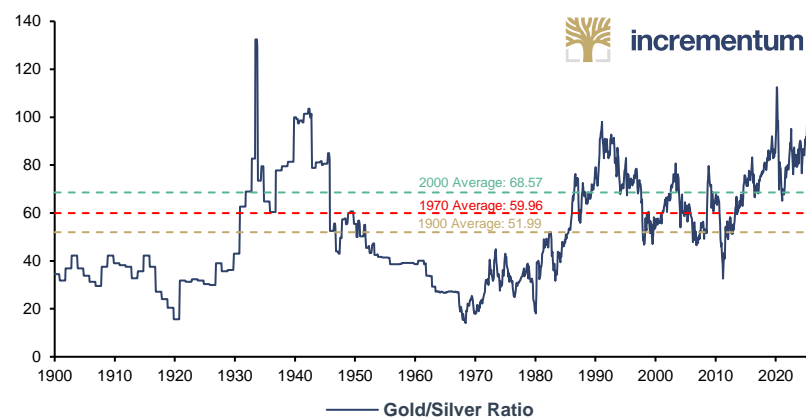


Don't let silver's volatility scare you away. Instead, make it work for you.

Peter Krauth

Despite these plaudits, silver remains historically undervalued relative to gold. This relative discount is best exemplified by the gold/silver ratio, which historically averaged as low as **2** during Ancient Egyptian times. Nowadays, of course, silver's decoupling from the monetary system makes for a more sobering ratio of 100. This activation point was only breached two times in modern history, serving as a springboard for silver's subsequent 4x outperformance of gold in 1991 and 2020.

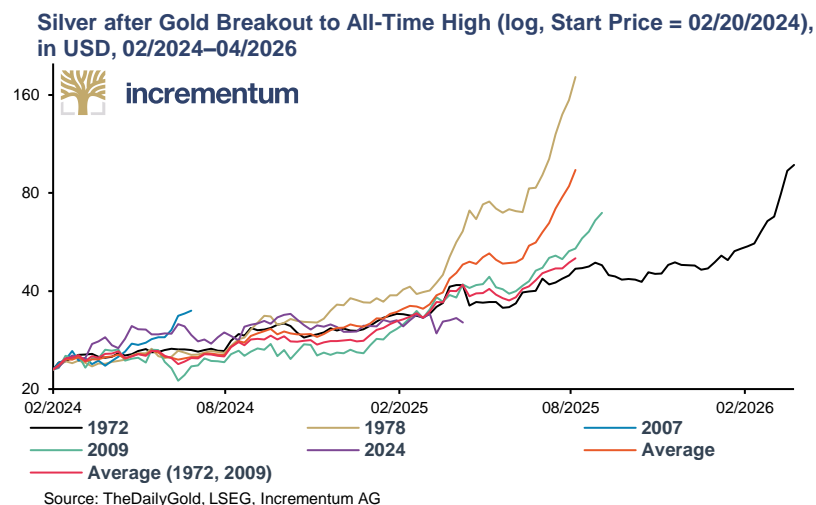
Gold/Silver Ratio, 1900–2025



Nonetheless, a reversion to the historical mean of the gold/silver ratio since 1970 would translate to a USD 55 silver price at a gold price of USD 3,300. More conservatively, a return to the average gold/silver ratio since 2000 would equate to a silver price of USD 48. Meanwhile, the average gold/silver ratio over the last 110 years would command a silver price of USD 63. Consequently, the silver price maintains a historical propensity to rise 48–95% from its current price of USD 32.50.

As for the probability that silver will revert to the mean, history shows it would be naïve to bet against the plucky white metal. This theory is supported by analysis from the *In Gold We Trust* report 2024, “*The New Gold Playbook*”, where we established that silver has gone on to outperform gold in 6 of the last seven bull

markets based on its peaks and troughs.⁷⁴ This year, we observe that this so-called “silver slingshot effect” becomes more pronounced in the 12–18 months **after** gold’s breakout to all-time highs.



We are confident that in the next few months we will see new cycle peaks, exceeding the 2024 high to levels not seen for many years. At some point, we also expect silver to catch up with gold.

Silver Institute

Notably, gold’s first official breakout from its 2020 high of USD 2068 came 18 months ago, in early December 2023. However, it’s important to point out that this breakout was not meaningfully sustained until 14 months ago, in March 2024 – the month during which the gold price truly drove past USD 2100 with conviction. As such, the above graphic serves as a valuable roadmap that points towards a materially higher silver price before July or at least before 2025 comes to a close.

And yet, the aforementioned metrics only suggest a historical tendency for the metal to push higher, thus failing to consider the broader market fundamentals. Naturally, this year’s silver chapter will explore the supply-demand catalysts that could drive the metal towards a recalibration with its 1980 highs while also considering the potential obstacles that may prevent this “mother of all cup and handle patterns” from being resolved.

Solar Demand: Growth Slowing, but Still Going Strong

The solar photovoltaic segment consumed a record 197.6 Moz in 2024, driving silver industrial demand to a record high of 680.5 Moz. Now comprising 29% of silver industrial demand, solar photovoltaics are the logical place to begin as we analyse potential silver price catalysts. Namely, a discrepancy between market participants’ expectations of solar demand growth and the reality that manifests could be instrumental in driving the silver price higher.

My greatest strength as a consultant is to be ignorant and ask a few questions.

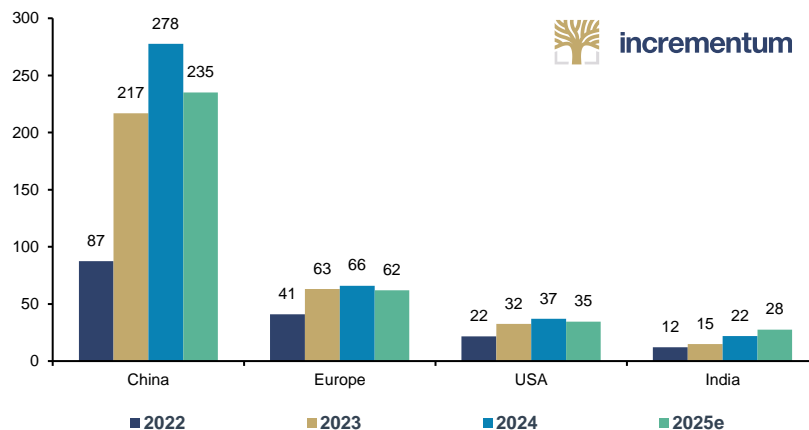
Peter Drucker

To this point, the IEA – a research organization that more frequently **overestimates** green energy’s potential – has consistently and **severely underestimated real solar capacity growth** since it began forecasting in 2009. Admittedly, the IEA could not have foreseen the astronomical 30% CAGR in solar

⁷⁴ See “Breakout or Fake-out: Is this Silver’s Golden Moment?,” In Gold We Trust report 2024

installations from 2015 to 2024. However, the reality is that solar *did* defy expectations during this period. **The question now is whether solar will be able to outperform once again.**

Solar Capacity Additions, 2022–2025e



Source: China Photovoltaic Industry Association, Wood Mackenzie, EIA, Ember Energy, ICRA, JMK Research, CEEW-CEF, Incrementum AG

As we look at the projections for solar installations across the four major economies, the prospect of outperformance initially appears low. For one, China's failure to revive domestic consumption in the face of a deflationary spiral could spell the beginning of the end for the country responsible for 46% of global solar capacity additions in 2024. In fact, the stagnating to marginal growth across Europe, India, and the US doesn't bode well, either.

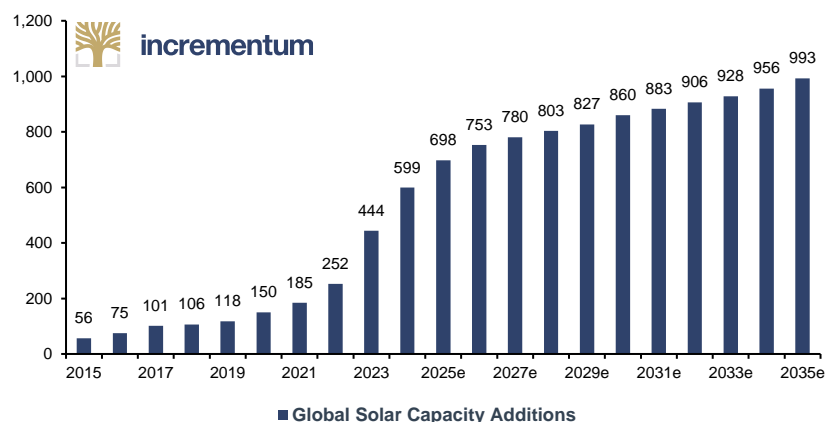
BloombergNEF expects the solar sector to have another record-breaking year in 2025 and grow by 17% to reach 698 gigawatts of new installations. Yet, growth is slowing down.

Youro Tan, Bloomberg NEF solar analyst

That said, it's worth noting that this slowing growth is preceded by a record level of global new solar capacity additions in 2024, at **599 GW**. Moreover, it's not to say that global solar capacity has shrunk or is on the brink of entering decline. Instead, it simply signifies that growth is set to become less explosive in the future.

According to Bloomberg NEF, this will be characterized by a 3.6% average annual growth rate for global solar capacity additions from 2025 through 2035.

Global Solar Capacity Additions, in GW, 2015–2035e



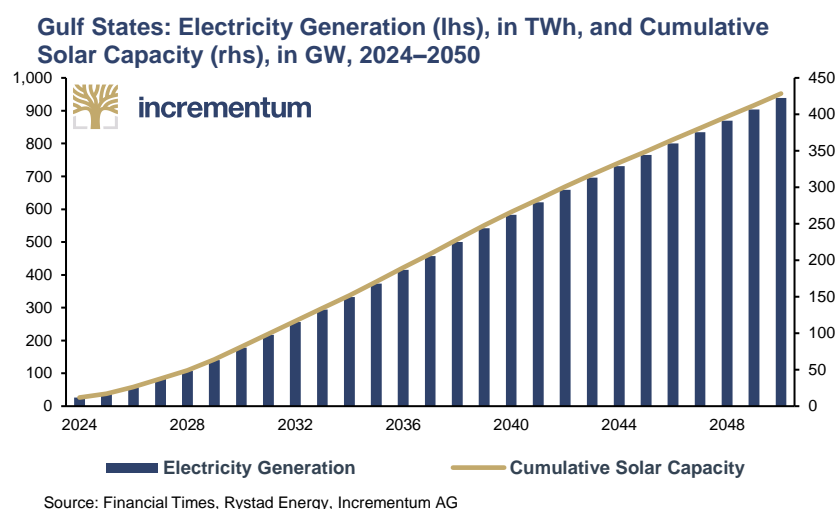
Source: BloombergNEF, Incrementum AG

*You are the sunshine of my life
That's why I'll always be around.*
Stevie Wonder

*The perfect recipe (for solar)
exists here in the UAE. The cost
would be comparable, if not
cheaper, than conventional gas
for the first time.*
Mazin Khan

Consequently, solar capacity additions are at least insulated from annual declines in the coming decade. And yet, when one considers the broader picture, it becomes clear that silver's solar demand will not only survive the coming years but *thrive*. This revelation comes in light of record-low solar panel prices incentivizing emerging markets to transition away from old energy. Additionally, the rapidly increasing market share of TopCon solar panels stands to accelerate silver offtake.

Research from Bloomberg NEF shows that solar panel prices have fallen from 0.25 USD/W in 2022 to an all-time low of 0.10 USD/W as of February 2025. These highly economical prices continue to reduce the barriers to entry for solar, attracting even the most notorious of old-energy stalwarts. Namely, the Gulf States are gunning for solar to **generate 52% of the region's electricity by 2050** – an undertaking that will require over 400 GW of solar capacity additions.



As part of this solar shift, which is made more conducive by the region's sweltering climate, the UAE is pledging to build a **USD 6bn 5GW solar plant backed with more than 19GWh of battery storage**. Citing the nascently low cost of solar as a main factor, the *Financial Times* reports that it would be the largest such project ever attempted – enough to power 1 million homes and even bigger than the solar park spanning 5x the size of Paris being constructed in India.

Our *In Gold We Trust* report 2024 “**The New Gold Playbook**” noted that TopCon solar panels require 20–40 mg more silver per panel than the previous generation, PERC.⁷⁵ Since then, TopCon's silver content per panel has been revised upwards by 10–15 mg to 130–135 mg. At the same time, TopCon's share of China's PV market increased from 23% in 2023 to 60% by the end of 2024. **This blistering rise is expected to produce a monopoly in 2029, as TopCon realises an 84% global market share.**⁷⁶

⁷⁵ See “Breakout or Fake-out: Is this Silver's Golden Moment?,” *In Gold We Trust* report 2024

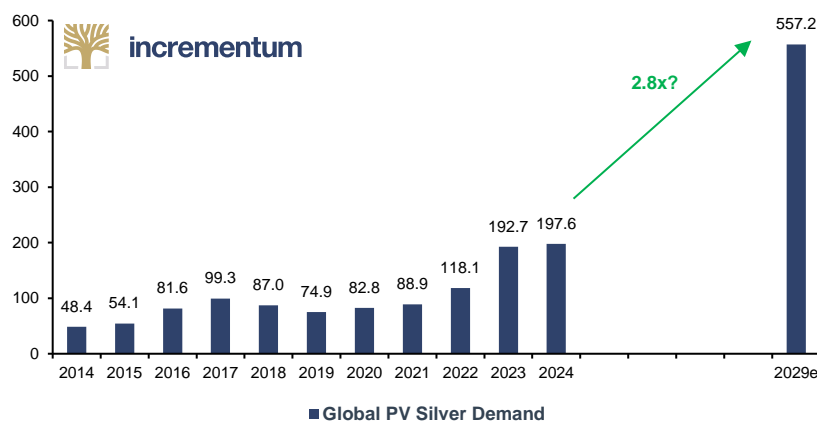
⁷⁶ Heraeus: Precious Appraisal, No. 10, March 10, 2025

Solar is the 800-pound gorilla of silver demand.

Peter Krauth

For context, according to Heraeus, a 60/40 split between TopCon and PERC based on the higher end of China's 2025 solar capacity additions forecasts (255 GW) would translate to 171.8 Moz of silver demand.⁷⁷ Therefore, if TopCon's market share climbs to 84% by 2029, and if global solar capacity additions reach Bloomberg NEF's forecasts of 827 GW by the same year, then silver's annual solar demand could reach 557.2 Moz in 4 years – more than double silver's solar offtake in 2024.

Global PV Silver Demand, in Moz, 2014–2029e



Source: The Silver Institute, Incrementum AG

On the other hand, **BMO Capital Markets** expect the solar sector will consume 246 Moz of silver in 2025, before peaking at 261 Moz next year. Therefore, whilst we note that solar demand has consistently been underestimated, there are scenarios in which the above extrapolations could become overestimates. For instance, silver prices could rise to the point where silver usage in solar panels becomes unaffordable or disincentivised. In these conditions, thrifting and substitution would increase, as industrial players seek to match or better the efficiency of silver-laden solar panels, opting for more economical alternatives such as copper.

Silver has been money for thousands of years. Copper has not. That's not just a historical footnote – it's an economic distinction.

Rick Rule

Currently, the most viable non-silver solar panel alternative is a copper-based technology spearheaded by a joint venture between Australian start-up SunDrive Solar and China's second largest solar panel manufacturer, Trina. Backed by former Australian Prime Minister Michael Turnbull and billionaire investor Mike Cannon-Brookes, **SunDrive claims** it could deliver an installed solar cost 20–30% cheaper than other high-efficiency cells, thanks to using copper over silver.

Despite this, commercially unproven copper tends to diffuse into silicon at elevated temperatures, degrading solar cell efficiency over the long term. Copper also oxidizes more quickly than silver, significantly reducing conductivity unless costly protective coatings are applied. Meanwhile, silver-based solar panels possess superior conductivity and corrosion resistance. Not least, silver-based panels are tried and trusted, with 25+ years of proven minimal performance degradation.

⁷⁷ Heraeus: Precious Appraisal, No. 10, March 10, 2025

*In business, I look for economic
castles protected by
unbreachable “moats”.*

Warren Buffett

Consequently, silver’s solar demand may have an inherent protective moat against copper substitution. This is affirmed by the fact that Chinese solar firm Trina is also betting on new silver-based solar tech such as HJT.

Certified at a world record 25.44% efficiency by Fraunhofer Callab in January 2025 and containing 200–220 mg of silver per panel, HJT requires 1.5–2x the silver content of TopCon. **For these reasons, we expect silver to remain the gold standard for solar until further notice.**

Solid State Batteries: Silver's Solar Successor?

*I see you like silver rails across
an endless plain
I will be here waiting
Waiting in the wings.*
Diana Ross

In the unlikely case that silver's solar demand falls in the coming years, emerging silver-based technologies are waiting in the wings to serve as long-term silver price catalysts. The most compelling innovations presently belong to silver demand's automotive and power generation segments. **Chiefly, Samsung's novel solid state battery boasts vastly superior energy density to its leading lithium-ion battery peers and contains 10–20 times the silver content.**

	Samsung Solid State Battery (SSB)	CATL Shenxing Plus Battery	BYD Blade Battery 2.0
Battery Chemistry	Silver-carbon, Nickel-manganese-cobalt (NMC)	Lithium-iron-phosphate (LFP)	Lithium-iron-phosphate (LFP)
Energy Density (Watt-hours/kg)	500 (Nasdaq)	210 (CATL Website)	210 (Car News China)
Maximum Range on Full Tank (Km)	965 (Nasdaq)	1000 (CATL Website)	1000 (Car News China)
Charging Time for Full Tank (Minutes)	9 (Nasdaq)	16 (CATL Website)	7.5 (Car News China)
Estimated Silver Content (Grams)	500–1000 (Kevin Bambrough)	25–50 (IGWT23, pg. 273)	25–50 (IGWT23, pg. 273)
Estimated Silver Demand at 20% of Global Annual Car Production* (Moz)	257–514 (Inferred from Nasdaq)	13–26 (Inferred from IGWT23, Nasdaq)	13–26 (Inferred from IGWT23, Nasdaq)

*16,000,000 units in 2024 according to Nasdaq.

For reference, CATL and BYD are the two largest battery manufacturers globally, commanding a 50% share of the global market thanks to their cutting-edge technologies. Despite this, the companies' most advanced lithium-ion batteries to date wane in comparison to Samsung's SSB in terms of energy density. This is evidenced by CATL's very own chief scientist's admitting that the natural ceiling of liquid lithium batteries may sit at 350 Wh/g – some 30% lower than the energy density of Samsung's SSB.

*The stone age did not end for
lack of stone, and the oil age will
end long before the world runs
out of oil.*
Sheikh Ahmed Zaki Yamani

Similarly, CATL's most advanced nickel-based battery – *the Qilin NMC* – utilizes a nickel-manganese-cobalt cathode that achieves 255 Wh/kg, thereby rivalling the energy density of *the 4680 nickel-cobalt-aluminium battery* used in Tesla's Cyber Truck. **However, Samsung's SSB can deliver comparable energy output while occupying half the weight and volume.** Moreover, the usage of silver in Samsung's SSB *is paving the way* for marked increases in safety and longevity:

An all-solid-state battery with a lithium metal anode is a strong candidate for surpassing conventional lithium-ion battery capabilities. Undesirable lithium dendrite growth and low Coulombic efficiency impede their practical application. A high-performance all-solid-state lithium metal battery with a sulfide electrolyte is enabled by an Ag–C composite anode with no excess Li. The thin Ag–C layer can effectively regulate Li deposition, which leads to a genuinely long electrochemical cyclability.

To be specific, Samsung's SSB contains a silver-carbon (Ag-C) anode, a sulfide solid electrolyte, and no excess lithium. Each of the estimated *200 Ag-C layers in the battery pack uses up to 5 grams of silver*, hence the 1kg figure. In fact, the presence of silver and the absence of flammable liquid electrolyte render the SSB inherently safer than lithium-ion batteries. As such, the Ag-C layers' regulation of lithium deposition helps facilitate the battery's lifespan of *up to 20 years*.

Customers want long ranges, short charging times, and overall price tags comparable to those for combustion cars. If electric cars can, in fact, be mass-produced with solid-state batteries, they would meet all these criteria.

Porsche Consulting

For these reasons precisely, **Samsung has already managed to secure an agreement with Toyota** to begin mass production of its SSBs in 2027, with Lexus vehicles are scheduled to be among the first to integrate the new technology. As a result, every EV battery manufacturer worth their salt is quietly shifting gears, away from a future solely dominated by LFP and NMC research, and towards one Porsche Consulting is tipping as **“The Race for Solid State Batteries”**. As Olivier Delaire, Associate Professor of Mechanical Engineering and Materials Science at Duke University, **puts it**:

All the electric vehicle manufacturers are trying to move to new solid-state battery designs, but none of them are disclosing which composition they’re going for. Winning that race would be a game-changer, because cars could charge faster, last longer, and be safer at the same time.

Of course, substitution is rife in the automotive sector, and innovations can change market dynamics instantaneously. For example, Toyota is leveraging **1000+ patents and 15 years of R&D** to develop a relatively more economical sulfide-based SSB. In doing so, the firm is targeting **a 1,200 km range, a 10-minute charging time, and mass production by 2027**. Mass production will be aided by the plans of fellow Japanese firm **Idemitsu Kosan** to supply the lithium sulfide for Toyota’s SSBs.

When you borrow a man’s car, always return it with a tank of gas.

Charlie Munger

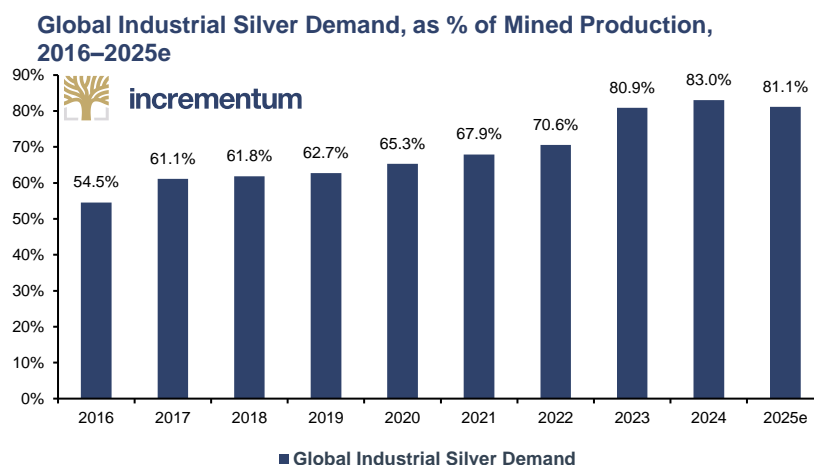
In spite of these developments – and the novel efforts of Volkswagen-backed **QuantumScape** to engineer a lithium-metal SSB with a ceramic separator – cost will be the principal determinant of whether Samsung’s SSB is adopted en masse. To this point, optimistic **academic studies posit** that SSBs could be priced at 140 USD/KWh by 2028. However, **Goldman Sachs estimates** that 94% of batteries will be LFP or nickel-based by 2028, causing average non-SSB battery prices to fall to 72 USD/KWh.

As a result, it appears that SSBs will be confined to the “high-end” EV segment, at least until economies of scale kick in and production costs are pulled downwards. This threshold will arrive when manufacturers possess sufficient agility to pivot away from their deeply entrenched LFP innovatory cycles. Alternatively, when an R&D breakthrough reinforces the inferior performance of LFP relative to SSB to the extent that manufacturers are forced to forego their sunk costs fallacies.

Silver has an intrinsic energy value. With so many uses and a relatively small storage fee vs contained value, it makes sense as a store of wealth.

Kevin Bambrough

Until that point arrives, the jury is out on silver consumption from SSBs. Although, given the metallurgical versatility that facilitated silver’s eras of dominance in solar and photography, the metal will undoubtedly thrive if **global battery demand quadruples from 2023–2030**. Whether this derives from EVs or the power generation segment consuming approximately **88 Moz** of silver annually is presently unclear. What is clear, however, is that silver’s industrial demand prospects remain as buoyant as ever.



Source: The Silver Institute, Incrementum AG

Military and Safe Haven Demand: An Unforeseen Silver Bullet?

As the first major step towards a new European Defence community, it must be an absolute priority to strengthen Europe as quickly as possible so that we actually achieve independence from the US.

Friedrich Merz

One development to watch is the recently agreed government expenditure package in Germany and the broader rise in defense expenditure.

Silver Institute

Inexorably intertwined with industrial demand, yet often discarded from silver market analyses due to its highly classified nature, the military consumption of silver is the next silver price catalyst that warrants closer inspection, as we presently exist within a milieu of heightened geopolitical fragmentation – one that is newly characterised by an unprecedented rift between the US and the EU. French President Emmanuel Macron argued:

I want to believe that the U.S will stand by us. But we have to be ready if that is not the case. European states must be able to defend themselves better and deter any aggression, so that it strengthens our armies as quickly as possible and accelerates reindustrialization in all our regions. The future of Europe does not have to be decided in Washington or Moscow. The innocence, so to speak, of the last 30 years, since the fall of the Berlin Wall, is now over.

Macron's remarks not only foreshadow the potential end of the road for the G7 and NATO, but are also flanked by record increases in military spending across the EU. Most recently, this includes the European Commission's implementation of its **Re-Arm Europe/Readiness 2030** strategy. **Introduced in March, the policy is designed to mobilise a colossal EUR 800bn over four years to finance European "defence readiness".**

Principally, the relevance of this to silver lies in its historical role as a *metal of war* – a title earned from its usage in tomahawk missiles, as well as in **silver-oxide-based batteries used in propulsion and guidance systems**. To this point, US Congress archives disclose that 100 Moz of silver were being consumed by the US at the height of World War 2 in 1942. The War Production Board was quoted as saying that 200 Moz of silver would be required in 1943. **As H. W. Boynton explained to the US Congress on October 14, 1942:**

The present consumption of silver for war purposes is at the rate of about 100 Moz a year and is growing rapidly. According to the War Production Board, it is only a matter of months before war demands will have sufficiently increased to require at least 200 Moz a year. Thus, if the estimate is correct, the demand for war purposes alone will next year exceed the total of available foreign and domestic production, which combined is about 175 Moz.

Some men just want to watch the world burn. Others – buy silver.

Grey Rabbit Finance

Admittedly, we are not embroiled in a World War 3 scenario yet. As such, 100 Moz of silver usage in 2025 is far-fetched. Despite this, we see rises in silver's military offtake in light of the EU's planned defence outlays, escalating US-China tensions, and the recent re-ignition of a centuries-old India-Pakistan conflict. Coincidentally, this environment of pronounced geopolitical conflict is conducive to short-term silver price catalysts, as is exemplified by the metal's safe haven quality in response to crises over the last 50 years.

Impact of Geopolitical events on Silver and Gold Prices

Geopolitical Event	Event Dates	Silver (% to Peak)*	Gold (% to Peak)*
Iranian Hostage Crisis / Russia Invades Afghanistan	08/1979–05/1980	395	100
Falklands Island War	03/1982–05/1982	9	16
Iraq Invades Kuwait	07/1990–09/1990	15	17
US Bombs Iraq (Gulf War)	11/1990–02/1991	13	11
9/11	09/2001	11	7
Iraq War	10/2002–04/2003	14	21
Madrid Terror Attacks	03/2004–04/2004	17	7
Russia Invades Crimea	01/2014–03/2014	11	13
North Korea Missile Crisis	07/2017–12/2017	14	10
Iran Tensions and Attack on Saudi Oil Facilities	06/2019–12/2019	25	12
Russia Invades Ukraine	05/2022–02/2024	17	13
Hamas attacks Israel	10/2023–11/2023	18	10

Source: The Silver Institute, Incrementum AG

*(% to Peak) measures the percent change in price from the pre-event trendline to the peak of the geopolitical surge.

Silver ETPs: An Impetus for Indian Investment Demand

India is not just a rising power, it has already risen.

Barack Obama

Moving away from industrial demand and towards a more cultural determinant, India is a country of roughly 1.45bn inhabitants who hold the key to unlocking new and uncharted territory for the silver price. This is evidenced by the country's **225 Moz of silver imports in 2024** – a quantity on par with solar's silver offtake. It is also supported by the fact that the **2024** figure represents double the amount of Indian silver imports in 2023 of **112 Moz**.

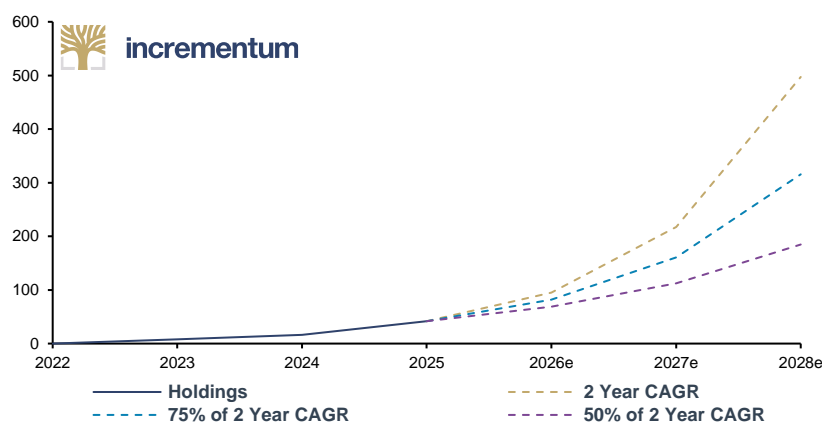
Rock on, gold dust woman. Take your silver spoon.

Fleetwood Mac

Of course, as with gold, the lion's share of this consumption has historically derived from jewelry and silverware. This trend was reinforced in 2024, when India was responsible for approximately **42.1% or 87.9 Moz** of total silver jewelry demand and **67% or 36.8 Moz** of total silverware demand. Incidentally, this made India the primary driver behind the **3% rise in silver jewelry fabrication in 2024**, as factors such as a bullion import duty cut propelled the total silver jewelry demand to **208.7 Moz**.

Notwithstanding the fact that many analysts assumed rising prices would motivate Indian investors to liquidate their extensive silver holdings, **Metals Focus** noted that selling has been “trivial” even as the silver price eclipsed the psychologically important INR 100,000 mark. At the same time, an Indian silver demand category with the firepower to offset any weakness in silverware and jewelry demand has been quietly emerging. **Namely, Indian silver ETP holdings are on track to reach over 200 Moz by 2027.**

Indian Silver ETP Holdings, in Moz, 2022–2028e



Source: Silver Institute, Metals Focus, Incrementum AG

More specifically, Indian silver ETP holdings surged to a record high of **38.6 Moz in 2024**, helping bring net global silver ETP investment to a healthy **61.6 Moz** for the year. This rise marked a sea change from the substantial **117.4 Moz outflow in 2022**, contributing to a total silver market balance (including ETPs) of **-210.5 Moz for 2024** – the second most negative since 2008. **As such, India may be deemed the impetus for the revival of silver investment demand.**

We tend to associate India with gold, but Indians also have a love affair with silver.

Mike Maharrey

Whilst this may come as a surprise, it's worth noting that Indian investors have accumulated over **17,000 t (546 Moz)** of silver in bar and coin form over the last 10 years. Since then, the only change has been the increased digitalization of silver investment via ETPs – the results of which can be viewed as an astounding reaffirmation of silver's monetary metal status: **Silver ETPs were equivalent to 40% of India's total annual retail investment in 2024, compared with just 5% for gold ETPs.**

Considering India's appetite for silver investment, we expect ETPs to continue attracting inflows in the coming years, driving India's share in the global ETP market beyond the current 4%.

Silver Institute

According to the Silver Institute, a rise in financial awareness can be cited as the primary driver of India's silver ETP boom, along with the convenience of liquidity compared to physical silver and positive price expectations in light of silver's drastic undervaluation to gold. Thus, we should not be surprised by the **sharp rise in Indian trading accounts over the last 5 years** - the total of which rose from 41mn in March 2020 to 185mn by end-2024, and included 77mn accounts added in 2023–2024.

Moreover, technological innovation helped India's *physical* silver investment rebound **in 2024 by 21% to 59.8 Moz**, as silver (and gold) coin sales on Q-Commerce platforms grew by **14x compared to 2023**. Meanwhile, turnover on the International Bullion Exchange (IIBX) also jumped to **36.2Moz in 2024**, comprising **16% of India's total imports**. **Naturally, India's silver demand**

prospects are robust beyond 2025, as a culturally ingrained asset meets a digitally enabled younger generation.

Silver the Inflation Hedge: A Turkish Case Study

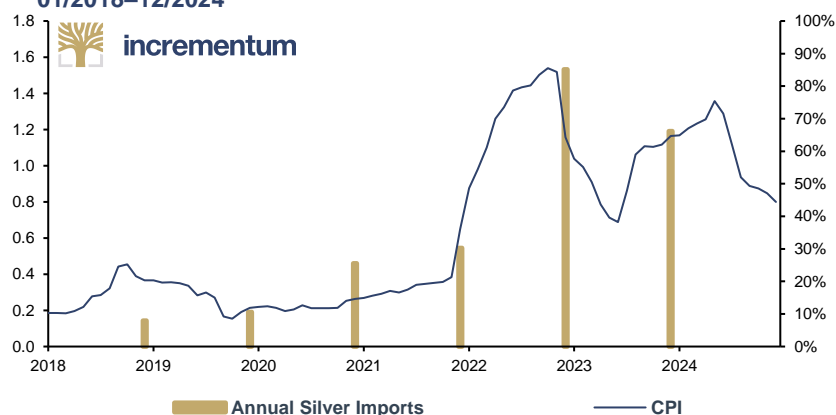
Unlike India, the West showed a distaste for physical silver investment in 2024, as coin and bar demand **plummeted 22% yoy** to a 5-year low of **190.9 Moz**. Shedding 20% yoy in Europe (-5.3 Moz) and a staggering 46% yoy in the US (-55.8 Moz), the decline can be attributed to cost-of-living challenges and curtailed safe-haven demand in the absence of new crises. As such, the category sits **44% lower than 2022's peak of 338.3 Moz**. And yet, demand is expected to rebound 7% to **204.4 Moz** in 2025.

I don't care about the daily moves in silver. In my view, we are about to see the monetary side of silver, as we tend to see throughout history.

Tavi Costa

Perhaps catalyzing this rebound, inflation has historically provoked silver monetary demand in certain instances, albeit to a lesser degree than gold. Most recently, this relationship was visible in Türkiye, where inflation rose for 18 consecutive months, **from 16% in May 2021 to a peak of 85% in October 2022**. We observe that **Turkish silver imports rose sharply** in response to this hyperinflation, as Turks elected the white metal to protect their purchasing power.

Türkiye: Annual Silver Imports (lhs), in USD bn, and CPI (rhs), 01/2018–12/2024



Source: World Integrated Trade Solution, LSEG, Incrementum AG

Silver will regain its monetary status. As the world begins to hoard silver once again, the price will climb to unbelievable levels.

Kevin Bambrough

Of course, the Turkish psyche may not necessarily translate to US investors, who have made a beeline for gold as their monetary metal of choice in recent years, partly due to **US disposable incomes** being 4.4 times higher than **Türkiye's**. Despite this, the above case study proves silver can function as a monetary metal, as is reinforced by the *In Gold We Trust* report 2024, where we cited silver's average 332% return during the Federal Reserve's rate-cutting cycles post-2000.⁷⁸

The major monetary metal in history is silver, not gold.

Milton Friedman

Moreover, it is feasible to envisage a perfect storm for silver investment demand in the coming years, lifted by the favourable tailwind of interest rate cuts and inflation. For one, Federal Reserve Chair Jerome Powell **appears prone to crumbling under pressure from President Trump** to cut rates amidst recession fears. Second, **Trump's tariffs are set to be inherently inflationary**, necessitating an

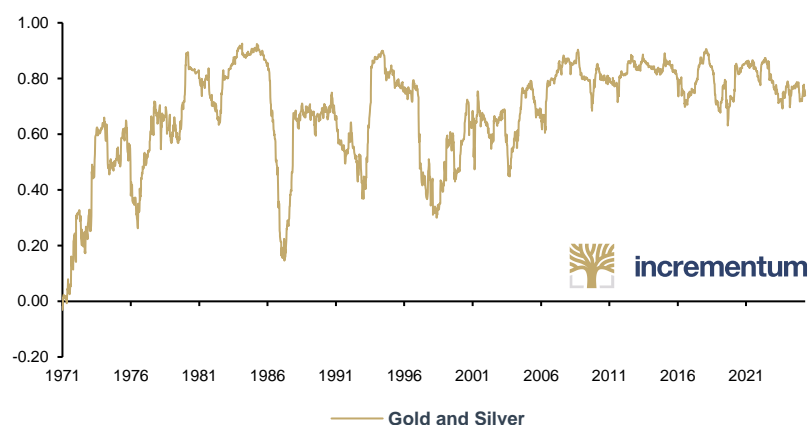
⁷⁸ See "Breakout or Fake-out: Is this Silver's Golden Moment?," *In Gold We Trust* report 2024

This would be a PERFECT time for Fed Chairman Jerome Powell to cut Interest Rates. He is always 'late,' but he could now change his image, and quickly. CUT INTEREST RATES, JEROME, AND STOP PLAYING POLITICS!

Donald Trump, April 4

With that said, it's vital to note that Trump's tariffs may instigate a US recession, which would be bearish for silver, as indicated in our **Incrementum Recession Phase Model** from the *In Gold We Trust* report 2023.⁷⁹ Importantly, this could transpire if Powell ignores Trump's "recommendations" and justifies holding rates steady. Despite this, silver remains protected by big brother gold in the form of a **0.77 correlation since 1999**, which should mitigate silver's recession risk, provided gold's price leadership continues.

Weekly 1 Year Correlation of Gold and Silver, 01/1971–04/2025



Source: Nick Laird, LSEG, Incrementum AG

You prepare all year for crunch time. That's when legacies are made.

Tom Brady

Silver's Supply Crunch

With the most noteworthy silver demand drivers sufficiently covered, we now focus on silver supply, which grew by approximately **2% yoy (17.3 Moz) in 2024 to a total of 1,015.1 Moz**. Despite this rising supply – and a 3% yoy fall in total silver demand to 1,164.1 Moz – silver still recorded a supply deficit of **148.9 Moz in 2024**, excluding ETPs. This marked the 4th consecutive year of supply deficits, bringing the cumulative deficit since 2021 to a **substantial 678 Moz**.

Notably, **7 Moz of the annual increase** can be attributed to silver mine production, which rose **1% yoy in 2024 to 819.7 Moz**. According to the Silver Institute, this change was primarily derived from the resumption of full production at Newmont's Penasquito, which almost single-handedly drove Mexico's output up by 3.8 Moz yoy. Elsewhere, leadership from Australian lead/zinc mines helped lift the nation's silver production by **6.2 Moz yoy, thus offsetting a 17% yoy (-8.8 Moz) drop in Chile**.

Although output from primary silver mines registered yet another annual decline of **2% yoy in 2024**, recycling grew **6% yoy or 10.4 Moz to 193.9 Moz** last year. Primarily, the shift was driven by the processing of spent ethylene oxide catalysts,

⁷⁹ See "The Showdown in Monetary Policy," In Gold We Trust report 2023

Recycling is like brushing your teeth — a little inconvenient, but you'll regret it if you don't.

David Suzuki

Deficits are like putting a bandage on a bullet wound — it looks like a fix, but the damage keeps bleeding through.

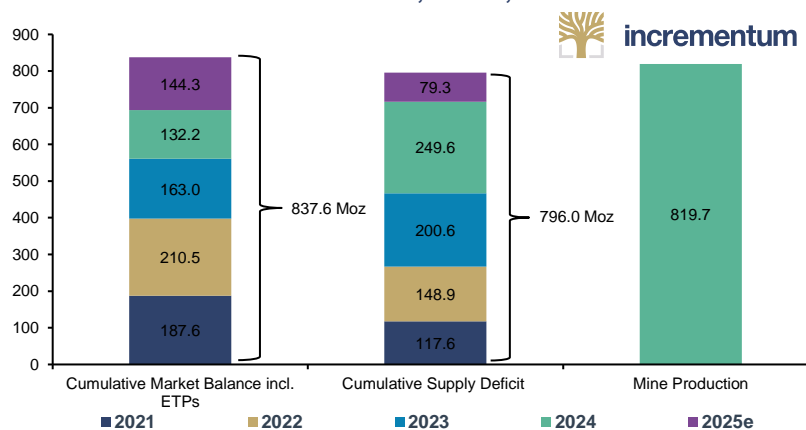
Ross Perot

which caused industrial recycling to rally 5% yoy or 4.8 Moz. Not least, cost of living-related liquidations also governed an 11% yoy jump or 2.5 Moz in silverware recycling.

In 2025, silver recycling is set to flatline at around 193.2 Moz, constrained by photographic scrap's structural decline and depleted silverware stocks in the West. Meanwhile, silver mine production is expected to rise by 2% yoy to 835.0 Moz in 2025. Endeavour Silver's Terronera project comes onstream and Peñoles' mines return to full production after operational challenges in 2024. Chilean production, led by CODELCO and Kinross' La Coipa, is also expected to reach higher levels.

All things considered, total silver supply is forecasted to grow 2% to 1,030.6 Moz in 2025 and will be met by a marginally lower total silver demand of 1,148.3 Moz. On balance, these market dynamics are set to converge to produce a 117.6 Moz silver supply deficit in 2025. **Marking the 5th consecutive year in a row and totaling 796 Moz of cumulative supply deficits from 2021–25, this 5-year silver supply deficit would be collectively sufficient to equal a full year of global silver mine production.**

Cumulative Silver Market Balance incl. ETPs and Silver Supply Deficit vs. Silver Mine Production, in Moz, 2016–2025e



Incidentally, the Silver Institute notes: “We cannot expect much of a solution to this deficit position from mine production as this is expected to peak in 2026 and then to fall as several mines start to reach their end-of-life.” Thus, recycling must take on the baton meaningfully to help fill the void of future mine production. Furthermore, the Silver Institute cites the need for higher prices to stimulate growth in Indian jewelry and silverware recycling.

Anemic supply growth along with robust demand. Where will future supply come from?

Peter Krauth

In this sense, silver supply will need to derive from sources outside of mine production and recycling if higher silver prices are to be kept at bay over the long term. Aside from an unforeseen fall in silver demand, the only supply-demand factor with the propensity to invalidate the silver supply deficit is above-ground stocks. According to the Silver Institute, these stocks are not only uncorrelated with the silver price but are practically irrecoverable at almost any conceivable silver price:

The World Silver Survey data on supply/demand for the 1960–2023 period, and, specifically, that on supply from Above-Ground stocks supports the conclusion that the bulk of the 57 Boz of historical silver mine production through to 2023 has either been truly “lost” or is practically irrecoverable at almost any conceivable silver price... There is no correlation between the overall level of Above-Ground stocks and the silver price.

There has been apprehension that liquidity on London’s physical market has fallen as traders have shipped silver to the US in anticipation of trade restrictions.

Bank of America

With this in mind, the most transparent gauge we have as to whether the silver market is truly in a “supply crunch” is the silver inventories held on exchanges. Curiously, these inventories became subject to a transatlantic arbitrage opportunity earlier this year, initiated by fears amongst traders in the face of President Trump’s tariff policy. Causing EFP premiums to spike considerably, this dragged LBMA silver inventories to 711 Moz – the lowest level since publishing began.

LBMA London Vault Silver Holdings, in moz, 01/2018–03/2025



Source: LBMA, Incrementum AG

Markets are sleepwalking into a silver squeeze. Trump’s threat of universal tariffs is accelerating the timeline to depletion in the LBMA’s free floating stockpile.

Daniel Ghali, TD Securities

Admittedly, a proportion of this LBMA silver made its way to the COMEX, where silver stocks stood at 496 Moz as of April – some 100 Moz above the previous peak of in January 2021. Nonetheless, at least 530 Moz of silver has been collectively drained from LBMA and SFE stocks since their respective peaks in 2021. More presciently, 520 Moz of the LBMA’s total 711 Moz silver inventories are already tied up in ETFs. As a result, the LBMA’s daily trading volume – averaging 200 Moz – is no longer covered by free float, as was confirmed by TD Securities’, Daniel Ghali.

It wouldn’t surprise me to see a 2.5% allocation in my portfolio become 20% of my net worth.

Rick Rule (on silver equities)

In short, this signifies that many reported silver inventories are unavailable for delivery, making the silver market susceptible to outsized purchases from “whales”. To wit, the billionaire tech founder of Entrata, David Bateman, revealed in April that he had invested close to USD 1bn in precious metals over the previous six months. Staggeringly, this included the purchase of 12.69 Moz of silver – equal to roughly 1.5% of the global annual supply.

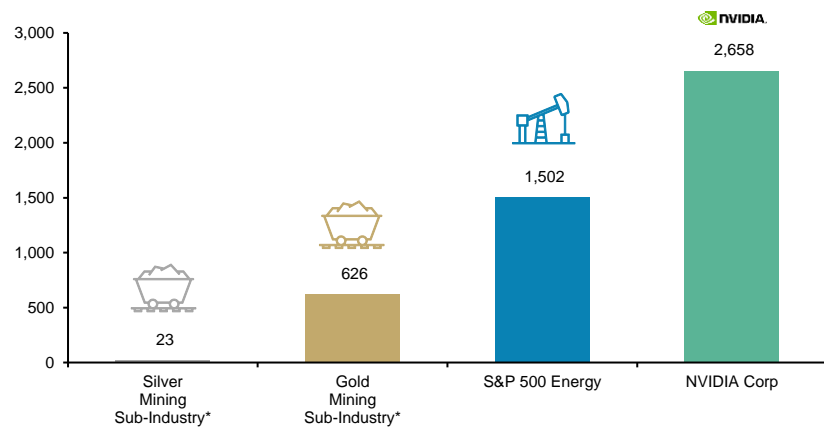
If you don’t own silver, you know neither history nor economics.

Peter Krauth

In the context of peak mine production and flat recycling, one would therefore not be surprised if others followed suit in securing physical silver. Whether it be a Buffett- or Bateman-like “whale”, the collective middle class of India, or a notoriously resolute SLV shareholder acting on behalf of an industrial player, the

silver price will not discriminate against who fuels its rise. Nor will the relatively minuscule silver mining industry, which will surely be a beneficiary from these inflows – even if only a fraction of generalists and institutional investors take notice.

Market Capitalization, in USD bn, 04/2024



Source: LSEG, Incrementum AG
*GICS classification (Global Industry Classification Standard)

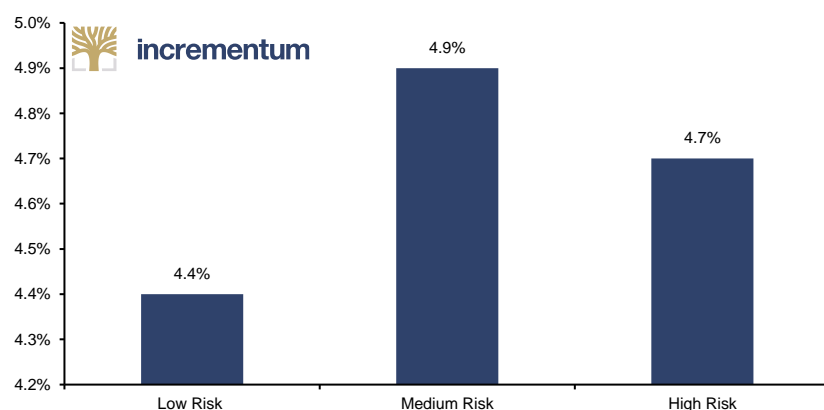
Conclusion: Caveats and Silver Linings

The silver market is valued at roughly USD 30bn, whilst approximately USD 7trn sits in money market funds. If less than 0.5% of these funds – USD 35bn – moved into silver, it would be enough to absorb the entire market.

David Morgan

Ultimately, having considered silver's supply-demand dynamics and its relative undervaluation to gold, we felt it necessary to outline one further point: the extent of its historical *under-allocation*. Namely, **research from CPM Group** suggests that the percentage of global wealth allocated to silver has averaged 0.03% over the last decade, compared to over 0.06% in 2011. **And yet, a 2022 study by Oxford Economics calculated that the optimal silver weighting should be at 4.4–4.9%.**

Optimal Silver Allocation



Source: Oxford Economics, Incrementum AG

Make new friends, but keep the old. One is silver, the other is gold.

Joseph Parry

In short, this means that, even at the peak of global wealth's allocation to silver in 2011 of 0.06%, there would need to be a 73-fold increase in the percentage weighting of silver to ensure an optimal silver allocation for *low-risk* portfolios. And for the allocation over the past decade of 0.03%, the percentage of global

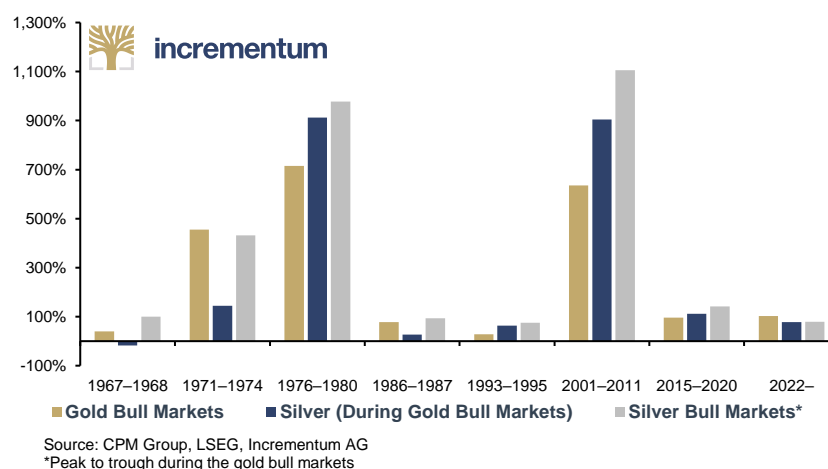
Gold and silver are the only meaningful life raft. Physical possession is everything. The whole world right now is a sophisticated game of musical chairs; the chairs are precious metals.

David Bateman

wealth would need to increase by 163-fold. **Of course, this is not to say that we expect ~5% of global wealth to suddenly flock towards silver.** In fact, it must be accepted that silver may experience a complete “**failure to launch**” in an investment sense, especially if market participants continue to opt for gold’s market depth and tradition as a diversifier, whilst abstaining from silver due to its smaller market size and industrial attributes. Incidentally, this may have informed the **46% yoy fall in US silver coin and bar net demand in 2024.**

Despite this, Bank of America states that “moving just 1% of global reserve assets into silver would be equivalent to 5 years’ worth of silver supply”. Moreover, if approximately 1% of the entire global population bought 10 oz of silver, **the annual silver production would be totally consumed.** As such, we remain bullish on silver as a supply-demand play first and foremost. Beyond that, silver’s ability to fulfil its remit as a high-beta play on gold will determine the true extent of its outperformance. Importantly, the gold price has already fulfilled its part in this historical precedent, rising magnanimously by 25% ytd. It is now high time for “performance gold” to enjoy its moment in the limelight. In theory, this will see the *Big Long* phenomenon extend itself to mining equities and commodities. **Standing as the principal beneficiary when this transpires, silver is a fundamentally scarce, historically undervalued asset whose probability of outperforming gold in its own bull markets stands at 75%.**

Performance of Gold and Silver during Bull Markets, 1967–04/2025



A Monetary Turning Point: Bitcoin's Ascent as a Strategic Reserve Asset

*From this day on, America will follow the rule that
every Bitcoiner knows very well:
Never sell your Bitcoin.*

Donald J. Trump

- The US Strategic Bitcoin Reserve is a historic event which confirms that the government of the world's largest economy officially views Bitcoin as a monetary good. A revaluation of the gold certificates held by the federal government and deposited at the Federal Reserve could fund Bitcoin acquisitions in a budget-neutral manner.
- Nation-state adoption is accelerating, with approximately 2.5% of all Bitcoin now held by governments. As countries compete for strategic positioning, growing interest from middle powers and sovereign wealth funds could trigger a reflexive response.
- As sovereign and corporate adoption introduces more long-term holders, Bitcoin's price action may decouple from tech stocks as it is increasingly viewed and utilized as a neutral reserve asset.
- Corporate treasury adoption of Bitcoin will likely continue to accompany government acquisitions, with companies like Strategy and GameStop issuing various types of securities to raise billions in capital for Bitcoin purchases.
- By innovatively structuring securities across different layers of the corporate capital structure — such as convertible bonds or preferred stock — companies can access new segments of the deeply liquid capital markets. This enables investors to gain Bitcoin exposure tailored to their individual risk preferences.
- As the global monetary system shifts, Bitcoin is increasingly positioned as a complementary reserve asset alongside gold. If current macro trends persist, a tenfold increase in Bitcoin's price by 2030 lies well within the realm of possibility.

It's fascinating to see what can happen in just one year in the world of Bitcoin. The pace of change is relentless, narratives evolve, and what once seemed radical can quickly become consensus. So, let's address the elephant in the room immediately: **the strategic Bitcoin reserve.**

It's not Bitcoin that needs Trump – it's Trump that needs Bitcoin. Never mistake who holds the real power.

Jeff Park

Last year, we presented a thought experiment, “freeBitcoin/freegold,” outlining a system where Bitcoin and gold are used to recapitalize an indebted and broken fiat system. Specifically, we wrote, “a rapidly appreciating reserve currency such as Bitcoin can contribute to a faster recapitalization of the overindebted system”. Who would have thought that only 12 months later, we would witness our thought experience becoming reality?



President Trump with David Sacks and Bo Hines; source: [Wikimedia](#)

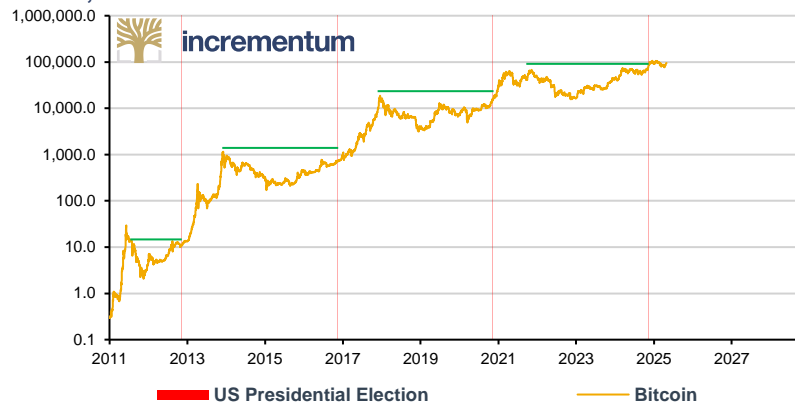
I am not a fan of Bitcoin and other Cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air.

Donald Trump, July 2019.

But first, let's go back a few steps and look at how the current situation has evolved. In 2023, the Presidential candidates Robert F. Kennedy Jr., Ron DeSantis, and Vivek Ramaswamy made headlines for their public support of Bitcoin. For the first time, **there was a slim chance** that citizens in the United States of America would elect a pro-Bitcoin President. On the other hand, Donald Trump had been explicitly negative about Bitcoin in the past and, at that time, still had not changed his stance.

However, by mid-2024, during his campaign for a second term, Trump's stance had notably shifted. In July 2024, he became the first presidential candidate to accept digital assets as campaign donations and announced plans to establish a federal *Bitcoin stockpile* if re-elected. This change aligned with the Republican Party's broader adoption of pro-cryptocurrency policies around the same time.

Bitcoin Price Development after US Presidential Election (log), in USD, 01/2011–04/2025



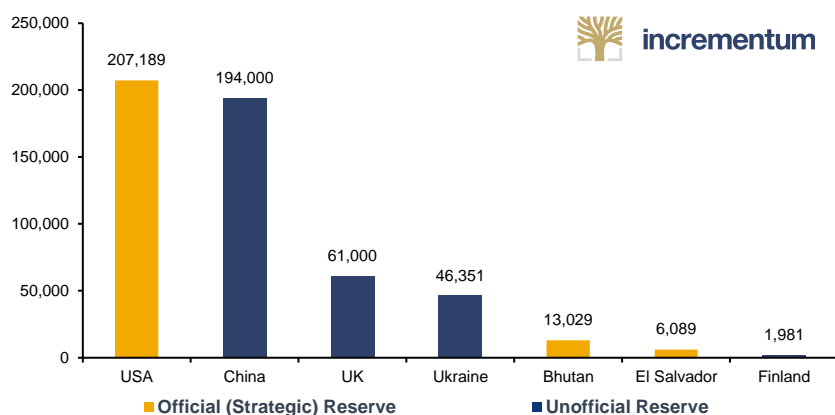
A Strategic Bitcoin Reserve could strengthen our national financial security and embrace the future of currency.

Senator Cynthia Lummis

Since becoming the 47th President of the United States, Donald Trump has upheld major promises to Bitcoin enthusiasts, including pardoning Silk Road creator Ross Ulbricht, who was serving a double life sentence in a US prison. Trump's most considerable promise was the creation of a Strategic Bitcoin Reserve, which the President established in March via an executive order.

Now, game theory is kicking into an even higher gear. With the US officially recognizing Bitcoin as a strategic asset, other nations are unlikely to sit idly. The race to accumulate national reserves of the world's most scarce digital asset has likely just begun. In a world of rising geopolitical tensions and declining trust in the creditworthiness of government debt, Bitcoin is emerging as not only a store of value but a tool for monetary positioning and sovereign leverage.

Bitcoin Holdings of Governments, in Bitcoins, 03/2025



The fact that there are only going to be 21 million Bitcoins is a big damn deal.

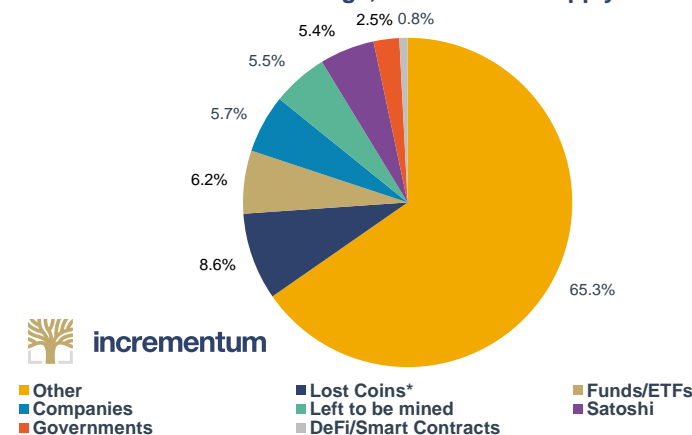
Senator Ted Cruz

It is worth mentioning that, according to public records, the US already owns the most Bitcoin of any sovereign nation, at 207,189 BTC, and thus almost 1% of the final total BTC supply. China is a close second, at 194,000. The USA, China, Bhutan, El Salvador, Finland, and presumably Georgia own Bitcoin. Germany was on the list but sold 50,000 bitcoins in July of 2024 for roughly USD 57,600 per bitcoin, a move that was poorly timed. Of those nations, El Salvador and Bhutan actively purchase and mine Bitcoin, while the other countries have (so far) acquired Bitcoin by confiscating it from individuals and

institutions during civil and criminal investigations. Abu Dhabi's Mubadala Fund purchased USD 460mn worth of BlackRock's spot Bitcoin ETF shares, according to a February 2025 13-F filing.

Overall, the amount of BTC owned by sovereign nations is likely larger than the publicly available figures. As of today, **governments officially own** around 2.5% of the total Bitcoin in circulation.

Distribution of Bitcoin Holdings, as % of Total Supply



The reason that we structured the SBR like we did is because Bitcoin is different. It's unique. It's a commodity, not a security. It has the immaculate conception, meaning that there is no issuer, it has intrinsic stored value.

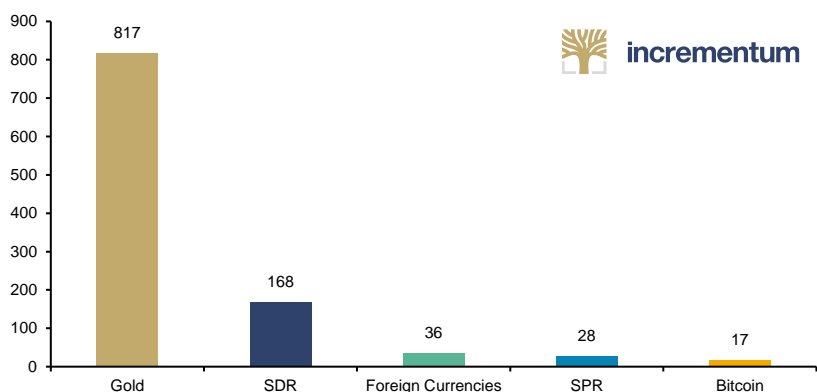
Bo Hines

Fort Nakamoto? A national Bitcoin reserve in the United States

Following President Trump's executive order to create a Strategic Bitcoin Reserve (SBR), the United States officially recognized Bitcoin as a strategic national asset. The executive order distinguishes between Bitcoin and altcoins, establishing the SBR specifically for Bitcoin and a separate Digital Asset Stockpile for altcoins, which may be sold. Unlike the altcoin stockpile, the executive order commits the United States not to sell Bitcoin deposited into the SBR. The executive order also centralizes the ownership and management of federal government holdings of Bitcoin and altcoins.

Yet, what is perhaps most interesting is that the executive order authorizes the Secretaries of Treasury and Commerce **"to develop budget-neutral strategies for acquiring additional Bitcoin, provided that those strategies impose no incremental costs on American taxpayers"**.

Strategic US Reserves, in USD bn, 03/2025



Source: US Treasury, Bitbo, LSEG, Incrementum AG

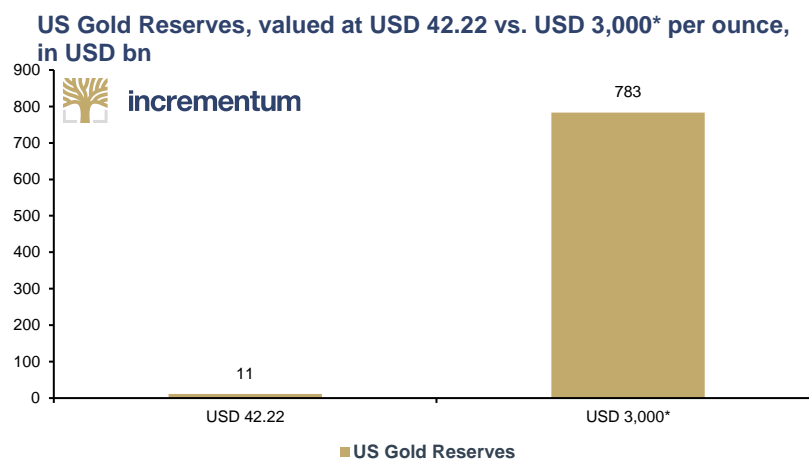
At some point I think capital flow is going to see Bitcoin for what it is, which is a neutral reserve asset linked to energy, uncontrollable by any government, and I think it'll start siphoning some flows off from Nasdaq as America continues to say, "Listen, you want to invest in some factories here? Great; otherwise, get out."

Luke Gromen

Several approaches have been proposed for building a national Bitcoin reserve without direct market purchases. The lowest-hanging fruit is simply retaining Bitcoin confiscated through law enforcement actions. Over the years, agencies have seized approximately 200,000 bitcoins from illicit actors. President Trump's executive order reverses the previous administration's practice of selling seized coins, which the executive order identifies as costing taxpayers USD 17bn. It directs agencies to deposit forfeited Bitcoin directly into the US Treasury.

One intriguing approach to funding the Strategic Bitcoin Reserve without directly impacting taxpayers involves leveraging the Treasury's significantly undervalued gold reserves. Rather than physically selling US gold reserves, the Treasury could revalue its 261.5mn ounces (8,133 t) of gold from the outdated statutory price of USD 42.22 per ounce closer to current market prices. For instance, a revaluation to a price of USD 3,000 would unlock almost USD 800bn in latent balance sheet strength. The mechanism for revaluation is established and straightforward. Under the Gold Reserve Act, the Treasury can "issue gold certificates against other gold held in the Treasury" at a value determined by the Secretary. The Treasury would then deposit these certificates at the Federal Reserve, which would credit the Treasury's account with the equivalent dollar balances.⁸⁰

⁸⁰ See the chapter "Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order" in this In Gold We Trust report



Source: LSEG, Incrementum AG

*This figure is a purely illustrative example and is intended for demonstration purposes only.

Bitcoin has moved beyond the experimentation phase. We're now into the implementation era.

Mark E. Jeftovic

Some of these funds could be allocated to Bitcoin purchases without adding to the national debt or requiring additional taxpayer dollars.

Wyoming Senator Cynthia Lummis proposed utilizing such revaluation gains to fund the Strategic Bitcoin Reserve. In a November 2024 CNBC interview, *the Senator stated:*

We have reserves at our 12 Federal Reserve banks, including gold certificates that could be converted to current fair market value. They're held at their 1970s value on the books. And then sell them into Bitcoin; that way we wouldn't have to use any new dollars to establish this reserve.

Bitcoin isn't going to replace the dollar anytime soon... it will, however, one purchase at a time, continue to replace real estate, cash, and even government bonds as a superior long-term store of value in portfolios worldwide.

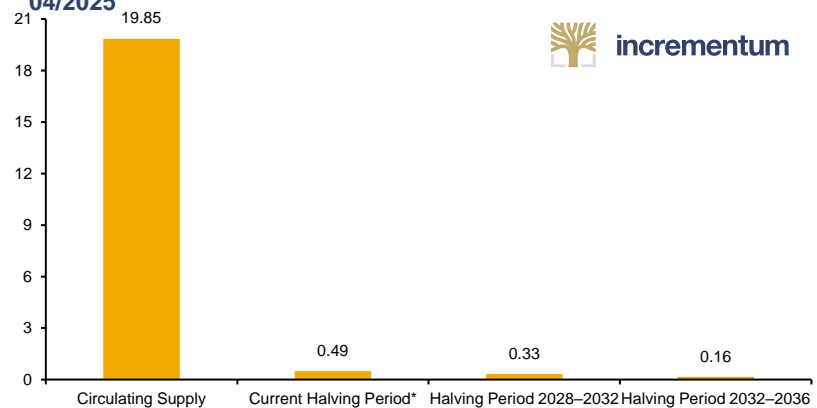
Nik Bhatia

A more experimental approach involves collecting certain taxes, fees, or tariffs directly in Bitcoin. Today, importers pay billions in tariffs, and the Trump administration is keen to raise the revenue that tariffs generate. A portion of these payments could be remitted in Bitcoin, creating a steady stream of Bitcoin flowing into federal coffers without requiring open-market purchases. This strategy has historical precedents. In the 19th century, *customs duties and duties on imports* (tariffs) had to be paid in gold or silver, which helped build America's precious metals reserves.

Another potential mechanism is to use the Exchange Stabilization Fund (ESF), which traditionally manages foreign currency operations, gold, and other financial instruments for the Treasury. Bitcoin-denominated debt could theoretically fall under the ESF's purview. The Treasury could purchase debt instruments repaid in Bitcoin upon maturity.

Beyond the ESF, following Bhutan's example of using hydroelectric power to mine Bitcoin, the US could potentially build or partner with large-scale mining operations in energy-rich regions like Texas. While this requires an initial capital investment, profitability may outweigh costs, reducing the overall budget impact. However, the amount of Bitcoin available via the mining process is quite limited. At this stage, adding a significant stockpile via this route is impossible.

Current Bitcoin Supply and Creation During Halving Periods, 04/2025



Source: Blockpit, Incrementum AG

*Adjusted for the coins already mined from 04/2024–04/2025.

*The US Strategic Bitcoin Reserve announcement is a 'holy sh*t' moment for the rest of the world, realizing they're late and don't have enough Bitcoin.*

Tether CEO Paolo Ardoino

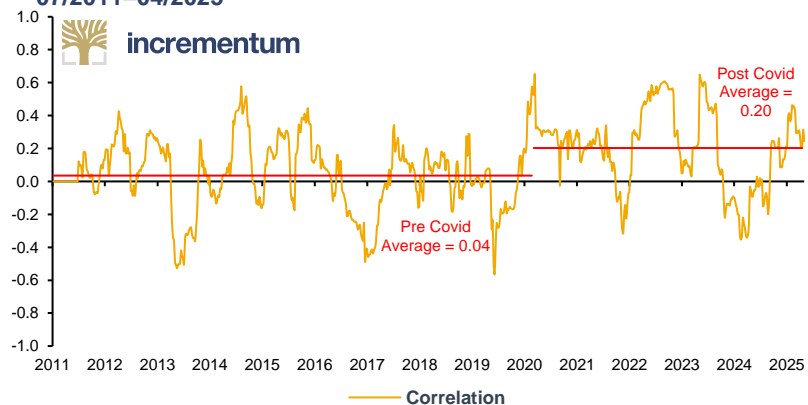
From a geopolitical standpoint, a US Bitcoin reserve may trigger what game theorists call a *reflexive response* – otherwise known as FOMO – where other nations' fear of missing out prompts them to begin implementing their formal acquisition programs. El Salvador, the world's first country with an official Bitcoin strategy, was relatively small-scale; but the United States' move signals that Bitcoin is now a serious strategic asset on the global stage in the new geopolitics of resources.

Bitcoin has matured into a risk-off asset in certain contexts, demonstrating resilience during market downturns.

Robert Mitchnick

Bitcoin's evolution into a sovereign reserve asset could also change its market behavior, potentially decoupling its price movements from traditional tech equities. In the past, Bitcoin has been positively correlated with the Nasdaq, generally behaving as a *risk-on* investment.

Weekly 6-Month Rolling Correlation of Bitcoin and Nasdaq 100, 07/2011–04/2025



Source: LSEG, Incrementum AG

Bitcoin is a hedge against the whole world falling apart.

Peter Thiel

However, a new market dynamic may emerge as nations follow the United States in establishing strategic Bitcoin reserves. Sovereign adoption introduces a different class of holders with multi-decade time horizons and strategic motivations, as opposed to short-term position rotations, potentially reducing Bitcoin's correlation with tech stocks. The price discovery mechanism could transform as these sovereign players introduce persistent baseline demand independently of traditional market cycles. This would represent a new chapter in

Bitcoin's market maturity – from retail speculation to institutional adoption to sovereign reserve asset – potentially changing its valuation as investors recognize its role as a neutral, non-sovereign reserve asset in an increasingly multipolar world.

Fifty Bitcoin experiments: state-level reserve initiatives

Ironically, the State's best response to Bitcoin and Bitcoin-inspired private monies is to meet the demands of the techno-Austrians and reform itself.

Nic Carter

What I'm proposing in Florida is a Bitcoin reserve, not just a crypto reserve. Cryptos [are] a lot of different currencies in a basket. Bitcoin has proven to be a holder of value over the long term.

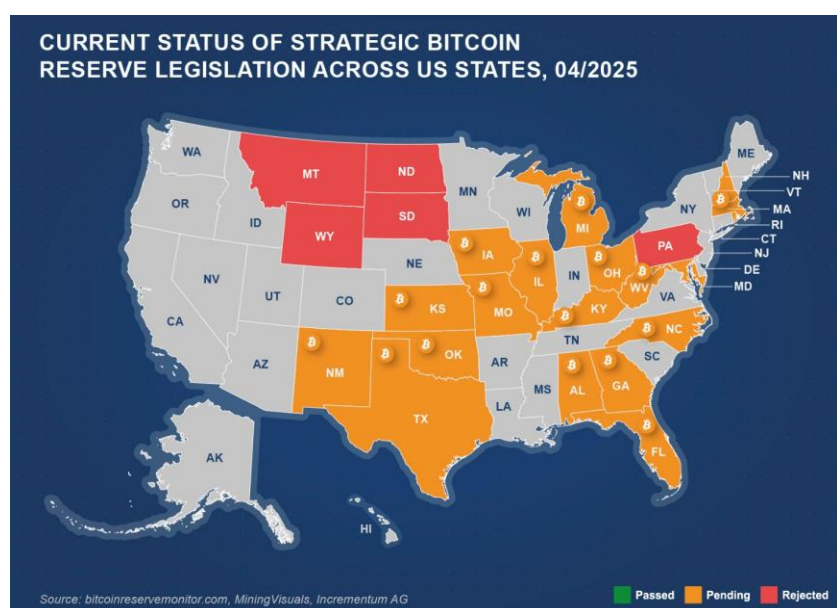
US Rep Byron Donalds

A growing number of national and state policymakers in the United States are exploring the idea of a state-level SBR. Momentum for reserves and other Bitcoin-friendly policies has been accelerating at the state level, particularly in states like Arizona and Utah, which are advancing legislation to purchase and hold Bitcoin in state treasuries. Some proposals extend to pensions and other public funds, while others focus solely on setting aside Bitcoin in rainy day or surplus accounts. As of this writing, most bills remain in the early stages. However, the overall trend reveals a shift toward viewing Bitcoin as a treasury asset that could strengthen a government's balance sheet.

Several common themes have emerged in these state-level initiatives.

First, nearly all of the bills refer to Bitcoin's capacity for long-term appreciation as a buffer against inflation or macroeconomic stress. Second, at 1% to 10% of existing reserve funds, many of these proposals envision allocating a modest percentage to Bitcoin so as not to disrupt current investment policies. Third, legislators emphasize the need for custody arrangements and regulatory oversight, although specific implementation details vary.

Bitcoin reserve legislation has been proposed in 26 states so far, and [estimates for the amount of BTC those states would have to purchase](#) if the legislation were to pass are 262,577 BTC, roughly USD 25bn at current market prices. Currently, there are 19 pending proceedings.



A few states have dropped their proposals due to political disagreements or uncertainty about custody and volatility. Even so, the pattern indicates that Bitcoin is moving into the public finance conversation in a way that was nearly unthinkable just a few years ago.

The Corporate Bitcoin Rush

Institutions must make decisions under conditions of capital scarcity, ensuring hurdle rates for return. My prediction? The private sector will adopt Bitcoin first, moving rapidly toward it before sovereign nations inevitably follow. What seems unthinkable today will be obvious in hindsight.

Vivek Ramaswamy

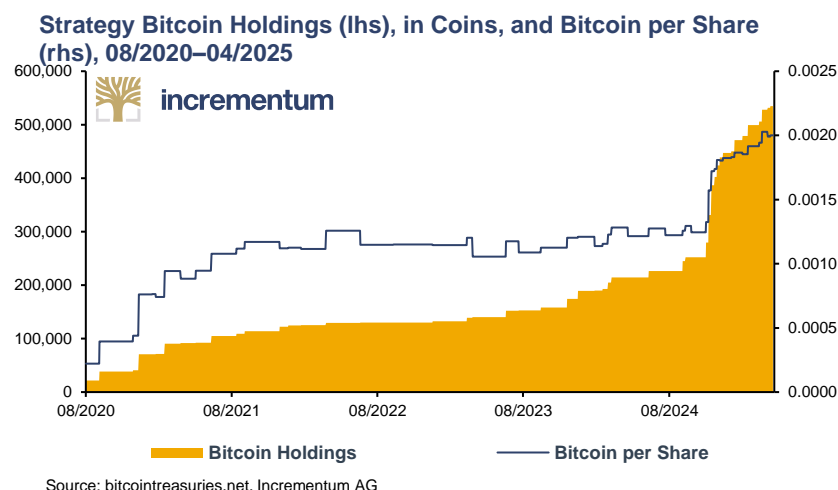
While nation state adoption is a new phenomenon, corporations have been stacking Bitcoin for several years now. In the past year an increasing number of publicly listed companies have begun adopting Bitcoin as part of their corporate treasuries, following the initial trail blazed by MicroStrategy in mid-2020. These Bitcoin treasury strategies reflect a broader recognition that Bitcoin's scarcity and track record of appreciation make it a balance-sheet enhancer. Block, Metaplanet, Semler Scientific, and the popular media platform Rumble have made strategic Bitcoin allocations. Metaplanet, a publicly traded Japanese company currently executing a Bitcoin treasury strategy, is up over 4,000% over the last few months, since President Donald Trump's son Eric [joined its board of advisors](#).

During this bull market, the corporate adoption trend of Bitcoin has been accelerating at a faster pace than that of government initiatives. GameStop, a household name in retail, [closed its USD 1.3bn convertible note offering in April](#), including full exercise of the USD 200mn greenshoe option, providing USD 1.48bn in net proceeds explicitly earmarked for Bitcoin purchases. The video game retailer's move mirrors that of Strategy, and when GameStop made the announcement, Strategy CEO Michael Saylor tweeted, "[Welcome to Team Bitcoin, @RyanCohen](#)," to the GameStop CEO. This pattern is not spreading through the US alone but occurring globally, with France's The Blockchain Group [adding another 580 Bitcoins to its treasury](#) in March 2025, as its stock has risen 225% since launching its Bitcoin strategy in November 2024. Meanwhile, HK Asia Holdings recently became the first publicly traded company in Greater China to [implement a Bitcoin treasury strategy](#).

\$MSTR = 0.07% of US equities by value. But 16% of all equity raised or announced in 2024. Bitcoin isn't just a store of value. It's a magnet for capital.

Matthew Sigel

A key idea emerging from these strategies is Bitcoin yield, first introduced by Strategy to illustrate how shareholders may receive an increasing Bitcoin exposure over time. **The concept tracks changes in total Bitcoin held relative to a company's fully diluted share count.** The BTC-per-share metric can increase as the firm raises capital through equity, convertible debt, or other instruments and channels it into more Bitcoin. Although *yield* here does not refer to dividend income, the metric is intended to help gauge whether share issuances are accretive in terms of long-term Bitcoin accumulation.



No company embodies the Bitcoin treasury strategy more completely than Strategy itself. Initially, a business intelligence software firm, it has evolved into a publicly traded Bitcoin vehicle. Through a series of convertible bond offerings at low or even zero coupon rates, Strategy has borrowed billions of dollars using capital market inefficiencies – where convertible note buyers value the embedded volatility – to fund additional Bitcoin purchases.

Strategy Bitcoin Acquisition and Capital Markets Activities, 2024

Category	Details
Bitcoin Acquired (2024)	258,320 BTC
Acquisition Cost (2024)	~USD 22.1bn
Average Purchase Price (2024)	USD 85,447 per BTC
Capital Raised – ATM Stock Sales	USD 18.8bn
Capital Raised – Convertible Notes	USD 6.2bn
Capital Raised – Preferred Stock	USD 584mn
Total Capital Raised Target	USD 42bn

Source: Fourth Quarter 2024 Earnings Presentation, February 5, 2025, Incrementum AG

The collateral of Strategy is actually the company.

Jeff Walton

All of my best investment ideas are things nobody can stop, everybody needs and nobody understands.

Michael Saylor

The company recently issued perpetual preferred stock, trading under ticker STRK, designed to pay an 8% dividend but also to offer conversion features into Strategy's common stock. Strategy's model combines the assumption that cheap credit and traditional finance inefficiencies will continue, with the belief that Bitcoin will continue to appreciate, and the interest Strategy owes on its debt and equity commitments will not put the company at risk or in a position where it needs to sell off its Bitcoin holdings.

Ultimately, Strategy's approach can be seen as an innovative balance sheet strategy. By tapping capital markets to accumulate Bitcoin, publicizing a form of "Bitcoin yield," and issuing instruments like perpetual preferred shares or convertible bonds, the company is utilizing Bitcoin as a liquid reserve asset that enables a range of balance-sheet arbitrage opportunities. If demand for specific securities such as convertible bonds is strong, the firm can issue these instruments at a premium to the underlying Bitcoin exposure. The proceeds can then be used to purchase additional Bitcoin, effectively generating more Bitcoin per dollar raised. This dynamic represents a kind of quasi-Bitcoin yield, driven not by Bitcoin itself but by the structure and timing of capital markets issuance.

All truth passes through three stages: First, it is ridiculed; second, it is violently opposed; and third, it is accepted as self-evident.

Arthur Schopenhauer

Texas state and local debt is approximately 559bn dollars. Refinancing it with a Bitcoin kicker as Andrew Hohns describes would save taxpayers a lot of money and help risk-averse investors access high returns.

Pierre Rochard

Nevertheless, there are risks associated with this business model. If Bitcoin's price were to decline over an extended period of time, Strategy's leveraged exposure could place strain on its finances. Additionally, the structure might give rise to an asset-liability mismatch, particularly if the maturity profile or cost of capital begins to diverge significantly from the performance of its Bitcoin holdings. That said, concerns about an imminent collapse may be overstated. In practice, the firm has demonstrated a consistent ability to hold through downturns and to refinance or roll over maturing obligations effectively.

We have recently seen several companies adopt some kind of Bitcoin treasury strategy. However, ultimately, the number of firms that can viably pursue such a model will remain limited. Differences in jurisdictional frameworks and the design of innovative – though invariably risky – balance sheet structures may allow for a handful of viable approaches, but widespread replication is unlikely.

One reason is that investor demand for these securities is likely to diminish once enough liquid instruments with differentiated risk-return profiles already exist. Additionally, in the event of a bear market, we would expect to see a natural consolidation among Bitcoin treasury firms, further reducing the viable universe.

Time for BitBonds?

BitBonds, also referred to as ₿ Bonds, are a financial instrument proposed by Andrew Hohns of Newmarket Capital that combines fixed-income with Bitcoin exposure. Hohns and others have initially conceptualized BitBonds as a bond that the US Treasury would issue to reduce the interest burden, grow the SBR in a budget-neutral fashion, create a tax-advantaged savings vehicle for families, and reduce the debt over time as Bitcoin appreciates.

Under Hohn's framework, the Treasury would issue a BitBond with a stated face amount and maturity period where 90% of the proceeds fund normal operations, i.e. government spending or corporate activities, while 10% purchases Bitcoin. These bonds would pay lower interest rates than traditional bonds – potentially just 1% compared to the current 4.1% for 10-year Treasuries – reducing the Treasury's interest expenses. **At maturity, investors receive their principal, a guaranteed minimum return, and a share of Bitcoin's appreciation.** This lowers the borrowing costs for the issuer and provides upside exposure to Bitcoin with limited downside risk for the investor.

While the current BitBonds proposals are for sovereign debt, corporate treasurers could apply the same principles. Companies already struggling with negative real yields on cash holdings could issue corporate BitBonds at favorable rates, building Bitcoin positions without shocking shareholders with direct purchases. For corporations interested in Bitcoin acquisitions but concerned about volatility impacting quarterly earnings, BitBonds are a structured approach that smooths exposure while potentially lowering overall financing costs. The mathematics is compelling: A corporation issuing a 5-year BitBond at 2% instead of conventional debt at 5% would save 3% annually on 90% of the principal. Even if Bitcoin's value declines by 50%, the company will still

achieve net savings compared to traditional financing while establishing a Bitcoin position. If Bitcoin appreciates as it has historically, the returns could be substantial.

Selling bonds. Buying \$BTC.

Dylan LeClair

For treasury managers exploring Bitcoin allocation strategies, BitBonds could become an alternative to Strategy's Bitcoin acquisition approach, as the issue of excess volatility is solved. As Bitcoin's appeal grows, more-complex products such as BitBonds will likely further Bitcoin adoption among corporations that recognize the need for hard-asset exposure but do not want to *HODL* a large direct position over time.

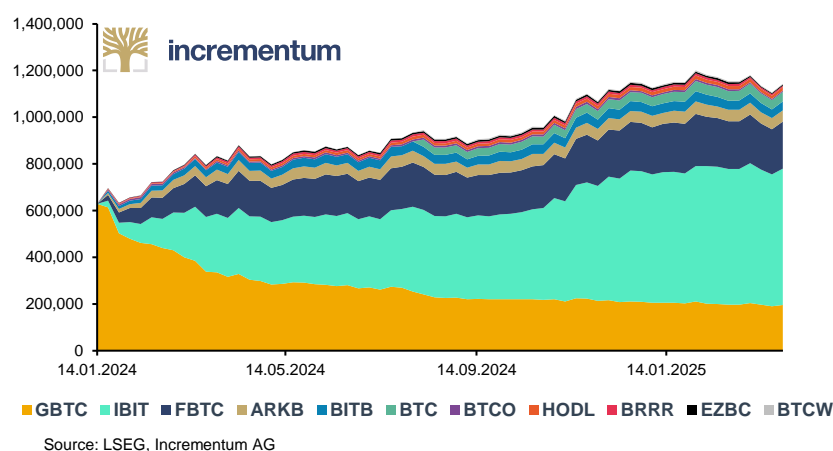
Spot ETFs, the Halving, and a Decoupling?

Bitcoin's correlation is higher with gold in the last two days than it is with the Nasdaq.

Caitlin Long, April 2025

During the recent market "chop" that has been attributed to the global trade war, Bitcoin has demonstrated unusual resilience, with price movements that **have not mirrored the Nasdaq**. This emerging decoupling appears driven by several factors: broader institutional participation through spot ETFs, the halving cycle, and Bitcoin's growing appeal as a neutral reserve asset amid geopolitical tensions – or, put differently, its increasing mainstream recognition as a store of value. Despite the recent uncertainties, Bitcoin ETF holdings continued to increase incrementally.

Spot Bitcoin ETF Holdings, in Bitcoin, 01/2024–03/2025

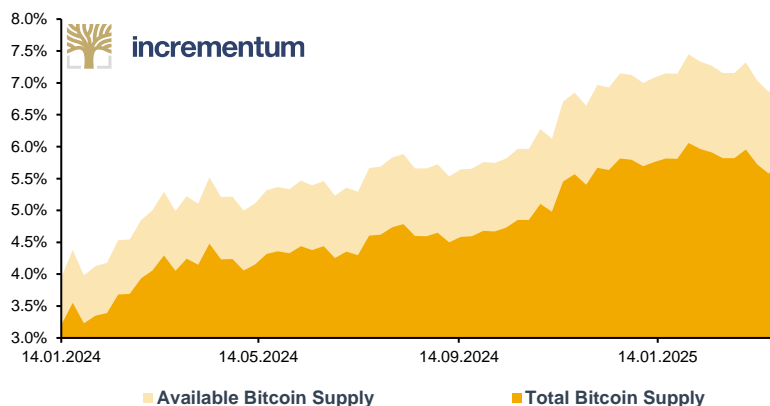


If Bitcoin actually decouples, we enter the end game.

Joe Burnett

The April 2024 halving, which we covered in the chapter “The New Playbook for Bitcoin” in the *In Gold We Trust* report 2024, reduced the block reward from 6.25 to 3.125 BTC per block. As of this writing, over 95% of all 21mn bitcoins has been mined. Yet, comparing Bitcoin's performance to previous halving cycles, the effects from this cycle appear to be relatively muted. This aligns with our thesis from last year, which is that the impact of halving cycles on price may diminish over time. Last year, we also identified that spot Bitcoin ETF approval would reduce legal risk and drive market acceptance. Since then, BlackRock, Fidelity, and others have firmly established themselves in the Bitcoin ecosystem. Their regulatory influence has contributed to an environment where Bitcoin bans or other adverse government actions have become increasingly unlikely. Currently, more than 5% of all Bitcoin is held by US Bitcoin ETFs.

ETF Holdings in % of Bitcoin Supply, 01/2024–03/2025



Bitcoin is primarily driven by global liquidity, and a spurious correlation has emerged, since the US has been the dominant driver of that increase in global liquidity.

Felix Jauvin

The record-breaking inflows to spot ETFs have created a new political reality. With millions of institutional and retail investors now having Bitcoin exposure through these vehicles, politicians face significant disincentives when considering anti-Bitcoin policies. The diverse coalition of Bitcoin stakeholders now includes traditional hedge funds, investment banks, ETF issuers, and a growing segment of retail voters. Bitcoin's political risks in developed markets have reached historical lows and continue diminishing as the asset class becomes further embedded in the mainstream financial infrastructure. Traditional financial managers will likely create more complex structured products beyond the simple spot ETFs.

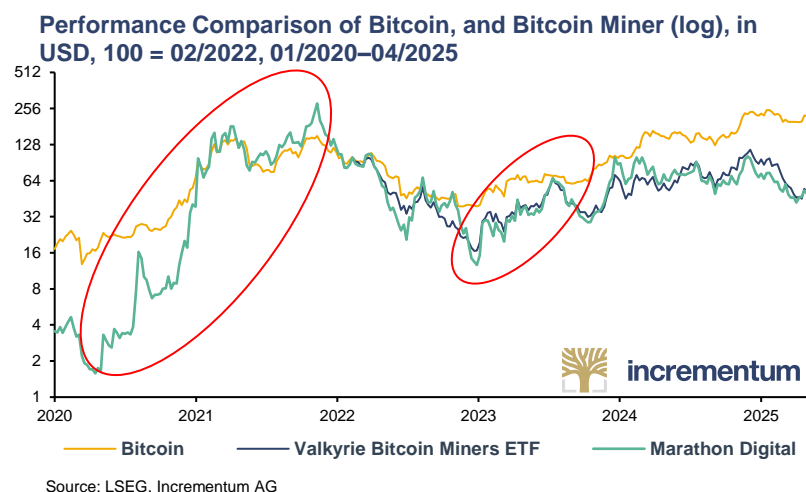
A New Frontier for Bitcoin Miners

Bitcoin mining may be our last line of defense against a CBDC. Biden's hatred of Bitcoin only helps China, Russia, and the Radical Communist Left. We want all the remaining Bitcoin to be MADE IN THE USA!!! It will help us be ENERGY DOMINANT!!!

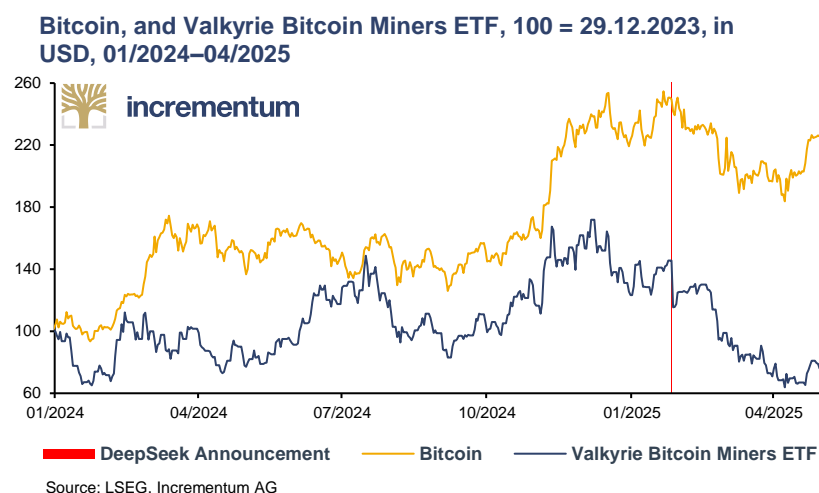
Donald Trump

Bitcoin mining stocks have traditionally been viewed as a high-beta bet on Bitcoin. In our view, an active approach is essential when considering an allocation to Bitcoin miners within a portfolio. Like gold miners, Bitcoin mining companies face operational, regulatory, and market risks. Still, in the current bull market for both Bitcoin and gold, a performance allocation – for the same reason as a *performance gold* allocation – may be compelling. This strategy consists of assets with the potential to outperform Bitcoin during Bitcoin bull markets, such as Bitcoin mining stocks and Bitcoin treasury companies like Strategy and Metaplanet.

While miners remain a core component of *performance Bitcoin*, new industry trends such as Bitcoin treasury companies, high-performance computing (HPC), hashrate derivatives, and the rise of spot Bitcoin ETFs have begun to reshape the dynamics of Bitcoin miners as a strategic investment. Historically, Bitcoin mining stocks have outperformed Bitcoin in bull markets due to their operating leverage, fixed-cost structures, and the speculative nature of capital inflows.



However, recent trends indicate that miners may no longer move as directly with Bitcoin. The introduction of spot Bitcoin ETFs in 2024 provided institutional investors with a direct vehicle for BTC exposure, reducing the need for mining stocks as a proxy. Simultaneously, the emergence of hashrate derivatives allows miners to hedge their revenue streams, reducing their dependence on the spot price.



Thus, mining grew from a hobby to a gigawatt scale, and it settled in America. Mining is a brutally competitive commodity business, and the efficiencies afforded by scale proved decisive, especially when funded by debt and dilution.

Troy Cross

Another key development is the growing intersection between Bitcoin mining and HPC. As the demand for AI-driven computing power rises, some miners are allocating resources to AI and data center operations. Firms like Hive, IREN, Hut 8, and Core Scientific have already begun integrating HPC workloads alongside Bitcoin mining, changing their valuation models. The release of DeepSeek, an open-source Chinese AI model that supposedly required substantially less compute to train, caused Bitcoin mining stocks to drop heavily on the news as investors feared the negative impact on HPC demand. If this trend continues, HPC-focused mining stocks will trade more like data centers or energy infrastructure companies than strictly Bitcoin-correlated assets.

The introduction of spot ETFs and other Bitcoin structured products, hashrate derivatives, and HPC introduces an important question: Will miners remain a viable high-beta Bitcoin bull market play, or will their

*When you're finished changing,
you're finished.*

Benjamin Franklin

diversification into HPC among other market changes make them less relevant as a *performance Bitcoin* allocation?

Despite these structural shifts, miners remain dependent on Bitcoin price movements. However, as the industry matures, active selection becomes even more critical. Many miners have recently underperformed Bitcoin, as J.P. Morgan's [recent analysis](#) of US-listed mining stocks demonstrates. Investors seeking more exposure to Bitcoin's upside in 2025 must carefully navigate an evolving landscape where mining stocks provide a less straightforward method to amplify their exposure to Bitcoin's movements. While we believe miners can outperform Bitcoin in certain phases of the market cycle, a more tactical and selective approach will likely be required going forward.

Bitcoin and the Next Monetary Cycle: A Scenario-Based Outlook

Considering the growing convergence of macro narratives around gold and Bitcoin, and within the context of our *Big Long* thesis, we see it as timely and relevant to extend our existing gold price model to include a relative valuation framework for Bitcoin. For years, we have closely monitored the relative value ratio between Bitcoin and gold, as both assets, according to arguments we have made, consistently serve overlapping functions as stores of value. From our perspective, the ratio of their respective market capitalizations offers a reasonable and intuitive quantitative metric for comparison.

*It's hard to predict the future, but
some people think that Bitcoin
could do to finance what the
Internet did to communications.*

Alex Biryukov

The dominant trend over the past 15 years has been a rise in the market capitalization of both assets. However, Bitcoin's growth has consistently outpaced that of gold. As a result, the Bitcoin/gold market cap ratio has climbed—albeit along a volatile path—from virtually zero to around 10%. This development reflects the growing adoption of Bitcoin as a store of value, particularly among younger investors, institutions, and, increasingly, sovereign actors. We believe this trend is likely to continue. While both assets are expected to gain further relevance within a shifting monetary landscape, we anticipate that Bitcoin's relative growth will continue to outpace that of gold over the next five years.

*I want to steer away from debt
assets like bonds and debt, and
have some hard money like gold
and Bitcoin.*

Ray Dalio

Our *In Gold We Trust* report 2020, "[The Dawning of a Golden Decade](#)", introduced a gold price projection based on monetary expansion (M2) and the implicit gold coverage ratio. **This model produced a probability-weighted gold price expectation of roughly USD 5,000 by 2030, with upside potential toward USD 8,900 in more inflationary or stagflationary scenarios.**

By modeling Bitcoin's market cap as a share of gold's, we can construct a relative valuation matrix. Assuming gold reaches our baseline target of about USD 5,000 by 2030, this would imply a total market cap of approximately USD 38trn for gold. Depending on Bitcoin's adoption trajectory, scenarios in which Bitcoin captures 10%, 25%, 50%, or even 100% of gold's market cap yields price levels ranging from ~USD 185,000 to ~USD 1,850,000 per BTC.

Gold/Bitcoin Matrix: Gold (x-axis), in USD, and % of Gold's Market Cap (y-axis), 12/2030*

	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000
10%	73,942	110,913	147,884	184,856	221,827	258,798	295,769	332,740	369,711
20%	147,884	221,827	295,769	369,711	443,653	517,596	591,538	665,480	739,422
30%	221,827	332,740	443,653	554,567	665,480	776,393	887,307	998,220	1,109,133
40%	295,769	443,653	591,538	739,422	887,307	1,035,191	1,183,075	1,330,960	1,478,844
50%	369,711	554,567	739,422	924,278	1,109,133	1,293,989	1,478,844	1,663,700	1,848,555
60%	443,653	665,480	887,307	1,109,133	1,330,960	1,552,787	1,774,613	1,996,440	2,218,267
70%	517,596	776,393	1,035,191	1,293,989	1,552,787	1,811,584	2,070,382	2,329,180	2,587,978
80%	591,538	887,307	1,183,075	1,478,844	1,774,613	2,070,382	2,366,151	2,661,920	2,957,689
90%	665,480	998,220	1,330,960	1,663,700	1,996,440	2,329,180	2,661,920	2,994,660	3,327,400
100%	739,422	1,109,133	1,478,844	1,848,555	2,218,267	2,587,978	2,957,689	3,327,400	3,697,111

Source: World Gold Council, coinmarketcap.com, Incrementum AG

*Based on the expected Bitcoin supply at end of 2030 and gold supply at end of 2030, assuming an annual supply growth of 1.5%.

This matrix does not represent a price prediction per se, but rather a scenario-based framework – rooted in our established gold model – that offers a clearer sense of what relative revaluations of non-sovereign hard assets might look like by decade's end.

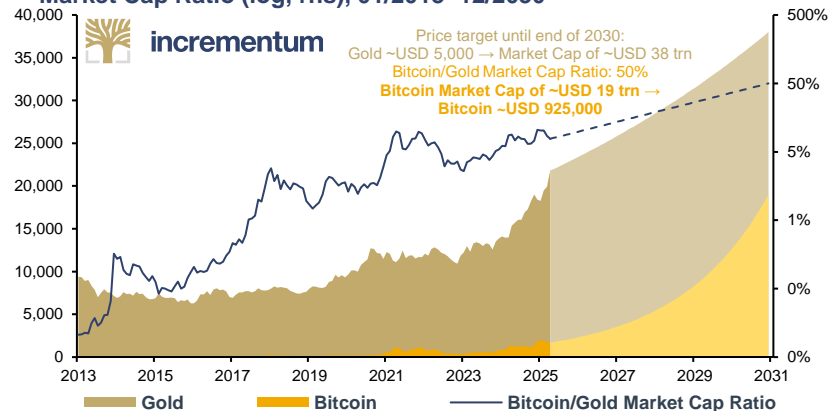
All kings pass away. How long, then, will the dollar or Bitcoin reign over their respective domains? And in the meantime, how far will Bitcoin extend its boundaries? This question inspires several others, for those who have an imagination.

Andrew M. Bailey & Craig Warmke

If we map out this scenario over time, we find that it aligns with a pattern of diminishing marginal adoption, hence diminishing returns.

This is consistent with a power-law dynamic often observed in network-based assets. Within this framework, the speed of the relative growth of Bitcoin compared to gold slows but continues to expand meaningfully in absolute (nominal) fiat currency terms. We don't believe that Bitcoin's market cap will reach parity with gold's in the foreseeable future. However, given the current macro environment—as outlined in detail above—continued growth to approximately 50% of gold's market capitalization by 2030 appears reasonable to us within a bullish scenario.

Market Cap of Gold and Bitcoin (lhs), in USD bn, and Bitcoin/Gold Market Cap Ratio (log, rhs), 01/2013–12/2030*



Source: LSEG, World Gold Council, coinmarketcap.com, Incrementum AG

*Based on the expected Bitcoin supply at end of 2030 and gold supply at end of 2030 assuming an annual supply growth of 1.5%.

Bitcoin reminds me of gold when I first got in the business in 1976...

Paul Tudor Jones

What makes this trajectory particularly noteworthy is that, despite slowing relative adoption, nominal price increases remain significant.

This is primarily because we assume that the overall size of the gold market will continue to grow in the coming years. In other words, this scenario builds not just

on Bitcoin's relative positioning but also on the broader macro trend of fiat currency debasement and the revaluation of neutral reserve assets. Bitcoin and the next monetary cycle are likely to be closely intertwined. In a bullish scenario, as outlined above, a nominal Bitcoin price increase in the ballpark of 10x by 2030 appears conceivable.

Conclusion

The sensible question for investors this decade is not “will this potential investment deliver US Treasury returns plus a sufficient risk premium?” Instead, the right question becomes “will this potential investment deliver better returns than simply holding Bitcoin?”
Jesse Myers

Bitcoin is becoming a store of value.
Scott Bessent

BTC is starting to act more like an energy-linked neutral reserve asset and less like a levered NDX proxy. Let's watch.
Luke Gromen

Some market participants were initially disappointed by the lack of immediate large-scale purchases and upward price movements following President Trump's Strategic Bitcoin Reserve announcement. Yet, this perspective misses the signal within the noise: Bitcoin has been officially recognized as strategically important to the world's largest economy.

The Strategic Bitcoin Reserve will likely trigger a cascade of responses across the global stage. It is reasonable to expect other major economies to establish strategic Bitcoin reserves. Despite current restrictions, even China may be forced to reconsider its stance in the new world of economic statecraft. As [Grayscale Research notes](#), Chinese policymakers are already allowing expanded Bitcoin and altcoin activity in Hong Kong under the *one country, two systems* framework; and recent discussions in China's Supreme Court about the legal treatment of digital assets suggest it may be considering a policy shift.

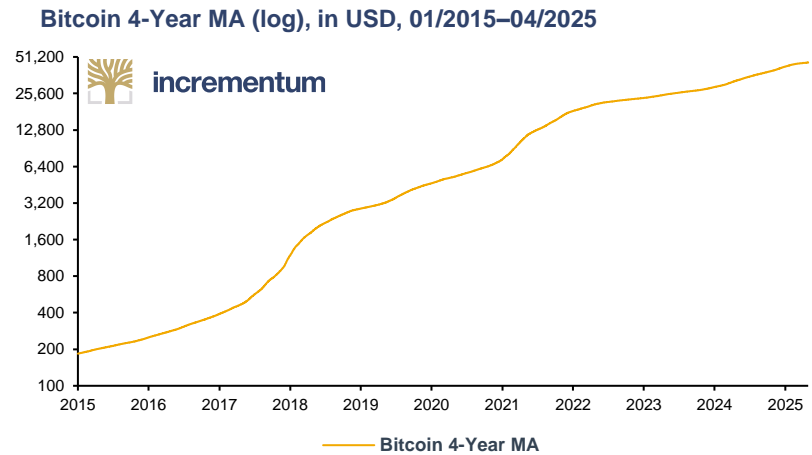
With its vast sovereign wealth funds, the Middle East represents another frontier. As Dubai transformed into a global gold trading hub, we expect several Gulf states to move beyond spot Bitcoin ETF purchases to direct Bitcoin acquisition, establishing the region as a critical “node” for Bitcoin finance. This move fits within the broader pivot by middle powers seeking to enhance their wealth and decouple from the great powers in an increasingly multipolar economic landscape.

On the corporate front, Bitcoin is being embraced even more rapidly. The actions of Strategy, GameStop, and others are likely just the beginning. In the next few years, we predict that at least one Fortune 50 company – perhaps Apple, Microsoft, or a major Japanese corporation famous for holding lots of cash like Nintendo – will allocate a meaningful portion of their treasury to Bitcoin. This could happen directly but also indirectly with Bitbonds, which solve the problem of excessive volatility.

Sovereign and corporate movements may change Bitcoin's market behavior over time. As Bitcoin transitions into a strategic reserve asset, we expect a decoupling from the Nasdaq and tech stocks. However, we are sticking to our view that the volatility will not fall significantly, since Bitcoin is pure liquidity and will be influenced by the inflationary and deflationary ebbs and flows of the current monetary system.

The overall trajectory of Bitcoin's price seems bright: As the global monetary system evolves, Bitcoin is increasingly viewed as a complementary

reserve asset alongside gold. In the bullish scenario we outlined – Bitcoin's *Big Long*, so to say – , a tenfold increase in Bitcoin's price by 2030 lies well within the realm of possibility.



Calendar Anomalies and the Gold Market pt. II

It's in the anomalies that nature reveals its secrets.

Johann Wolfgang von Goethe

- **Calendar Patterns Can Boost Gold Returns:** Empirical research shows certain calendar-based strategies, originally identified in stock markets, can also enhance gold and gold mining stock returns.
- **Half-Month Effect Favours Miners:** Mining stocks (especially GDX and GDXJ) show stronger gains in the first half of the month, suggesting a viable “long early, short late” strategy.
- **Holiday Effect Brings Gold Cheer:** Around Diwali, Chinese New Year, and Christmas, gold assets tend to outperform, reflecting seasonal buying patterns and festive optimism.
- **Super Bowl Indicator Flips for Gold:** AFC team Super Bowl victories correlate with stronger gold performance (opposite of the stock market's NFC bias), though this is more fun trivia than hard science.
- **Longer-Term Anomalies Are More Reliable:** Short-term strategies can be eroded by transaction costs; longer-term patterns, like the Halloween Effect (buy end of October, sell end of April), are simpler and more cost-effective.
- **Anomalies Are Not Timeless:** Even historically strong patterns can weaken over time; past success is no guarantee of future profits, investors must stay adaptive.
- **Blending Psychology, Seasonality & Strategy:** These anomalies highlight how market behavior reflects not just fundamentals but also human psychology, cultural patterns, and investor sentiment.

Opportunity is missed by most people because it is dressed in overalls and looks like work.

Thomas Edison

The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather a lack in will.

Vince Lombardi

Calendar anomalies are recurring patterns in financial market behavior that consistently coincide with specific calendar dates. A wealth of empirical research has demonstrated that these predictable effects can be harnessed to achieve above-market returns.

As shown in the *In Gold We Trust* report 2024 article “[Calendar Anomalies and the Gold Market](#)”, some of the calendar anomalies identified initially in the stock markets also affect gold and mining stocks. Last year’s article was focused on the Day of the Week Effect, the Turn of the Month Effect, the January Effect, and the Halloween Effect. **The results show that calendar anomalies offer a relatively easy way of generating abnormal returns due to their long-term nature, especially the Month of the Year effect and the Halloween Effect.** This article follows up and investigates the Half-Month Effect, the Holiday Effect, the January Barometer, and the Super Bowl Indicator. Calendar anomalies presented in the *In Gold We Trust* report 2024 have shown that their magic can also work on the gold market. So, let’s take a look at some other ones!

The Half-Month Effect

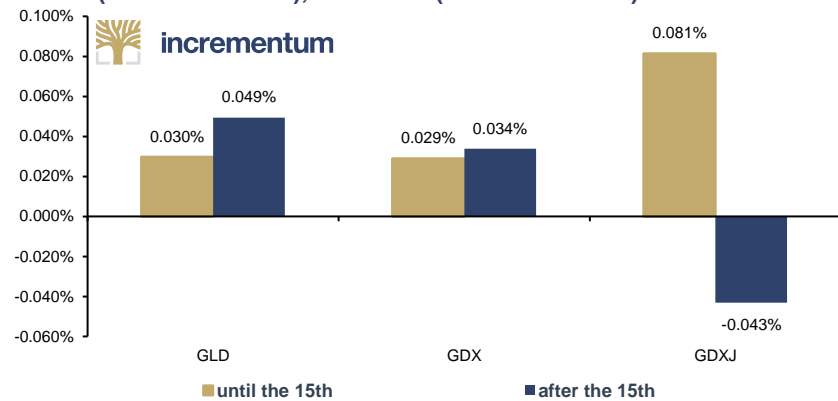
According to the Half-Month Effect theory, stock markets tend to record higher returns during the first half of a month. According to Ariel, the majority of returns are usually concentrated in the first half of the month, and the market is flat on average over the second half. This calendar anomaly could be partially explained by the existence of another anomaly called the Turn of the Month Effect. Its essence is that the majority of returns are concentrated in only a handful of days at the very end of an old month and at the very beginning of a new one.

Some theories say that the outperformance during the first half of the month is caused by the timing of payments, such as wages and pensions, that usually occur during the first two weeks of a month, triggering higher trading activity and higher prices. However, the results published in last year’s *In Gold We Trust* report indicate that things could be different for gold and gold stocks. Although the data show the presence of the Turn of the Month Effect, they also show that, with the exception of the very first trading day of a month, there are no big differences in performance observed during the second and third trading days of a new month and the last three trading days of the previous one. **This suggests that the belief in outperformance during the first half of the month is far from warranted.**

Our first chart depicts the average daily returns of GLD, GDX, and GDXJ during the first half of a month (until the 15th) and the second half (after the 15th). Of course, this division is ideal only for months with 30 days. For 31-day months, the second “half” is one day longer, while February is, on average, 1¾ days shorter. However, the difference is less than 3% in total and thus relatively small. As can be seen, only GDXJ behaves in line with theory, when during the first half of the month, the average daily returns equal 0.081%, which compares very favourably to the average daily returns in the second half of the

month, which even drop into hostile terrain at -0.043%. For GDX, the numbers are far more even, though slightly in favour of the second half of the month (0.029% vs. 0.034%). When looking at GLD, the numbers are 0.030% vs. 0.049% in favour of the second half of the month.

Half-Month Effect: Average Daily Return of GLD (01/2005–12/2024), GDX (01/2007–12/2024), and GDXJ (01/2010–12/2024)



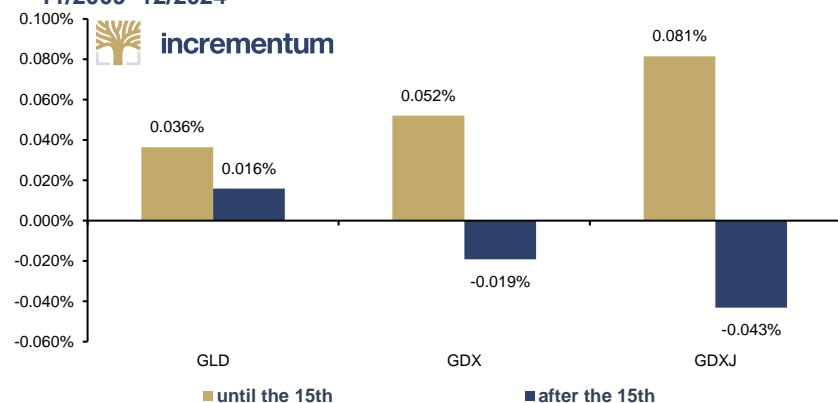
Source: YahooFinance, Author's calculations, Incrementum AG

The four most dangerous words in investing are: this time it's different.

Sir John Templeton

Yes, it is possible to argue that the big differences between the three assets are caused by variable time periods. And if one takes a look at the GLD and GDX performance between November 2009 and December 2024, which is the period for which the GDXJ performance is evaluated, the overall picture changes quite a lot. During the last 15 years, GLD recorded 0.036% average daily returns during the first half of the month and 0.016% average daily returns over the second half. The difference is much less dramatic than in the case of GDXJ; however, it is in line with the Half-Month Effect. Similarly, over the same period, GDX recorded average returns of 0.052% vs. -0.019% in favour of the first half of the month.

Half-Month Effect: Average Daily Return of GLD, GDX, and GDXJ, 11/2009–12/2024



Source: YahooFinance, Author's calculations, Incrementum AG

This means that the Half-Month Effect could also be observed in gold and gold-related assets in recent years. It is also possible to conclude that for gold mining stocks, the effect was notably stronger than for gold alone, probably due to the influence of the broader stock market. **The results indicate that, especially for GDX and GDXJ, going long during the first half of a month and switching to a short position during the second half should be viable.**

The Holiday Effect

*Santa Claus has the right idea.
Visit people only once a year.*

Victor Borge

*The festival of Diwali reminds us
that the true light lies within, and
we must ignite it with acts of
kindness and compassion.*

Rig Veda

*Nián nián yǒu yú / May you
have abundance year after year.*

**A Blessing for the Chinese
New Year**

During the trading days directly preceding a holiday, asset returns tend to be notably higher than on other days. This calendar anomaly is called the Holiday Effect. The studies focused on this effect show that it is related to several important holidays, such as Christmas. **According to Lakonishok and Smidt**, who analyzed 1896–1987, the Dow Jones Industrial Average recorded as much as 50% of its annual gains during the days directly preceding national holidays. **Mehran et al.** found that the S&P 500 is impacted by Jewish holidays, when the jolly ones have a strong positive impact, while the more serious ones have negative or no effect. Similarly, **Chan et al.** discovered a significant impact of the Chinese New Year on stock markets in Singapore and Malaysia. **These findings indicate that the Holiday Effect could be attributable to psychological factors.**

The next charts show the performance of GLD, GDX, and GDXJ around three holidays that should, in theory, be positive for the gold market: the Indian Diwali, the Chinese New Year, and Christmas. Diwali is an important Indian holiday, traditionally closely tied to gold. Purchasing gold for good fortune is an important part of Diwali; therefore, the demand for physical gold tends to rise on this holiday in late October/early November – the exact date is flexible, based on the lunar Hindu calendar. Similarly, the Chinese have a tradition of buying gold to celebrate the Chinese New Year. And there is also Christmas, the most celebrated holiday in the Christian world. **All three holidays are positive, cheerful, and are, to some extent, related to the demand for physical gold. Therefore, it is reasonable to expect that if the Holiday Effect can be spotted in the gold market, it should be tied to these three events.**

The results for the Chinese New Year period are shown in the next chart. In the case of GLD, GDX, and GDXJ, we can discern the presence of the Holiday Effect. In all three cases, the average daily returns recorded for the last trading day before the holiday are higher than the average for the 5 and 10 trading days before and after the holiday. For GLD and GDXJ, it is also possible to see a notably elevated average daily return recorded during the first trading day following the Chinese New Year date.

The Holiday Effect: Chinese New Year, Average Daily Returns (GLD: 2005–2024 / GDX: 2007–2024 / GDXJ: 2010–2024)

	GLD	GDX	GDXJ
The day before Chinese New Year	0.24%	0.97%	0.59%
The day after Chinese New Year	0.36%	0.09%	0.57%
Average of 5 days before	0.13%	0.37%	0.33%
Average of 10 days before	0.06%	0.19%	0.21%
Average of 5 days after	0.05%	-0.04%	0.10%
Average of 10 days after	0.03%	0.09%	0.17%

Source: YahooFinance, Author's calculations, Incrementum AG

Shubh Labh / Good fortune and prosperity.

A blessing for the Diwali festival

I stopped believing in Santa Claus when I was six. Mother took me to see him in a department store and he asked for my autograph.

Shirley Temple

Diwali's Impact

The numbers are even more convincing when looking at Diwali. GLD recorded positive average daily returns on the last day before the Diwali date (the first day of the 5-day festive period is taken into account), as well as on the first day after. However, the average daily returns are negative for all the other periods before and after this holiday. Something similar can be seen for GDXJ. At first glance, GDX seems to behave differently, as it shows negative average daily returns the day before Diwali. However, this is caused by a more than 8% decline recorded on October 28, 2008. After this global financial crisis-related outlier is eliminated, the average daily return jumps to 0.362%.

The Holiday Effect: Diwali, Average Daily Returns, GLD: 2005–2024 / GDX: 2007–2024 / GDXJ: 2010–2024

	GLD	GDX	GDXJ
Day before Diwali	0.12%	-0.10%	0.80%
Day after Diwali	0.07%	0.56%	-0.17%
Average of 5 days before	-0.10%	-0.38%	-0.31%
Average of 10 days before	-0.07%	-0.28%	-0.31%
Average of 5 days after	-0.05%	0.08%	-0.21%
Average of 10 days after	-0.02%	-0.04%	-0.16%

Source: YahooFinance, Author's calculations, Incrementum AG

Christmas Effect

As shown in the next chart, there seems to be a strong Holiday Effect related to Christmas. GLD, GDX, and GDXJ recorded high positive average returns on the last trading day before Christmas. The average returns reached 0.45%, 0.83%, and 0.4% respectively. High positive average returns were also recorded for the first trading day after Christmas and the 5-day and 10-day periods that followed. This is a steep contrast to the negative returns recorded during the 5-day and 10-day periods preceding the last trading day before Christmas. **It is possible to speculate that these results could be affected by another calendar anomaly, the January Effect, according to which abnormally high positive returns tend to be recorded during January.**⁸¹ And some positive effects may also be attributed to the overall positive atmosphere not only of Christmas itself but of the whole holiday period, which also includes the New Year celebrations.

The Holiday Effect: Christmas, Average Daily Returns, GLD: 2005–2024 / GDX: 2007–2024 / GDXJ: 2010–2024

	GLD	GDX	GDXJ
Day before Christmas	0.45%	0.82%	0.41%
Day after Christmas	0.52%	0.62%	0.35%
Average of 5 days before	-0.05%	-0.06%	0.08%
Average of 10 days before	-0.07%	-0.15%	-0.27%
Average of 5 days after	0.29%	0.65%	1.10%
Average of 10 days after	0.12%	0.21%	0.42%

Source: YahooFinance, Author's calculations, Incrementum AG

⁸¹ For a detailed analysis of the January Effect, see "Calendar Anomalies and the Gold Market," In Gold We Trust report 2024

Let's be naughty and save Santa the trip.

Gary Allan

The results show that the three big holidays, although each one originates in a different culture, can relate to a Holiday Effect in the gold market. Although this calendar anomaly will probably not make anyone rich, it has the potential to be exploited in a short-term trading strategy to deliver some decent gains.

The January Barometer

If you torture data long enough, it will confess to anything.

Ronald Coase

The January Barometer, also known as the “Other January Effect”, assumes that the January market performance can somehow “predict” performance over the remainder of the year. Thus, a positive January return should be followed by a positive return recorded over the February–December period. The efficiency of the January barometer was investigated by [Cooper et al.](#), who discovered that on the US stock market if the January return is positive, the probability of recording a positive return over the following 11 months is higher than if the January return is negative. [Cooper et al.](#) also created an investment strategy of investing in stocks after a positive January and investing in T-bills after a negative January. They analyzed a 152-year period to prove that their approach is more efficient than a simple buy-and-hold investment strategy.

The January Barometer, GLD: 2005–2024 / GDX: 2007–2024 / GDXJ: 2010–2024

	Number of Years	Positive Januaries	Positive JAN followed by a positive 11-month period		Positive JAN followed by a positive 12-month period		Average return following positive JAN (11 months)	Average return following positive JAN (12 months)	Average return following negative JAN (11 months)	Average return following negative JAN (12 months)
GLD	20	13	8	61.54%	9	69.23%	5.26%	8.65%	10.09%	14.72%
GDX	18	10	3	30.00%	3	30.00%	-1.67%	-0.24%	5.76%	9.09%
GDXJ	15	6	1	16.67%	1	16.67%	-13.42%	-14.52%	9.14%	13.91%

Source: YahooFinance, Author's calculations, Incrementum AG

January is the month for dreaming.

Jean Hersey

As can be seen, the January Barometer does not work well for gold assets. In the case of GLD, 13 positive January returns were recorded between 2005 and 2024. In 8 cases, a positive 11-month period followed, and in 9 cases, a positive 12-month period followed, for a success rate of 61.54% and 69.23% respectively. The average return for the 11-month and 12-month periods following a positive January was 5.26% and 8.65%, respectively. However, negative Januaries were followed by 11-month and 12-month periods with average returns of 10.09% and 14.72% respectively.

However, it is even worse in the case of GDX and GDXJ, where the success rate is well below 50%. Moreover, on average, the positive Januaries are followed by a very negative year, while the average returns are positive following a negative January. **Therefore, it is possible to conclude that the January Barometer doesn't work for the investigated gold assets, at least not when we talk about the last two decades.**

The Super Bowl Indicator

Beware of false knowledge; it is more dangerous than ignorance.

George Bernard Shaw

The Super Bowl Indicator is not a typical calendar anomaly. However, it has several similar features. **It is connected to a specific date in the calendar, the day of the Super Bowl game, and the theory says that it should be able to predict stock market performance over the rest of the year.** As NFL fans surely know, the Super Bowl takes place in the middle of February, although it used to be the middle of January in the 1970s, in the second half of January during the 1980s and 1990s, and in early February between 2004 and 2021. The game is a clash between the winner of the AFC (American Football Conference) and the NFC (National Football Conference). **The Super Bowl Indicator says that an AFC team victory is a bearish sign for the stock market, while an NFC team victory is bullish.**

The Super Bowl Indicator was introduced by [New York Times sportswriter Leonard Koppett](#) in 1978. **Its long-term success rate in predicting S&P 500 performance has been pretty impressive, at a 74% success rate.** However, [the effectiveness of this indicator has deteriorated in recent years](#), with 8 incorrect predictions in the 8-year span between 2016 and 2024.

Pressure is something you feel when you don't know what you're doing.

Chuck Noll

It's time to investigate the efficiency of the Super Bowl Indicator in the gold market. The results for GLD, GDX, and GDXJ are captured in the table below. It is important to note that the investigated periods vary, depending on the date of establishment of each of the ETFs. In all cases, the period ends on December 31, 2023, and February 9, 2024, i.e., after Super Bowl LVIII, respectively. However, the starting dates are February 7, 2005, for GLD, February 5, 2007, for GDX, and February 8, 2010, for GDXJ. The table shows the number of AFC and NFC team victories and the number of positive return cases that followed. The success rate is calculated as the percentage of years in which a positive return followed. The success rates, as well as the average returns, are calculated for the remainder of each year, as well as until the next Super Bowl, to capture the positive returns that tend to occur in January.

Super Bowl Indicator: Gold vs. Equities

At first glance, things are not working as they should. For all three ETFs, the victory of an AFC team seems to be a relatively reliable indicator of a positive, not a negative, year, as with stocks. And the victory of an NFC team predicts a negative year even more accurately. For GLD, 12 victories by an AFC team were followed by nine positive performances by the end of the year and 10 positive performances until the next Super Bowl. The 12 years delivered average returns of 9.48% and 13.65% respectively. On the other hand, eight victories by an NFC team were followed by three positive performances over the remainder of the year and five positive performances until the next Super Bowl. The average returns were positive, 3.78% and 6.88% respectively. Although these numbers are positive, they are notably lower when compared to the years of an AFC team victory.

Things are even more interesting in the case of GDX. 10 AFC victories were followed by positive returns in seven instances by the end of the

You can't go out and practice average on Wednesday, average on Thursday, and then expect to play well on Sunday.

Tom Brady

year and six cases until the next Super Bowl. The average returns amounted to 6.51% and 10.86% respectively. On the other hand, 8 NFC team victories were followed by a positive return only once over the remainder of the year and twice until the next Super Bowl. The average returns were negative, -7.63% and -5.52% respectively.

We are pattern-seeking primates...we look for patterns in the world and assign meaning to them.

Michael Shermer

A similar trend can also be seen for GDXJ, with an AFC success rate of 62.5% and 50%, respectively, and an NFC success rate of 14.29% and 28.57%, respectively. The average return recorded over the remainder of the year following an AFC team victory is 4.68%, compared to -8.98% in the case of an NFC team victory. When the performance until the next Super Bowl is taken into account, the average return is 10.28% for AFC victories vs. -6.35% for NFC wins.

The Super Bowl Indicator, GLD: 2005–2024 / GDX: 2007–2024 / GDXJ: 2010–2024

GLD

Performance until the end of the year			Performance until the next Super Bowl			
	number of victories / positive performances	success rate	average return	number of victories / positive performances	success rate	average return
AFC	12/9	75%	9.48%	12/10	83.33%	13.65%
NFC	8/3	37.50%	3.78%	8/5	62.50%	6.88%

GDX

Performance until the end of the year				Performance until the next Super Bowl		
	number of victories / positive performances	success rate	average return	number of victories / positive performances	success rate	average return
AFC	10/7	70%	6.51%	10/6	60%	10.86%
NFC	8/1	12.50%	-7.63%	8/2	25.00%	-5.52%

GDXJ

Performance until the end of the year			Performance until the next Super Bowl			
	number of victories / positive performances	success rate	average return	number of victories / positive performances	success rate	average return
AFC	8/5	62.5%	4.68%	8/4	50%	10.28%
NFC	7/1	14.29%	-8.98%	7/2	28.57%	-6.35%

Source: Yahoo Finance, Author's calculations, Incrementum AG

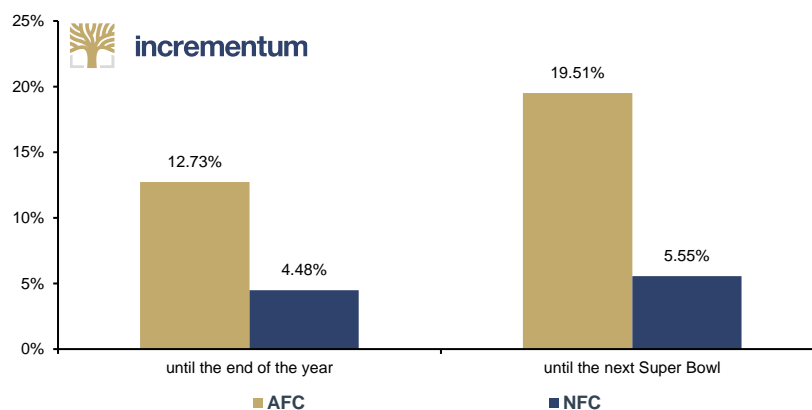
Soccer is a gentleman's game played by hooligans. Football is a hooligan's game played by gentlemen.

Winston Churchill

Long-Term Gold Performance and Super Bowl Winners

As the history of ETFs is relatively short, it is possible to argue that the results are not robust enough. Therefore, it is reasonable to take a look directly at the gold price to see a longer-term picture. The next chart shows that the AFC victories were followed by an average gold return of 12.73% over the remainder of the year, compared to 4.48% following the NFC victories. As expected, if the returns are calculated until the next Super Bowl, the averages are slightly higher, 19.51% vs. 5.55%.

Average Gold Performance after Super Bowls, 1970–2024



Source: YahooFinance, Author's calculations, Incrementum AG

Randomness has no memory.
Nassim Taleb

Team-Specific Super Bowl Effects on Gold

Another logical step is to look at the performances based not on the winning conference but on the winning team. Ignoring teams with only one or two Super Bowl victories is reasonable. **It looks like the best news for the gold investors comes when there is a victory by the Kansas City Chiefs or the New England Patriots.** Kansas City has won four Super Bowls, and in all four cases, positive returns followed. The average returns amounted to 16.75% until the end of the year and 18.35% until the next Super Bowl, respectively. For the New England Patriots, six Super Bowl wins were followed by positive returns in five cases, with average returns of 9.72% and 14.83% respectively. However, the years of a Dallas Cowboys or Pittsburgh Steelers victory also look quite good. Yes, these findings may cause mixed feelings for gold investors who support other teams, but life can be cruel.

Table 3: Gold price performance following Super Bowl victories of different teams, 1970–2024

	number of Super Bowl victories	cases of positive return until the end of the year	cases of positive return until the next Super Bowl	average return until the end of the year	average return until the next Super Bowl
Baltimore Ravens	2	1	1	-10.86%	-8.26%
Dallas Cowboys	5	4	3	16.45%	15.47%
Denver Broncos	3	1	1	-1.65%	-0.52%
Green Bay Packers	2	1	1	-1.04%	6.48%
Chicago Bears	1	1	1	13.53%	13.09%
Indianapolis Colts (1971 – Baltimore Colts)	2	2	2	21.48%	30.24%
Kansas City Chiefs	4	4	4	16.75%	18.35%
Los Vegas Raiders (1977 & 1981 - Oakland Raiders, 1984 – Los Angeles Raiders)	3	1	1	-7.75%	-7.52%
Los Angeles Rams (2000 – St. Louis Rams)	2	0	1	-2.97%	-3.50%
Miami Dolphins	2	2	2	63.46%	68.64%
New England Patriots	6	5	5	9.72%	14.83%
New Orleans Saints	1	1	1	33.35%	26.63%
New York Giants	4	1	2	2.30%	1.61%
Philadelphia Eagles	1	0	0	-3.71%	-1.05%
Pittsburgh Steelers	6	4	4	18.52%	37.77%
San Francisco 49ers	5	3	4	4.68%	9.89%
Seattle Seahawks	1	0	1	-4.96%	3.14%
Tampa Bay Buccaneers	2	2	2	7.51%	6.21%
Washington Redskins	3	0	0	-13.00%	-14.48%

Source: YahooFinance, Author's calculations, Incrementum AG

To sum up, the Super Bowl Indicator seems to work differently for gold and gold-related equities than stocks. **The numbers say that the victory of an AFC team is usually better for gold and gold-related equities than a win for an NFC team.**

Every quarterback can throw a ball; every running back can run; every receiver is fast; but that mental toughness that you talk about translates into competitiveness.

Tom Brady

Unfortunately, at least for gold investors, the 2025 Super Bowl was won by the Philadelphia Eagles, a team from the NFC. An NFC team victory is usually a worse alternative for gold and gold assets; however, as the numbers show, it doesn't mean that a negative return must follow. The Eagles' victory specifically doesn't indicate too much, as this is only the second victory of this team, so the data sample is tiny. The Eagles last won in 1978, and the gold market experienced a slightly negative year.

However, it is essential to note that we are talking about correlation and not causality, as it is hard to find a reasonable explanation for why the Super Bowl's outcome should influence the gold market. So, although this indicator looks quite good, it is better to take it more as a curiosity than a serious analysis tool.

Conclusion

There is nothing so dangerous as the pursuit of a rational investment policy in an irrational world.

John Maynard Keynes

As goes January, so goes the year.

Old English Proverb

The idea that the future is unpredictable is undermined every day by the ease with which the past is explained.

Daniel Kahnemann

To some, investing can feel a bit like alchemy. In the pursuit of outsized returns, investors often turn to unconventional strategies and tools—among them, calendar anomalies. **These date-driven market patterns defy easy explanation, arising from an intricate blend of fundamental, technical and psychological forces.** However, the data show that, despite all of this, they can work. When a reasonable investment strategy is built around them, they offer the potential for achieving some abnormal returns for gold market investors.

Out of the anomalies presented in this article, the Half-Month Effect seems to offer the highest potential, especially in the case of GDX and GDXJ. However, the results also show that the strength of the effect is changing over time. It was particularly strong, especially over the last 15 years, so an investor needs to be careful. The Super Bowl Indicator also shows some promising results, but, as noted above, **it is more a curiosity than a solid analytical tool.** On the other hand, as long as it works, who cares?

Although calendar anomalies are an interesting topic, and they do offer the potential to generate some abnormal returns, there are several things that need to be considered. First of all, their presence and strength change over time. **In other words, even if it worked in 12 out of the last 15 years, there is no guarantee that it will work as reliably in the future. Another problem is that, especially in the case of short-term anomalies, like the Day of the Week Effect or the Holiday Effect, transaction costs may erase a big portion of the obtained returns.**

Therefore, as we concluded in our first analysis of calendar anomalies in the *In Gold We Trust* report 2024, one should rather focus on the longer-term anomalies. And here, the Halloween Effect is a natural choice because all it takes is to purchase gold or gold stocks at the very end of October and sell them at the very end of April. The rest of the time, the money can be held in a savings account, which will generate some additional return. This assumes only two trades per year, so transaction costs should be negligible.

Technical Analysis

Successful investing is having everyone agree with you... later!

Jim Grant

- **Gold in the bull market:** The long-term breakout from the cup-and-handle formation marks a new phase of the secular bull market, which could target USD 4,000-5,000 in the medium term.
- **Analysts' expectations too pessimistic:** the consensus of analysts sees prices falling by the end of 2025, which is interpreted as a bullish counter-signal. Sentiment indicators such as Optix also show no euphoria despite new all-time highs - a positive sign from an anti-cyclical perspective.
- **Silver remains undervalued:** The gold/silver ratio above 100 points to a potential catch-up move in silver once it breaks above USD 35.
- **The Midas Touch Gold Model™** is currently bearish, as there are sell signals on a daily and weekly basis, while the long-term buy signal remains intact on a monthly basis. Due to seasonal weakness until July, a correction or sideways movement is expected in the short term before the rally can regain new strength.
- **The market has undergone a long-term paradigm shift,** which many investors have not yet recognized due to short-term volatility. This reticence, combined with the low level of Western interest, creates an ideal environment for further price increases.

Following our comprehensive macroeconomic and fundamental analysis, we now turn to the technical analysis of the gold price. Last year, we wrote:

*From the perspective of current market sentiment, seasonality and the CoT report, we would not be surprised to see gold taking a breather lasting several weeks. This would not come as a surprise after the impulsive breakout from just under USD 600. However, we do not expect a deep correction, as great buying interest is waiting on the sidelines, leading to a buy the dips. The recent slight increase in the relative strength of silver and mining stocks also gives us confidence. **In this respect, the conditions for the continuation of the new bull market appear excellent from a technical perspective.***⁸²

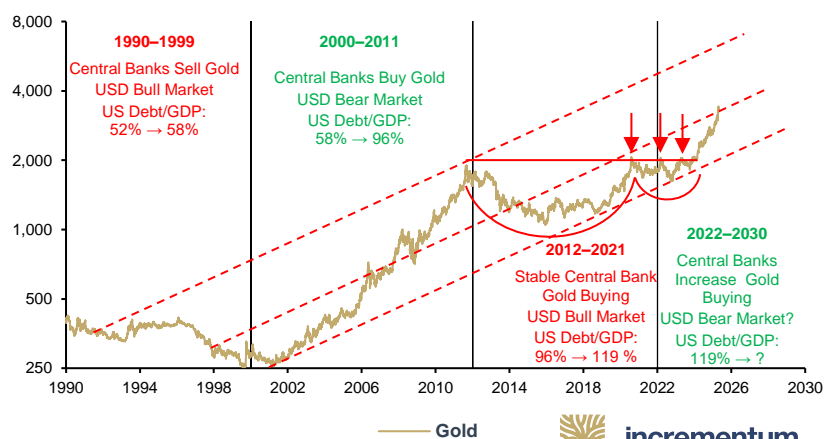
The best bulls in rodeo are unpredictable. Trying to outsmart them can lead cowboys to outsmart themselves.

Ty Murray

This technical assessment proved to be correct. A few days after the publication of the *In Gold We Trust* report “**The New Gold Playbook**”, a sideways phase set in, which found support in the USD 2,300 range. This was followed by a record run lasting several months, which was only interrupted by a correction for a few weeks around the presidential election in November. The low of USD 2,500 in December finally formed a solid foundation for an impulsive rally of almost USD 1,000.

The logarithmically scaled chart below shows the long-term cup-and-handle formation, which has now been resolved to the upside. After the gold price in US dollars consolidated in a sideways movement from August 2020 to February 2024, we are now in the middle of a new phase of the bull market. **Gold is currently trading around the middle of the trend channel. We assume that the upper limit of the channel will be reached at the end of *The Big Long*.**

Gold (log), in USD, 01/1990–04/2025



Source: LSEG, Incrementum AG

What is our current technical assessment of the gold price? We are again using the Coppock indicator to determine the longer-term position.⁸³ The

⁸² “Technical Analysis,” *In Gold We Trust* report 2024

⁸³ Specifically, these are two time-weighted momentum curves that are added together and whose long-term moving average represents the Coppock line. We use a slightly modified Coppock with somewhat longer periodicities.

advantage of this indicator is that it reliably identifies major trend changes. The Coppock indicator remains a buy, but has developed a divergence from the price and could soon generate a sell signal. The KST⁸⁴, on the other hand, turned impulsively upwards last year and is sending a buy signal.



Source: Tradingview, Incrementum AG

It is impossible to produce a superior performance unless you do something different from the majority.

Sir John Templeton

Let us now take a look at market sentiment. If we view the forecasts from the beginning of May 2025 for the end of 2025, the median price is expected to be USD 3,007. This indicates that a decline is anticipated for the remainder of the year. Exactly one year ago, the analyst community's median price target for the end of 2024 was USD 2,115.

The median price targets for the end of the following years are USD 2,915 (2026), USD 2,825 (2027), USD 2,775 (2028) and USD 2,609 (2029). In fact, analysts expect a correction until the end of 2025, followed by a steady slight downward trend of more than 10% in total from the median expectation for the end of 2025. We consider this divergence between the price trend and analyst sentiment to be an extremely valuable, bullish signal. At the end of a secular trend, forecasts should be much more euphoric. Incidentally, the analyst with the most optimistic forecasts is also the author of these lines.

Bloomberg: Analyst consensus for gold: 2025–2029

Gold \$/t oz		Browse	As Of	05/05/25	Ticker Type Actual				
Quarterly Forecast		Yearly Forecast							
Overview		Curve Analysis Ranking							
Firms		Standard		Custom		Rank All		Updated Last 6 Months	
Consensus		Spot	As Of	2025	2026	2027	2028	2029	
Median		05/05/25	3007.50	2915.00	2825.00	2775.50	2609.00		
Mean		05/05/25	2984.58	2980.98	2815.48	2671.41	2647.09		
High		05/05/25	3420.81	4150.00	4025.00	3800.00	4100.00		
Low		05/05/25	2450.00	1994.00	1769.00	1674.00	1850.00		

Source: Bloomberg

To be an impeccable member of a flock of sheep, you have to be a sheep first and foremost.

Albert Einstein

The picture is similar for silver. A median price of USD 33.5 is expected at the end of the year. The price is then expected to move largely sideways until 2029. However, the consensus is no longer really meaningful, as the number of active coverages by banks has fallen significantly in recent years. **This confirms our**

⁸⁴ Martin Pring's Know Sure Thing (KST) indicator measures the price momentum of four different price cycles.

hypothesis that silver remains as popular in the financial sector as a smoking room at a pulmonologists' conference.

Bloomberg: Analyst consensus for silver: 2025–2029

Silver \$/t oz		99 Browse		As Of	05/05/25		Ticker Type Actual	
Quarterly Forecast		Yearly Forecast						
Overview		Curve Analysis						
Firms		Rank All						
Standard		Custom						
Updated		Last 6 Months						
Consensus	Spot	As Of	2025	2026	2027	2028	2029	
Median		05/05/25	33.54	34.40	34.00	33.50	34.37	
Mean		05/05/25	33.19	34.58	33.59	33.26	34.82	
High		05/05/25	36.70	43.75	50.00	55.00	64.00	
Low		05/05/25	29.33	24.45	22.40	21.60	23.00	
Forward	32.46	05/05/25	32.60	33.75	35.19	36.35	36.90	
Diff (Median - Curr)			+0.94	+0.65	-1.19	-2.85	-2.53	

Source: Bloomberg

*The one who follows the crowd
will usually get no further than
the crowd. The one who walks
alone, is likely to find himself in
places no one has ever been.*

Albert Einstein

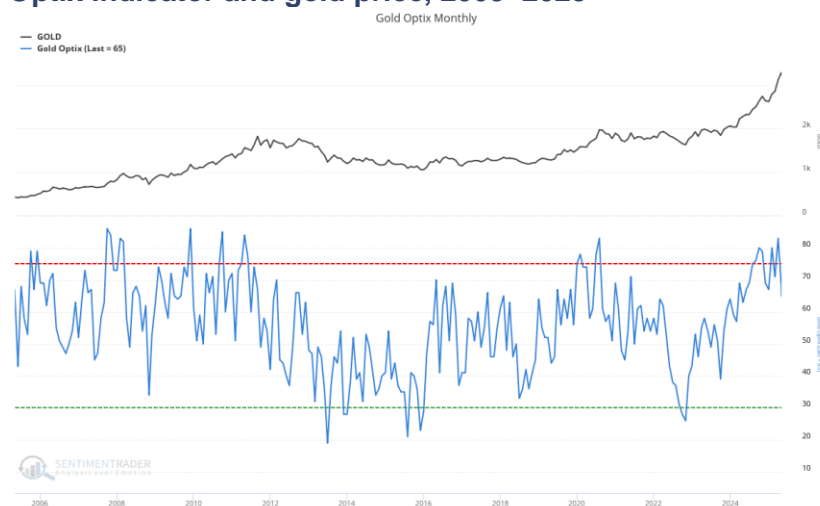
*Be careful when you follow the
masses. Sometimes the "m" is
silent.*

Unknown

One of our favorite sentiment indicators is the Optix index from SentimenTrader. It tracks the most common sentiment indicators as well as data from the futures and options markets. The logic behind this barometer is very simple. If public opinion forms a strong consensus, this broad consensus is a good contra-indicator. The market is usually too bullish when prices have already risen (sharply) and too bearish when they have already fallen (sharply).

If the Optix index rises above the red dotted line at 75 points, it is time to become more cautious. If it is at 30 points or below, the mood is pessimistic and the downside risk is limited. The monthly Optix currently stands at 65 and remains in neutral territory. A comparison of the current level with the last high in July 2020 reveals a clear divergence. Although gold has reached new all-time highs, sentiment remains fairly subdued, which should be interpreted as a positive sign.

Optix indicator and gold price, 2005–2025



Source: Sentimentrader.com

*History never repeats itself.
Man does.*

Voltaire

The Optix index for silver is quoted at 65, i.e., also still in neutral territory. With regard to the sentiment in the silver sector, we once wrote, “The party has apparently not started for silver yet, although the guests are slowly arriving.” More party guests have indeed arrived in the meantime, but others have

quickly left the party again, presumably due to disappointment at the lack of even stronger gains and the high volatility.

Optix indicator and silver price, 2005–2025



Much of investing is avoiding FOMO buying and panic selling.
Naval

Finally, if we look at the mood among mining investors, there is no exuberant euphoria to be found here, either. The Optix is currently quoted at 33 and is thus approaching pessimistic territory. In view of the recent performance of mining stocks, this is quite surprising and should be interpreted as clearly positive from an anticyclical perspective. **This means that mining investors are still as far away from exuberant optimism as a Viennese coffee house waiter is from unbridled friendliness.**

Optix indicator and GDX, 2008–2025



I have seen the future and it is very much like the present, only longer.
Kehlog Albran

This year, too, we want to take a brief look at the seasonal patterns.⁸⁵ The following chart shows the annual performance of gold in the years following US presidential elections. You can clearly see that a seasonally weaker phase begins at the start of June and ends in August.

⁸⁵ The seasonal charts were provided to us by our friends at www.seasonax.com.

Seasonality of gold in post-election years



Source: [Seasonax.com](https://seasonax.com)

A seasonal downward trend in silver is also evident from the beginning of June. However, this is much more pronounced than for gold and ends at the beginning of July.

Seasonality of silver in post-election years



Source: [Seasonax.com](https://seasonax.com)

Let's take a brief look at the performance of mining stocks in post-election years. The Gold Bugs Index (HUI) typically shows seasonal weakness from the end of May in particular, before entering a seasonally strong phase from July to mid-October.

Seasonality of mining stocks in post-election years



Source: [Seasonax.com](https://seasonax.com)

*Auro loquente omnis oratio
inanis est. – When gold speaks,
the world is silent.*

Latin phrase

The Midas Touch Gold Model™⁸⁶

As usual, we would like to present you with an up-to-date overview of the Midas Touch Gold Model™⁸⁷ and the short- to medium-term outlook from our dear friend Florian Grummes. The Midas Touch Gold Model examines the gold market from various perspectives with a rational and holistic approach and is convincing due to its versatility and quantitative measurability.

Gold in US dollars (monthly chart)



*Technical analysis is not a
crystal ball; it's a risk
management tool.*

Bruce Kovner

*The next major leg up in the gold
price will prove to be a religious
experience for those people
unfortunate enough to find
themselves short.*

Paul Mylchreest

In the *In Gold We Trust* report 2024, “**The New Gold Playbook**”, we had initially expected a typical seasonal setback to below USD 2,200 before the gold rally continued. However, this setback did not materialize. Instead, the gold price digested the first stage of its breakout rally with a four-month sideways consolidation at a high level between USD 2,480 and USD 2,280. In May, the sharp rise in the price of silver also temporarily provided further buying pressure on the gold market. Overall, the situation remained impressively stable and clearly under the control of the bulls.

Unsurprisingly, the gold rally continued with a breakout above USD 2,500 from mid-August and then even more intensively from mid-September. Supported by a bullish silver price, the gold price finally reached a new all-time high of USD 2,790 on October 30. This was followed by a sharp sell-off down to USD 2,535 and a seven-week correction, which, as often occurs, took the form of a triangle pattern.

Starting from a higher low of USD 2,580 on December 18th, 2024 – once again timed perfectly with the final FOMC interest rate decision of the year – gold managed to reverse its trend upward. While the start of the next

⁸⁶ We would like to thank Florian Grummes for this excursus. Florian is the founder and managing director of Midas Touch Consulting. Our readers can sign up for free updates and the associated newsletter at the following link: <http://eepurl.com/ccKg2r>.

⁸⁷ A detailed description of the model and its philosophy can be found in the *In Gold We Trust* report 2016.

upward wave was somewhat sluggish and uncertain, the bulls took clear control again with a decisive breakout above USD 2,680 from January 10th, 2025. With great confidence and without giving the bears any breathing room, they drove gold prices over the next six weeks to a new all-time high of USD 2,957.

Only then did a sharp pullback to USD 2,832 interrupt the rally for three weeks. After weak hands were shaken out and the gold market adjusted to the new price level around USD 2,900, the upward movement continued even more steeply in March. In fact, gold prices rose by 11.83% in four and a half weeks, reaching a new all-time high of USD 3,167. The psychological round number of USD 3,000 posed no obstacle, merely triggering a multi-day consolidation.

I put two children through Harvard by trading options. Unfortunately, they were my broker's children.

Jason Zweig

In the context of the collapsing stock markets, the gold price also came under pressure from April 3, at least for a few days, and fell to USD 2,955. After three days, however, the bear spree was over again. The bulls immediately used the technical support at USD 2,950 to set off the next price rocket. Starting from USD 2,955, the steepest rally in the bull market since fall 2022 began. Within just eleven trading days, the price of gold exploded by more than USD 543, or 18.37%, reaching a new all-time high of USD 3,500 on April 22.

This new peak, however, marked the start of a significant sell-off on the same trading day, with the notably lower daily closing price of USD 3,380 signaling a clear reversal on the daily chart. Over the next seven trading days, gold dropped significantly, by about USD 300.

So far, the support around USD 3,200 has withstood the bears' initial attack, but an open price gap at around USD 3,175 awaits closure. Additionally, the rapidly rising 50-day moving average (USD 3,094) is still a considerable distance below, confirming the short-term need for correction.

Far more money has been lost by investors preparing for corrections than has been lost in the corrections themselves.

Peter Lynch

While the daily stochastic has triggered a clear sell signal, the oscillator's oversold zone remains untouched for now. This suggests that gold bulls will likely need to exercise patience before a reasonably attractive buying opportunity arises due to a strongly oversold condition.

Overall, the overarching upward trend in the gold market remains intact despite short-term fluctuations and increased volatility. The long-anticipated breakout from the large cup-and-handle formation predictably led to a price explosion in the gold market. The strength of the rise over the past 14 months is unsurprising, considering gold had consolidated and corrected for thirteen and a half years prior.

There is no training, classroom or otherwise, that can prepare for trading the last third of a move, whether it's the end of a bull market or the end of a bear market.

Paul Tudor Jones

Our price targets of USD 2,535 and USD 3,100 have been fully met. Our next two overarching price targets of USD 4,000 and USD 5,000 are not derived from chart-based projections but from mass psychology. Round price levels often act as psychological barriers or magnets, particularly in uncharted price territory, where many market participants orient themselves.

Naturally, the technical picture across timeframes like weekly and monthly charts appears significantly overbought – but this is typical for a pronounced bull market. Nevertheless, a temporary breather until early summer seems plausible, especially since the weekly chart has now generated a sell signal.

It remains intriguing whether gold prices, as seen over the past one and a half years, will primarily correct through a high-level consolidation “over time,” or whether a noticeably deeper and more painful pullback will be necessary this time. For now, we assume the market will lean toward a tricky, sideways consolidation at a high level.

Midas Touch Gold Model™



Source: Midas Touch Consulting

All price movements are a function of supply and demand, and the chart captures both in real time.

Richard Wyckoff

The Midas Touch Gold Model™ has been in bearish mode since April 30, 2025. While there are also numerous bullish or neutral factors, bearish factors currently predominate. In particular, sell signals on the daily charts for the gold price in US dollars, Indian rupees, and Chinese yuan, as well as a new buy signal for the US dollar, triggered the abrupt trend reversal. This was reinforced – as is typical in May – by the seasonal component, which is now clearly negative for the gold price through June.

Overall, the following conclusions can currently be drawn from the Midas Touch Gold Model™:

- **In the overarching picture, the buy signal on the monthly chart has been active since February 28, 2023.** A trend reversal would currently only occur if gold prices were to fall below USD 2,961. While a correction below USD 3,000 is not out of the question, the bears are currently over USD 350 away from this level. With some luck, the buy signal on the monthly chart could survive the ongoing consolidation/correction and regain strength in a potential summer rally.
- **The still-active buy signal on the weekly chart, on the other hand, currently looks much more endangered.** Notably, an open price gap awaits around USD 3,175. The momentum in the weekly stochastic has already

turned sharply downward, confirming a stochastic sell signal. As a result, several weeks of sideways to declining prices should now be anticipated. Only when the stochastic oscillator reaches its oversold territory could a multi-week recovery or a direct continuation of the rally become conceivable. In the best-case scenario, gold manages to tenaciously hold above USD 3,000, processing the necessary correction more through time than price. However, the steep price surge in recent weeks also carries the risk of a larger pullback, which could cause significantly more technical damage.

- **As physical trading on the Shanghai Gold Exchange and strong physical demand from Asia increasingly drive gold market pricing,** the significance of the Commitment of Traders (CoT) report for the gold price has further declined over the past 12 months. Since breaking above USD 3,000, commercial traders have reduced their cumulative net short position to 190,761 contracts in recent weeks, despite gold prices rising by over USD 300 in the same period. Evidently, professionals had to partially close their short positions or deleverage amid the sharply rising prices. Accordingly, open interest in gold futures has also significantly decreased. Overall, the CoT report remains negative.
- **The seasonal pattern for the gold market currently signals clear caution, restraint, and, above all, patience.** Statistically, the precious metals sector is expected to face an unfavorable phase through July. June, in particular, is traditionally a notably weak month for the gold price.
- **Sentiment in the gold market has cooled noticeably after the significant pullback over the past two weeks.** However, excessive optimism has been repeatedly observed over the past 14 months. We assume that these recurring phases of sentiment overheating will continue to be adjusted by “cold showers”, i.e., short-lived and sometimes sharp price corrections. These typically temporary pullbacks seem to generate sufficient skepticism and restraint among investors without triggering destabilizing overreactions on the downside. Overall, optimism in the gold market is currently neutral, no longer obstructing a continuation of the rally.
- **In a long-term comparison, the gold price has clearly outperformed the stock markets and the Dow Jones since August 1999.** This hugely important overarching mega-trend is still intact. After an initial strong downward movement of the Dow Jones Index against gold from 1999 to 2011, a significant recovery in favor of US equities followed until autumn 2018. Since then, however, gold has again clearly outperformed US blue chips. This trend has intensified since the beginning of December 2024, as the Dow Jones Index has slumped massively in relation to the gold price. It is likely that the Dow Jones/gold ratio will retest the summer 2011 low of 5.73 in the foreseeable future. In the long term, we expect the Dow Jones/gold ratio to be around 1:1.

*You've got to know when to hold
'em, know when to fold 'em,
know when to walk away, know
when to run.*

Kenny Rogers

Dow Jones Index/Gold Ratio (monthly chart)



Silver is the poor man's gold, but it often runs like the rich man's racehorse.

Rick Rule

It's not about being right, it's about managing the wrong.

Paul Tudor Jones

Charts don't predict the future, they tell you where the crowd has been.

Michael Steinhardt

- **With a gold/silver ratio of over 102, silver is historically significantly undervalued, or gold is extremely overvalued.** Typically, the ratio fluctuates between 40 and 80. Instead, silver has so far mostly simply lagged behind gold, slowing down the precious metals sector and mining stocks somewhat. At the moment, a bullish reversal signal is only possible at a ratio of USD 90.49. However, silver would first have to break above USD 35 for this to happen.
- **Due to the weakness of the US dollar and the simultaneous strength of the euro, the gold price trend is less dynamic for investors from the eurozone than for investors in the US.** While the gold price in US dollars has recently reached new highs, the increase in euros has been much more moderate. This underlines the importance of always keeping an eye on exchange rate developments when investing in precious metals. However, with a new all-time high of EUR 3,036 and prices currently around EUR 2,920, the gold price is also well up in EUR, at +15.22% since the start of the year. For the Midas Touch Gold Model™, however, only the price performance of the last two weeks plays a role in the "gold in the four most important currencies" component. Here, the gold price in euros is slightly in the red.
- **The sudden shift from a bullish to a bearish model outcome was also driven by signal changes on the daily charts of the gold price in Indian rupees and Chinese yuan.** In both currencies, sharp price surges formed prominent flagpole patterns, followed by sharp counter-movements and clear trend reversals. Both charts currently require a strong recovery close to the new all-time highs to reverse the active sell signals.

Gold in US dollars (daily chart)



Source: Midas Touch Consulting, Tradingview

*Technical analysis is a language;
once you're fluent, the market
speaks to you.*

Brian Shannon

*The hardest thing in the world is
to hold onto a winning position.*

Jesse Livermore

*Momentum feeds the bull –
fundamentals sustain it.*

Stanley Druckenmiller

*Remember – if I am right at the
wrong time, I am wrong.*

Matt Kenah

On the daily chart, the gold price is currently trading at around USD 3,315, around USD 185 below the all-time high of USD 3,500 reached on April 22. Despite the ongoing Chinese gold rush and massive buying by numerous central banks, the sharp setback in the region of USD 300 has formed a reversal signal that could at least force a tricky consolidation at a high level in the coming weeks.

However, we believe that a significant slide below the psychological USD 3,000 mark is unlikely. However, given the high volatility, nothing can be ruled out. The fundamental drivers of the rise in the gold price – such as remonetization, geopolitical uncertainties, and the global search for a safe haven – are still present and unresolved. We therefore expect a volatile sideways movement with strong fluctuations at an elevated price level well above USD 3,000 until early summer. The expected price range is likely to be between around USD 3,050 and USD 3,150 on the downside and around USD 3,350 to USD 3,400 on the upside.

As the year progresses, we would not be surprised to see the gold rally continue with new all-time highs above USD 4,000. In fact, the gold market uptrend, similar to the period between 1976 and 1980, is likely to accelerate rapidly in the coming months and years, especially as many underinvested investors worldwide continue to chase the already-moving gold train.

Conclusion

Despite some weaknesses, technical analysis is a useful tool for determining the location and timing of investments. It is therefore important for us to understand the *big picture* not only from a fundamental but also from a technical perspective.

A bubble is a bull market in which the user of the word 'bubble' has not fully participated.

Jim Grant

When all the experts and forecasts agree, something else is going to happen.

Bob Farrell

The secret to being successful from a trading perspective is to have an indefatigable and an undying and unquenchable thirst for information and knowledge.

Paul Tudor Jones

In our opinion, we have witnessed a paradigm shift in recent quarters, ushering in a new phase of the bull market. Bob Farrell, whom we hold in high esteem, described this change in the rules of the game as follows:

*Change of a long-term or secular nature is usually gradual enough that it is obscured by the noise caused by short-term volatility ... Moreover, in a shift of secular or long-term significance, **the markets will be adapting to a new set of rules while most market participants will be playing by the old rules.***

Despite gold's record run, sentiment remains at a relatively neutral level. We see the fact that the gold price is receiving little attention despite new all-time highs as a positive signal. In our opinion, the combination of the continued lack of interest in gold and silver among Western investors and the absence of price expectations among analysts provides an excellent basis for further price advances.

In view of current market sentiment and seasonality, we would not be surprised to see a "breather" lasting several weeks. However, we do not expect a deeper correction. On the one hand, speculation on the futures markets is not excessive for either gold or silver; extreme levels would normally be expected at secular highs. Moreover, it appears that there is still considerable buying interest waiting on the sidelines, leading to "buy the dips" behavior. The recent slight increase in the relative strength of mining stocks also gives us confidence. Overall, the conditions for the continuation of the new bull market appear excellent from a technical perspective.

Quo Vadis, Aurum?

I could see in the next few years that we are going to have some kind of a grand global economic reordering, something on the equivalent of a new Bretton Woods ... there's a very good chance that we are going to have that over the next four years and I'd like to be a part of it.

Scott Bessent

- Gold is establishing itself as a neutral, liquid, and counterparty-free anchor of confidence and thus as a possible cornerstone for "Bretton Woods III".
- The New Gold Playbook we presented in the In Gold We Trust report 2024 remains intact: Central bank demand and continued high demand from emerging markets – especially China – form the backbone of gold demand. ETF demand in the West is also slowly picking up.
- Gold has proven to be a reliable hedge in past recessions and bear markets and diversifies the portfolio in adverse scenarios such as high inflation, stagflation, and increased counterparty risk.
- Silver, mining stocks, and commodities offer attractive catch-up potential: Historically, these high-beta assets have lagged the gold price. Performance gold remains undervalued and could outperform significantly in the second half of the decade.
- Short-term correction of the gold price to ~USD 2,800 is possible, triggered by profit-taking, very bullish sentiment, a short-term bounce of the US dollar, and a potential, if temporary, geopolitical easing. However, the long-term Big Long case remains intact.
- Historical comparisons as well as our proprietary Incrementum Gold Price Model indicate that the gold bull market still has considerable room to run. Our base scenario for the end of the decade remains at USD 4,800. In the event of strong inflation, gold could rise to USD 8,900.

Gold: The GOAT of the Portfolio

People say we were the greatest team of all time. I say we were the most determined.

Michael Jordan

“Talent wins games, but teamwork and intelligence win championships.” Michael Jordan’s words became the DNA of the Chicago Bulls in the 1990s. Instead of hasty changes after painful setbacks – the Bulls failed six times in the play-offs and were sometimes humiliated by the “bad boys” of the Detroit Pistons – the management relied on **strategic patience**, uncompromising team spirit under the leadership of Phil Jackson, and a clear vision. As a result, the Bulls became the best team of an entire NBA generation with six championship titles in just eight years, a Finals win rate of 87.5%, and the iconic record-breaking 1995/96 season with 72 wins and only 10 losses in the regular season. This era impressively demonstrated how individual talent can translate into sustained collective dominance.

The willingness to take a position opposite the market required a kind of courage that was rare even among people who prided themselves on their courage.

Michael Lewis

Excellence requires courage - especially the courage to take positions that are considered unorthodox or counter-cyclical. This includes daring to invest in gold and sticking with it when gold is unpopular. Or investing in *performance gold*, such as silver, mining companies, or commodities, when they are labeled as structural underperformers by the market. **This is particularly true in the West, where professional investors have consistently displayed a deep-seated aversion to gold for decades.**

Whether you are ridiculed as a nonconformist or not, in the long term, it may prove riskier to avoid gold than to bet on it. Those who hold *safe-haven gold* are well positioned for the fundamental market changes that we have described in detail in our *In Gold We Trust* reports in recent years and again this year. In our opinion, more risk-averse investors still have the opportunity to profit disproportionately with *performance gold*.

That Bulls team wasn’t just great. They were the standard. Everyone measured themselves against them.

Steve Kerr

At the end of this decade, gold will perhaps no longer be seen as a relic of times gone by, but as what it can be: the Michael Jordan of assets, defensively stable and offensively powerful – a real difference-maker. **Anyone who has this GOAT, the greatest of all time, in their portfolio is ready for the play-offs on the financial markets.**

What does this long-term approach mean in concrete terms? What guidelines must a long-term investor follow in their daily decisions in order to understand the *big picture*? The *Big Long* for gold is based on several fundamental political, economic, and social changes.

The Big Realignment: Gold as a Beneficiary of the Geopolitical Realignment

I’m not a gambler. I’m a guy who sees numbers and patterns and bets on them.

Michael Burry

There are currently many indications that the geopolitical realignment is accelerating. Zoltan Pozsar had already taken the debate about a new global monetary order to a new level in 2022 with his article “**Bretton Woods III**” against the backdrop of the Ukraine war that had just broken out and the sanctioning of

Russian currency reserves that was decided shortly afterwards. He concluded his remarks with the following forecast: “From the Bretton Woods era backed by gold bullion, to Bretton Woods II backed by inside money (Treasures with unhedgeable confiscation risks), to Bretton Woods III backed by outside money (gold bullion and other commodities).”⁸⁸ Nobody knows exactly where this journey will take us at the moment. There is no question that we are irrevocably on the path to a new global (monetary) order. **Gold is increasingly becoming a monetary life insurance policy for state actors such as central banks and sovereign wealth funds.**

A new global monetary order will need an internationally recognized anchor of trust. Gold seems to be predestined for several reasons:

– **Gold is neutral**

Gold belongs to no state, no political party, no autocrat, no parliament; gold can therefore be the unifying element in a multipolar world that has become much more fragile.

– **Gold has no counterparty risk**

Financial assets have counterparty risk. Gold, on the other hand, has no counterparty risk. It is pure property.

– **Gold is liquid**

Gold is one of the most liquid assets in the world. The average daily turnover of gold amounted to **more than USD 229bn** in 2024. **In a study, the LBMA showed** that gold sometimes has greater liquidity than government bonds.

Gold is the reciprocal of confidence in central bankers. When their credibility crumbles, gold's value isn't rising – it's being rediscovered.

Jim Grant

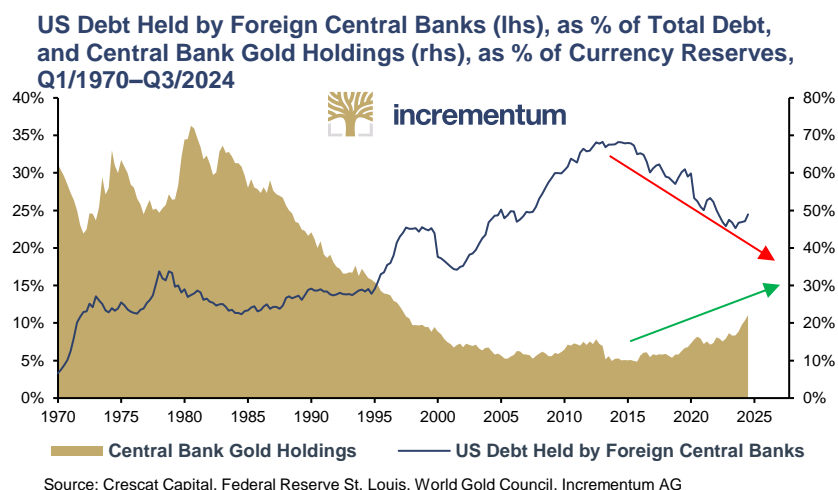
The heel turn is not just about switching sides; it's about embracing a part of your character that you've always been afraid to show.

Paul Heyman

The renaissance of gold is manifested in the gradual liberalization of gold valuation by some emerging markets, led by China. This could lead to a revaluation of the gold price in the long term, particularly if central banks were to back their currencies with gold again (implicitly or even explicitly). Until recently, such scenarios were considered marginal. This has changed. They are now increasingly being discussed in the economic policy mainstream.

According to the World Gold Council (WGC), global gold reserves amounted to 36,252 t in February 2025. **This means that the heel turn we are forecasting is underway:** In 2024, gold's share of currency reserves reached 22%, its highest level since 1997. This is more than double the low of around 9% in 2016. However, there is still a long way to go before reaching the historic peak of over 70% in 1980. This momentum is likely to continue during the *Big Long*.

⁸⁸ See also “Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order,” In Gold We Trust report 2023



Despite significant purchases, central banks in the emerging markets continue to hold significantly less gold than their counterparts in the industrialized countries. We assume that this gap will gradually narrow. **Central bank demand from emerging markets, which are becoming increasingly politically confident, is expected to continue forming the backbone of gold demand in the coming years.**

China is a sleeping giant. Let her sleep, for when she wakes up, she will move the world.

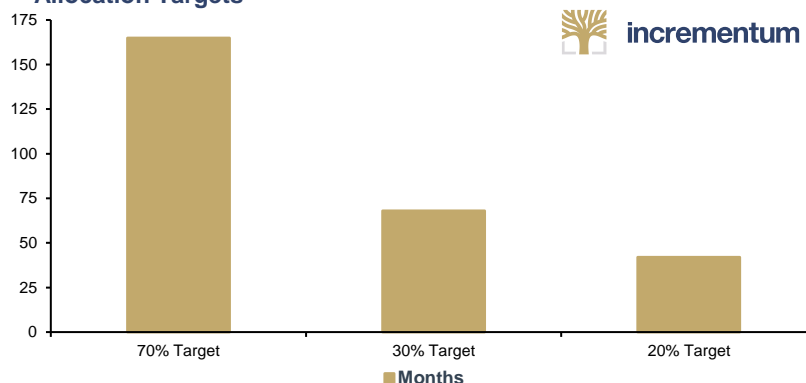
Napoleon Bonaparte

The continued low share of gold in China's currency reserves is striking. Despite considerable purchases in recent years, the official share is only 6.5%. By comparison, gold accounts for over 70% of reserves in the US, Germany, France and Italy. Russia, on the other hand, increased its share from 8% to 34% between 2014 and Q1/2025. The trend toward the repatriation of gold reserves, which has been observed for years, is also likely to continue as an expression of growing mistrust among countries.⁸⁹

In the study “[Gold: Raising Our End-2025 Forecast to \\$3,300; Top 10 Questions](#)” (which is well worth reading), Goldman Sachs assumes that China will continue to buy an average of around 40 t of gold per month. This means that China's central bank demand alone would amount to almost 500 t per year. This corresponds to almost half of the total central bank demand of the past three years.

⁸⁹ See the chapter “Bringing it Home: Central Bank Gold Repatriation” in this In Gold We Trust report

Estimated Timeline for China to Reach Various Gold Reserve Allocation Targets*



Source: Goldman Sachs Global Investment Research, Incrementum AG
*The analysis assumes China to continue buying ~40 tonnes of gold per month. Rising prices further increase the value of existing holdings and help reach allocation targets faster.

Don't Trust, Verify!
Cypherpunk idiom

But can the official figures be trusted? After all, China has been the largest importer, consumer, and producer of gold for years. According to Jan Nieuwenhuijs, the PBoC has bought around five times the reported quantity. Based on various indicators, such as deviations in the Chinese market balance, Nieuwenhuijs estimates that the PBoC now holds around 5,000 t of gold. This would put China in second place behind the US, but ahead of Germany, among the countries with the largest gold reserves. **Therefore, China would have a golden ace that it could play in the form of a Big Surprise.**

The Big Economic Cooling: Gold as a Beneficiary of an Economic Downturn?

Italians defend better than they cook pasta. And they cook pasta incredibly well.
Gary Lineker

In our view, gold is not intended to replace traditional securities such as equities or bonds, but to complement them. It is correct to view a gold position in a portfolio as a liquid, alternative cash position that carries exchange rate risk to fiat money. A direct comparison between gold and equities reminds us of the proverbial apples and oranges comparison. Our analyses show: In market crises, gold acts like the tried and tested Italian catenaccio with the reliability of a Giorgio Chiellini in defense and the security of a Gianluigi Buffon in goal. **While other investments fluctuate, gold stabilizes the portfolio with predictable resilience.**⁹⁰

As the United States becomes a source of capital rather than a destination for capital, the narrative of US exceptionalism is being eroded.
Tan Kai Xian, Gavekal

A further slide on the stock markets could be expected in the event of a significant slowdown in the US economy, and even more so if the US slips sharply into recession. A marked slowdown in the global economy now seems likely, given the erratic nature of the US's trade conflict. After all, uncertainty weighs heavily on economic drivers, entrepreneurs, and businesses alike. **In its April forecast, the IMF has revised its growth prospects significantly downwards.**

⁹⁰ See "Mastering the New Gold Playbook," In Gold We Trust report 2024; "Portfolio Characteristics: Gold as Equity Diversifier in Recessions," In Gold We Trust report 2019

In the past 16 years, the world has only been plunged into recession once – during the Covid-19 pandemic. And this was an atypical recession triggered by an external shock. Most investors are currently underestimating the real likelihood of another recession and its potential impact on corporate earnings and stock market valuations. While economists put the probability of a recession in the US at the end of April at around 50% and Polymarket bets had it at 64%, we believe that the current valuations on the US equity markets reflect a lower risk. The current P/E ratio of the S&P 500, at 27.7, remains well above the decade-long average of 16.1, despite the recent price declines.

Historically, gold has proven to be an excellent portfolio insurance during recessions and bear markets in US equities. We have analyzed this extensively in the *In Gold We Trust* report 2023 in the chapter “[The Showdown in Monetary Policy](#)”.

Performance of the S&P 500 vs. Gold in S&P 500 Bear Markets, 1929–2025

Date of the high	Date of the low	S&P 500	Gold	Gold relative to the S&P 500
16/09/1929	01/06/1932	-86.19%	0.29%	86.48%
02/08/1956	22/10/1957	-21.63%	-0.11%	21.52%
12/12/1961	26/06/1962	-27.97%	-0.06%	27.91%
09/02/1966	07/10/1966	-22.18%	0.00%	22.18%
29/11/1968	26/05/1970	-36.06%	-10.50%	25.56%
11/01/1973	03/10/1974	-48.20%	137.47%	185.67%
28/11/1980	09/08/1982	-27.27%	-45.78%	-18.51%
25/08/1987	20/10/1987	-35.94%	1.38%	37.32%
16/07/1990	11/10/1990	-20.36%	6.81%	27.17%
17/07/1998	08/10/1998	-22.29%	1.71%	24.00%
24/03/2000	10/10/2002	-50.50%	11.18%	61.68%
11/10/2007	06/03/2009	-57.69%	25.61%	83.30%
21/09/2018	26/12/2018	-20.21%	5.59%	25.80%
19/02/2020	23/03/2020	-35.41%	-3.63%	31.78%
03/01/2022	10/12/2022	-25.43%	-7.08%	18.35%
19/02/2025	08/04/2025*	-18.90%	1.75%	20.65%
	Average	-34.76%	7.79%	42.55%
	Median	-27.62%	0.84%	28.46%

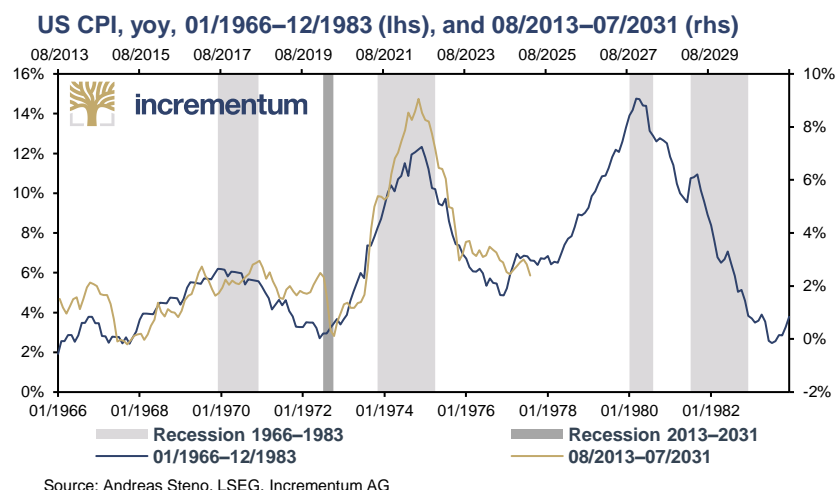
Source: Cornerstone Macro, Bloomberg, LSEG (*Lowest closing price since 02/19/2025), Incrementum AG

The Big Wave: Is the Next Inflation Wave Building Up?

*I try to be ready for everything.
That's my approach – you never
know what the next wave will
bring.*

Kelly Slater

Furthermore, we should not rule out the possibility of a second wave of inflation, as in the 1970s. If we take the course of inflation in the 1970s as a guide to its future course, we see that the parallelism of developments is striking.



In the coming months, however, we anticipate a predominantly disinflationary trend, particularly due to the sharp decline in oil prices.

The significant appreciation of the currencies of leading industrialized countries against the US dollar is reinforcing the disinflationary effect in these countries.

Inflation is like a drug in more ways than one. It is fatal in the end, but it gets its votaries over many difficult moments.

Lord D'Aberon

Stagflation ... is, of course, a very difficult thing because anything you do with interest rates will hurt one side or the other – either the inflation mandate or the employment mandate.

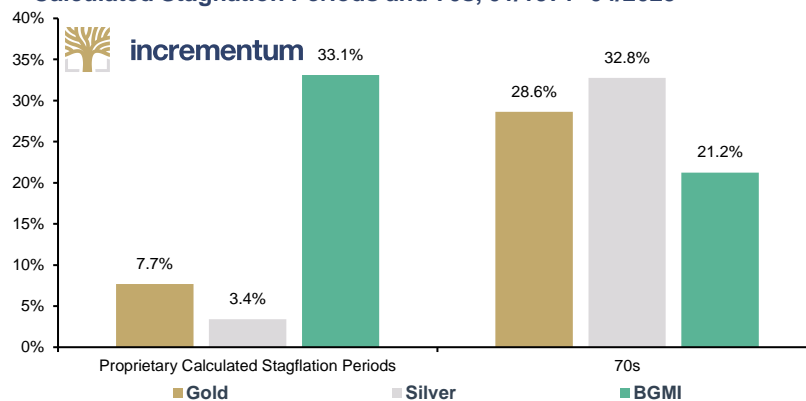
Jerome Powell

This does not mean that the risk of inflation has been averted. On the contrary: Although recessions and slumps on the capital markets have a disinflationary, sometimes even deflationary effect, the response will be highly inflationary. A brisk counter-reaction by the Federal Reserve seems only a matter of time. **What other rabbits could central bankers and politicians pull out of the hat?**

Possible measures range from yield curve control, renewed QE or QQE, financial repression, and further fiscal stimuli through to MMT or helicopter money. The use of one or more of these instruments is a foregone conclusion, and the further merging of monetary and fiscal policy will continue unabated. One thing is certain: **The next bailouts will assume increasingly larger, more aggressive, and more opaque characteristics.** The longer and closer this dangerous love affair between monetary and fiscal policy continues, the greater the stagflationary forces. **Our quantitative analysis shows that gold, silver, and mining stocks have performed extremely well in a stagflationary environment.**⁹¹

⁹¹ See in particular "Stagflation 2.0," In Gold We Trust report 2022

Real CAGR of Gold, Silver, and BGMI During Proprietary Calculated Stagflation Periods and 70s, 01/1971–04/2025



Source: LSEG, goldchartsrus.com, Incrementum AG

Today's Michael Lewis "Big Short" opportunity, in our view, is the ongoing devaluation of fiat currencies relative to real assets with limited supply, which are imperative to society either as commodities or sound money.

Tavi Costa

And what was long regarded as an academic thought experiment has suddenly become more tangible in recent weeks: the possibility of an inflationary wave due to capital flight from the US dollar. Should confidence in the US currency erode further, a scenario could unfold in which investors flee the US dollar for tangible assets and alternative reserve assets. Such a move would drive US import prices up at an accelerated pace, fuel inflation expectations, and combine classic demand inflation with elements of a currency crisis.

In this scenario, the US dollar could lose its role as a safe haven and thus act as a fire accelerant. As a result, the inflation risk would no longer be primarily driven by supply shocks or wage spirals, but rather by eroding confidence in the US currency itself.

The Big Print: Gold as a Beneficiary of the Ongoing Devaluation of Fiat Money

If a commodity is to remain money, public opinion must not believe that a rapid and unstoppable increase in its quantity can be expected.

Ludwig von Mises

Loyal readers know: We constantly endeavor to place the monetary function of gold at the forefront of our analyses. Money is subject to the same basic economic principles as all goods: Its value is determined by supply and demand. Confidence in the current and future purchasing power of money depends largely on expectations regarding the development of the future money supply.

The mechanism is clear: If the money supply increases more than the available supply of goods and services, the purchasing power of money will fall sooner or later. This fundamental law of economics explains why gold acts as a natural counterweight to unbacked currencies: The supply of gold cannot be expanded arbitrarily.

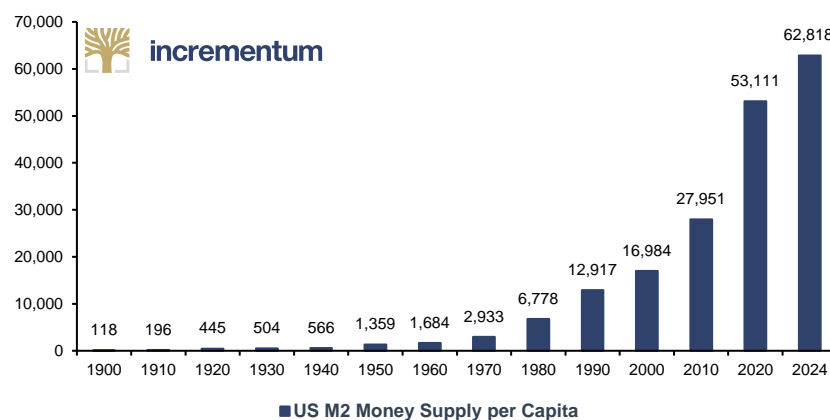
The dollar is an excellent tool for commerce but a poor tool for savings.

FOFOA

The next chart illustrates the development impressively: While the US population has grown by a factor of 4.5, from 76 to 342mn since 1900, M2 money supply has exploded by a factor of 2,333, from USD 9bn to USD 21trn. Per capita, this means an increase of more than 500 times, from USD 118 to over

USD 60,000. The money supply has thus swollen like the muscles of a bodybuilder on steroids – impressive on the outside, yet structurally fragile.

US M2 Money Supply per Capita, in USD, 1900–2024



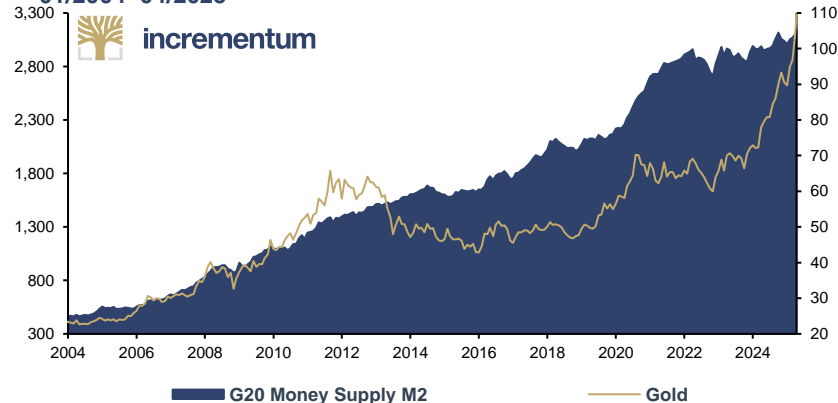
Gold and fiat are natural rivals. There is no louder alarm that a fiat currency is failing than when its value in terms of gold is going down.

Larry Lepard

Money supply growth is the key driver of the gold price in the long term.

After three years of sometimes negative growth, the global money supply is now growing again. On a long-term average, M2 in the G20 countries has grown at a rate of 7.4% per year. The money supply growth is currently at the lower end of its historical range. In his highly recommended book “*The Big Print*”, our friend Larry Lepard argues that there will be a significant acceleration in money supply growth. **If *The Big Print* does indeed occur, it will act as another catalyst for *The Big Long*.**

Gold (lhs), in USD, and G20 M2 Money Supply (rhs), in USD trn, 01/2004–04/2025



In the shadows, we find the truth.

The Dark Knight

The shadow gold price for gold

In our *In Gold We Trust* report, we have preserved the idea of the *shadow gold price* (SGP),⁹² even in times when gold’s reserve function was as forgotten as many cult films of the 1980s. But like *Top Gun* after 36 years, gold is increasingly finding its way back into the limelight. The shadow gold price refers to the theoretical gold price in the event of full gold backing of the base money supply. **Theoretically, a**

⁹² See “Possible targets for the gold price”, In *In Gold We Trust* report 2011; see “The Portfolio Characteristics of Gold,” In *In Gold We Trust* report 2018

return to a fully backed gold currency would be possible if the shadow gold price were reached.

These calculations are by no means just a mind game: the Bretton Woods agreement calculated the exchange rate between the US dollar and gold in this way: US monetary base divided by US gold holdings. The following table shows shadow gold prices with full coverage of the monetary aggregates M0, M1 and M2.

Shadow Gold Price for Various Monetary Aggregates, 12/2024

Shadow Gold Price	SGP M0	SGP M1	SGP M2
USD	21,416	70,368	82,223
EUR	13,457	30,611	45,050
GBP	9,753	223,535	309,741
CHF	15,462	19,022	29,101
JPY	4,191,397	40,443,307	46,325,969
CNY	174,649	915,546	4,284,375

Source: Trading Economics, Incrementum AG

The only new thing in the world is the history you don't know.

Harry Truman

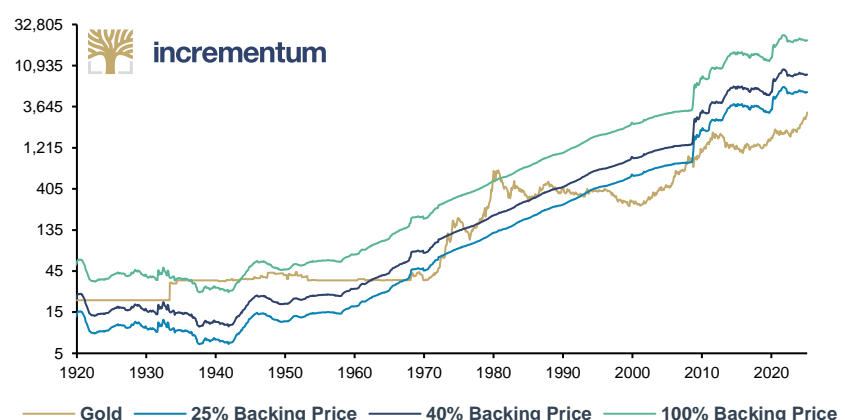
How should this table be interpreted? At a gold price of USD 21,416, the entire monetary base M0 of the US dollar would be 100% covered by the Federal Reserve's gold reserves – more precisely, by gold certificates valued at market prices. In the eurozone it would be just under EUR 13,500. If the same logic were applied to the broader monetary aggregate M2, 100% coverage would result in a gold price of USD 82,223 for the US and CHF 29,101 for Switzerland, for example.

As long as the debt money system exists, the money supply must grow so that the system does not collapse.

Thomas Mayer

Historically, however, different forms of partial cover were the rule. For example, the Federal Reserve Act of 1914 stipulated a gold cover of at least 40%. To meet this requirement today, the price of gold would have to rise to USD 8,566. From 1945 to 1971, only 25% coverage was required, which would currently correspond to an M0 shadow gold price of USD 5,354.

Gold Price to Back Monetary Base (log), in USD, 01/1920–03/2025

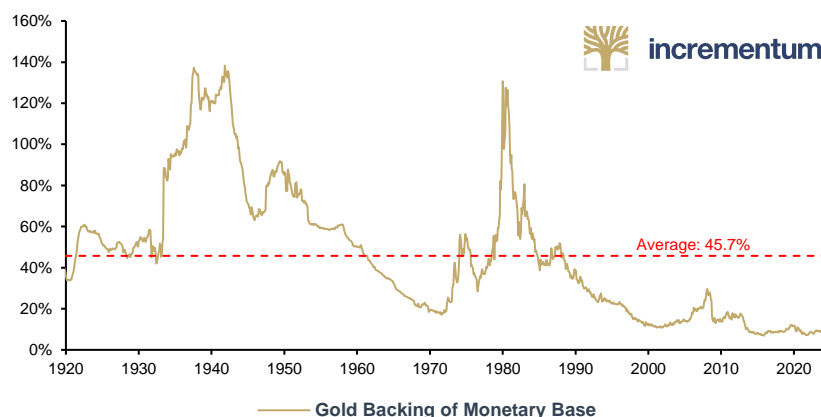


Central banks and finance ministries do not hold copper, aluminum, or steel supplies, yet they hold gold. The only explanation for central bank gold hoards is the obvious money – gold is money.

James Rickards

The reciprocal value of the shadow gold price based on current market prices gives the degree of coverage of the monetary base and reflects the state of monetary stability. In the gold bull market of the 2000s, the gold coverage of the monetary base tripled from 10.8% to 29.7%. A comparable coverage ratio today would only arise if the gold price were to almost double to over USD 6,000. Historically, gold coverage reached values above 100% in the 1930s, 1940s and 1980. The record value of 131% from 1980 would correspond to a gold price of around USD 30,000. **Currently, the gold coverage ratio of the monetary base in the US is only 14.5%. To put it crudely: Only 14.5 cents of every US dollar currently consists of gold, the remaining 85.5% is air.**

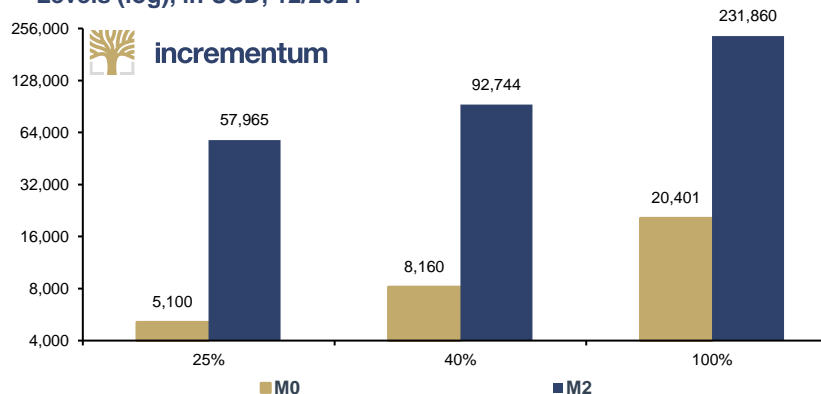
Gold Backing of Monetary Base, in %, 01/1920–03/2025



Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

The international shadow gold price shows how high the gold price would have to rise if the money supply (M0 or M2) of the leading currency areas – the US, euro area, UK, Switzerland, Japan, and China – were covered by the central banks' gold reserves in proportion to their share of global GDP. This view impressively reveals the extent of the monetary expansion: With an – admittedly purely theoretical – 100% coverage of the broad money supply M2, the gold price would be over USD 231,000; even with a moderate 25% coverage, it would be around USD 58,000.

International Shadow Gold Price* at Different Gold Coverage Levels (log), in USD, 12/2024



Source: Trading Economics, Incrementum AG

*Calculation based on M0/M2 of the US, Eurozone, UK, Switzerland, Japan, and China, then GDP-weighted and homogenized.

Gold is the bottom of Exter's pyramid. In times of crisis, everything moves down the pyramid toward gold. It's not gold that changes - it's everything else that deflates.
John Exter

Never be limited by other people's limited imaginations.
Mae Jemison

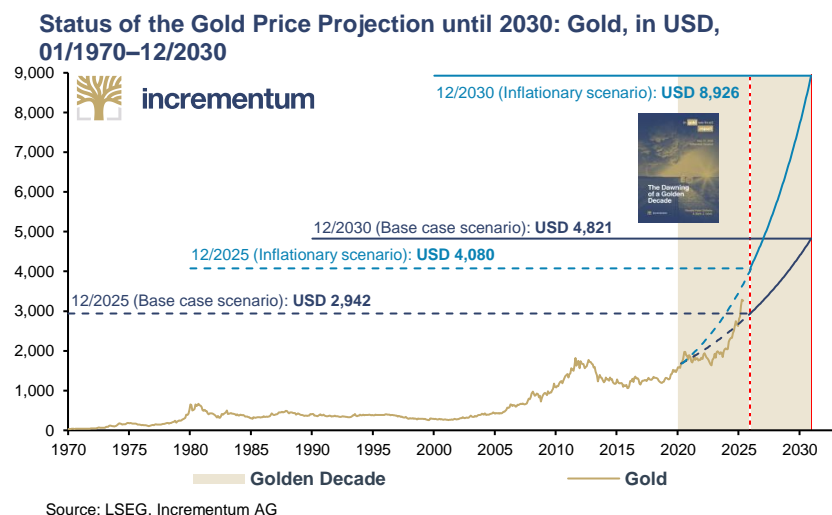
These shadow gold prices reveal two things: firstly, the enormous overexpansion of today's money supply in relation to the available amount of gold, and secondly, the long-term potential of gold should it be remonetized in the course of a reorganization of the global monetary system through a restoration of the gold redemption obligation. **The shadow gold price therefore serves as a strategic compass for investors who regard gold not as a commodity but as a monetary anchor.**

Quo Vadis, Aurum?

Update on the gold price forecast until the end of the decade

After these theoretical considerations, we now want to return to the hard ground of investor reality. Now, at the halfway point of the *golden decade*, is the right time to take stock. We presented our proprietary *Incrementum Gold Price Model* in the *In Gold We Trust* report 2020, "*The Dawning of a Golden Decade*". In this model, we employed historical data to forecast different scenarios regarding money supply growth and the implied gold coverage ratio, assigning probabilities to each outcome.

The 2020 decade price target of around USD 4,800 in the base scenario, which seemed like a distant mirage to many investors and analysts at the time, is now taking shape. As of 30 April, the gold price is already trading well above the calculated interim target of USD 2,942 for the end of 2025. **This target is based on an average annual gold price increase of "only" 7%.**



Trump's tax proposal to replace a major amount of income-tax revenue with tariffs is a prescription for the mother of all stagflations.
Larry Summers

Given the recent momentum on the gold market, it is worth looking at our alternative scenario: Back in 2020, we pointed out the possibility of an inflationary or stagflationary decade, as in the 1970s. For this *tail risk* scenario, we attributed a gold price increase to around USD 8,900 by the end of the decade, which – based on current price levels – would still correspond to considerable growth of around 19% p.a. The arithmetical interim target for this scenario is USD 4,080 at the end of 2025. **From today's perspective, a realized price**

within the range of the two scenarios by the end of the decade appears realistic. The forecast corridor of USD 4,800 to USD 8,900 depends mainly on how inflationary the next five years will be.

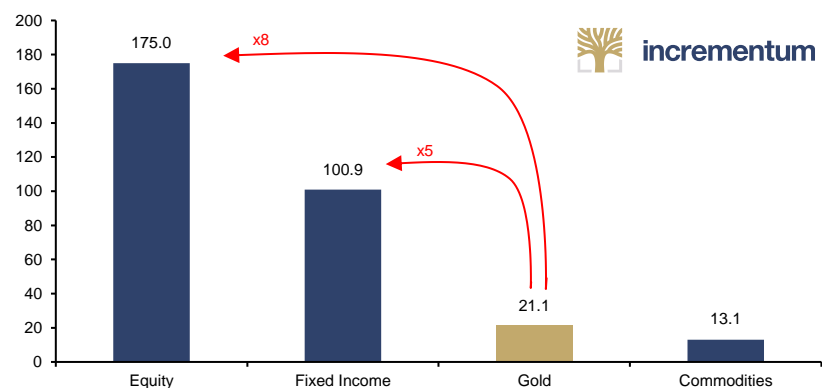
The Big Rotation: How Bright Will Performance Gold Shine?

Hooh werd' ma's nimmer g'winna...

Anton Pfeffer

Even though gold is slowly coming back into the spotlight, the big gold rush of Western financial investors is still a long way off: Gold ETFs recorded the second-highest quarterly inflows ever measured in US dollars in Q1/2025, at USD 21.1 billion. However, due to the sharp rise in the price of gold, this is only the tenth largest quarterly inflow in history, measured in tonnes. In addition, current inflows into gold ETFs continue to lag far behind those of equity and bond ETFs — about as far behind as Austria was at halftime in the legendary 0:9 loss against Spain. Or, as Toni Pfeffer famously put it at the break with the score at 0:5, “*Hoch werd' ma's nimmer g'winna.*” (“Well, we certainly won’t win big anymore.”)

ETF Inflows, in USD bn, Q1/2025



Source: State Street Global Advisors, World Gold Council, Incrementum AG

The fool believes he needs no adaptation – until the rotation crushes him.

Nassim Taleb

We now see increasing opportunities in those assets that we summarized in “*The New Gold Playbook*” under the term *performance gold*: **silver, mining stocks, and commodities, which have come into the limelight in the slipstream of gold, albeit still cautiously.**⁹³

Investors want certainty, yet asymmetry is greatly diminished by the time certainty has arrived.

Trader Ferg

The following table illustrates the potential of silver, mining stocks, and commodities in the context of historical gold bull markets. A comparison of the performance to date in the current decade with that of the 1970s and 2000s shows considerable catch-up potential for silver and mining stocks in particular.

Performance of Gold, Silver, Mining Stocks*, and Commodities** in Bull Market Decades, in USD, 12/1969–04/2025

1970s			2000s			2020s		
1 st Half	2 nd Half	Total***	1 st Half	2 nd Half	Total***	1 st Half	2 nd Half	Total***

⁹³ See the chapter “1970s, 2000s, 2020s...: “A déjà vu in two acts – Act Two” in this In Gold We Trust report, as well as “*Mastering the New Gold Playbook*,” In Gold We Trust report 2024

Gold	452%	162%	2,259%	52%	150%	555%	73%	25%	118%
Silver	167%	525%	2,663%	26%	111%	788%	65%	11%	84%
Mining Stocks	363%	17%	1,292%	191%	89%	749%	17%	41%	65%
Commodities	379%	44%	754%	93%	-18%	103%	38%	0%	38%

Source: LSEG, Incrementum AG
*BGMI 12/1969–05/1996, HUI 05/1996-. **GSCI Index TR. ***Decade start to peak.

I don't think limits.

Usain Bolt

*When you're hunting elephants
don't get distracted chasing
rabbits.*

T. Boone Pickens

Our thesis is that gold always leads the way, with silver, mining stocks, and commodities following in its wake. The dynamics resemble a relay race: Gold takes the starting leg, sets the pace, and pulls the field apart. Silver, mining stocks, and commodities then take the baton.

Silver

The gold/silver ratio stood at 100.9 at the end of April, putting it in the 100th percentile, a level that was otherwise only reached at the beginning of the Covid-19 pandemic. The long-term median since 1970 is 62.8, which further underlines the striking current divergence. **In the past, similarly extreme conditions have been followed by an outperformance of silver.**

Gold/Silver Ratio, 01/1970–04/2025



Source: Nick Laird, LSEG, Incrementum AG

Over the past 125 years, the ratio has only spent brief moments above the 100 level – extremes like this tend not to persist for long. If history is any guide, this doesn't look like the time to be overly bearish on silver, in my view.

Tavi Costa

Don't let silver's volatility scare you away. Instead, make it work for you.

Peter Krauth

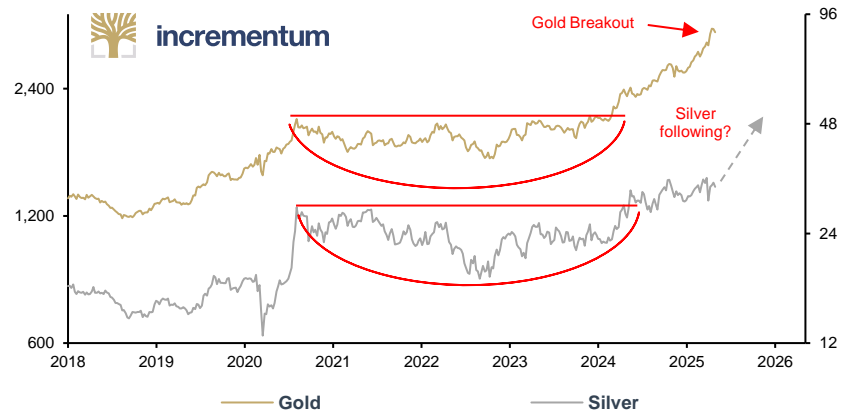
Fundamentally, everything seems to be in place for gold's little

brother: Silver recorded a supply deficit for the fourth time in a row in 2024. Demand exceeded supply by 148.9 million ounces (Moz). In the period from 2021 to 2024, the cumulative deficit amounted to 678 Moz, which is the equivalent of ten months of global mine production. **For 2025, the Silver Institute is forecasting a further supply deficit of 117.6 Moz.**

This shortage is primarily caused by the ongoing boom in photovoltaic applications. This key sector of the energy transition, which is dominated by China, is now the second largest demand driver for silver after jewelry and was responsible for a demand of 197.6 Moz in 2024.

In addition, silver has outperformed gold in 6 of the last 7 bull markets since 1967. Nevertheless, the price performance of the white metal has so far remained below the historical average, which opens up an attractive investment opportunity, provided that silver finally succeeds in realizing its potential as performance gold.

Gold (lhs, log), in USD, and Silver (rhs, log), in USD, 01/2018–04/2025



Source: LSEG, Incrementum AG

Investment demand could become the primary driver of silver's price in 2025. The explosive growth of Indian ETP holdings – with 40% of private investment inflows and 70 Moz net investment – currently points to a change in market dynamics.

Mining shares

Money is being made on the delta between price and value.

Rick Rule

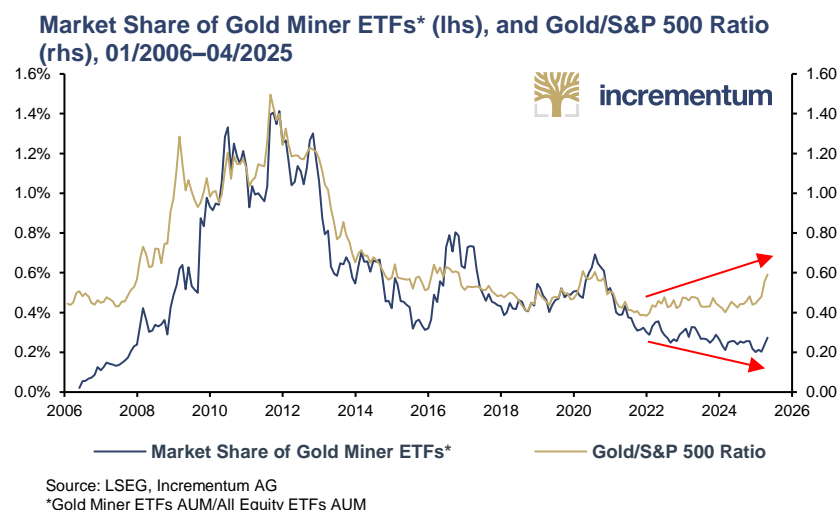
While the gold price has reached numerous new all-time highs in recent months, the HUI is currently trading around 40% below its all-time high of 635, set in September 2011. Despite a 27% increase in the gold price in calendar year 2024, the GDX and GDXJ only gained 10.1% and 14.9%, respectively. In the first four months of 2025, the performance was significantly more positive, at 42.5% (HUI), 44.5% (GDX), and 43.6% (GDXJ); however, the miners were still unable to fully emancipate themselves from the gold price. The often-postulated leverage of around 3:1 against the gold price has not even come close to being realized so far.

Gold and HUI, 100 = 01/2000, 01/2000–04/2025

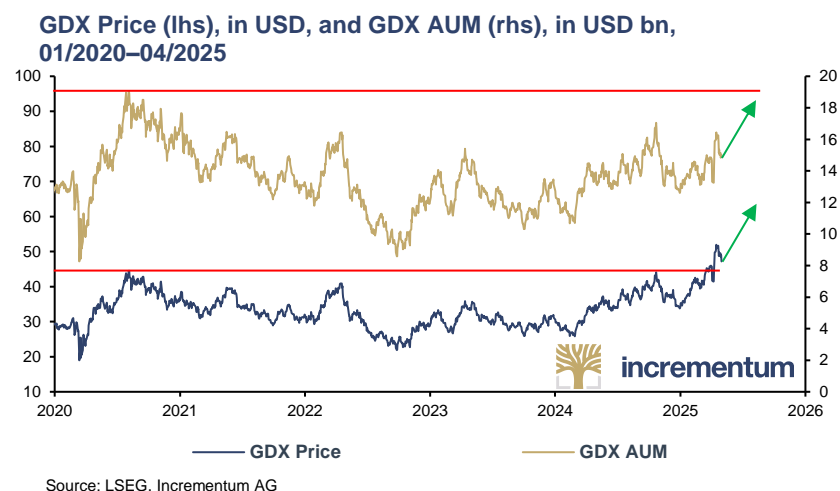


Source: LSEG, Incrementum AG

A look at the market share of mining ETFs in the overall ETF market shows that the party hasn't started yet. Gold mining ETFs currently account for just 0.27% of all assets invested in ETFs. At its peak in 2011, the share was 1.4% and therefore 5 times as high.



While the GDX has already surpassed its 2020 high, ETF investors are exercising restraint. **At around USD 15bn, the GDX's current assets under management are USD 4bn below the 2020 level.** This discrepancy between price performance and capital inflows suggests that a significant share of ETF investors remains on the sidelines.



A solid foundation is buying at a low valuation.

Ian Cassel

The negative reputation of the past cycle still clings to the sector – wrongly, in our opinion.⁹⁴ This is because many companies are now acting much more conservatively and are increasingly focusing on cash flow and margin optimization, which significantly increases their resilience to falling gold prices. The fall in the oil price is also proving to be an additional tailwind on the cost side. **Both the absolute and relative undervaluation are remarkable.**

	Gold Miners (GDX)	S&P 500	Analysis
EV/EBITDA	9.22x	16.34x	GDX cheaper
Price/Cash Flow	10.71	16.41	GDX cheaper
Net Debt/EBITDA	0.32	1.48	GDX fractions of debt
Total Debt/Total Assets	13.94%	29.92%	GDX less levered
Net Margin	17.05%	11.24%	GDX ~50% higher

Source: Factset, Incrementum AG

⁹⁴ See chapter "Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?" and "Performance Gold – Is It Time for Mining Stocks?" in this In Gold We Trust report

Acquisitions are like Russian roulette: Most chambers are empty, but one will kill you.

Ray Dalio

Contrarian investing is inherently painful. It goes against human nature, and it's deeply uncomfortable. That's why it works for the patient investor.

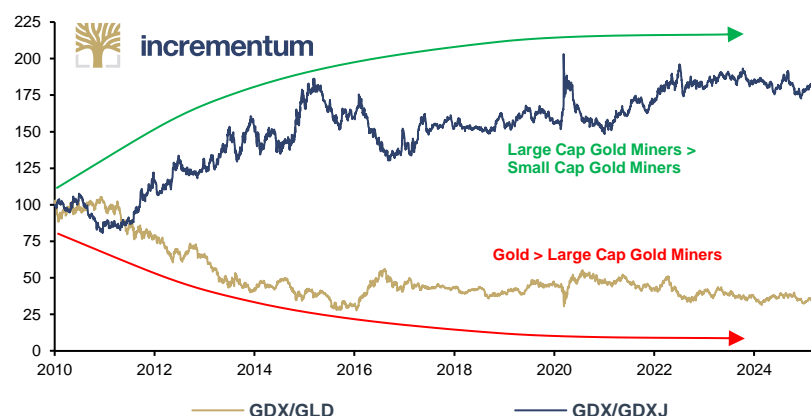
Rob Arnott

Nevertheless, the inflow of funds for new projects remains insufficient.

In order to close production gaps, the current M&A wave in the mining sector is gaining momentum. Recent deals such as MAG Silver/Pan American, Lundin/Filo, Gold Fields/Osisko, and Equinox/Calibre show that, so far, acquisitions have focused on mid-cap companies. However, the real game changer is yet to come – the next phase will be mega acquisitions of large caps financed by record-high margins and free cash flows, driven by acute reserve replacement requirements (42 Moz annually) and declining deposit quality. Falling interest rates will benefit the sector in two ways: through lower capital costs for the capital-intensive industry and the increasing attractiveness of gold mining dividends.

Within the gold sector, there is not only a divergence between gold and mining stocks but also between large- and small-cap companies. This is primarily an expression of the cautious risk appetite. If the sustained upward trend in the gold price draws more attention to the valuation and performance potential in the mining sector, **this could usher in a new phase of relative strength as part of a risk-on move, especially in the small- and mid-cap segment.** In such a scenario, the gap that has existed between large and small caps since 2010/2011 is likely to close.

GDX/GLD and GDX/GDXJ, 100 = 01/2010, 01/2010–04/2025



Source: LSEG, Incrementum AG

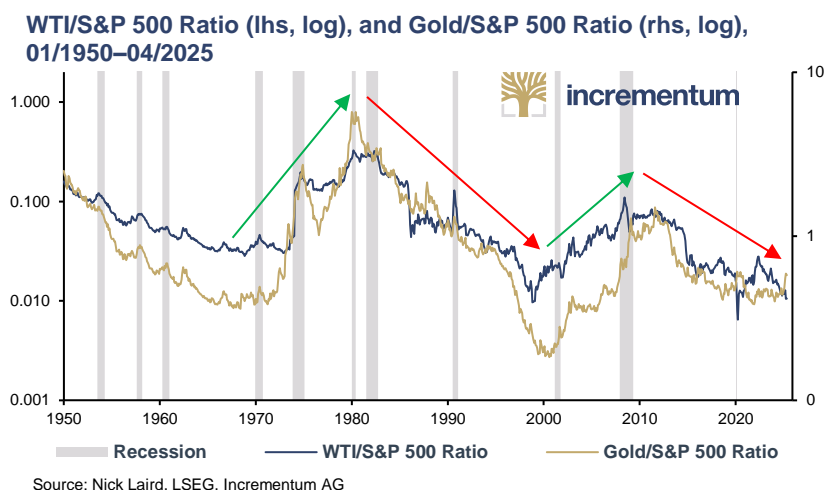
In commodities, you need a stomach of steel and a horizon of decades.

Jim Rogers

Commodities

The commodity cycle is currently experiencing an exhausting pause.

The recent discrepancy between the price of gold and oil is particularly striking. Most recently, the uncertainty surrounding the US's new tariff policy has had a particularly negative impact on commodity prices. **Historically speaking, phases of decoupling between gold and oil prices are quite normal, but commodity supercycles are largely synchronized, even if the respective turning points are sometimes shifted in time.** This can be illustrated by comparing the relative performance of gold and oil against the S&P 500.



The Chinese economy is an ocean, not a small pond.

Xi Jinping

In the medium term, the commodities market will reflect the new geopolitical realities: As the US reduces its global leadership role, Europe, China, and the rest of the world are expanding their defense and energy infrastructure, driving demand for strategic commodities. In a world where geopolitical certainties are crumbling, both nations and companies will be forced to hoard strategic resources.

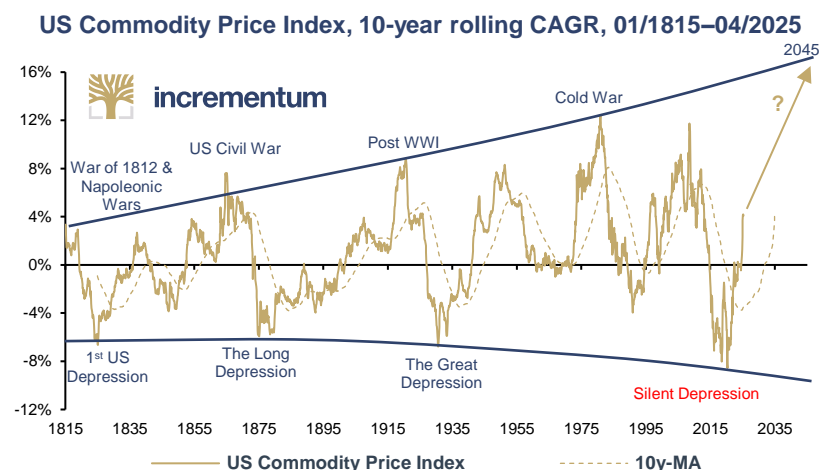
China is accelerating this development through targeted decoupling:

The US export share fell from 19.2% (2018) to 14.7% (2024), while Beijing controls 60% of global production and 90% of rare earth processing, for example. This dominance is further cemented by targeted export restrictions, especially for exports to the US, and creates a structural supply risk. **Raw materials have long since become an instrument of geo-economic power, both as a weapon and as an insurance policy. If you want to invest successfully in this environment, you need to comprehend the new power structures and the political function of certain commodities.**

The US retreat behind the walls of Fort Monroe should lead all major economies to increase their stockpiles of commodities.

Louis-Vincent Gave

However, there are also potential bullish triggers in the short term: An easing of monetary policy could herald the next upturn – accompanied by a weaker US dollar and expansive fiscal and monetary policy stimuli from China. In addition, growing demand from the defense industry and green transformation investments are reinforcing this trend.



Bitcoin

I'm a bit of a dinosaur, but I have warmed up to the fact that Bitcoin could be an asset class that has a lot of attraction as a store of value.

Stanley Druckenmiller

I don't know where I'm going from here, but I promise it won't be boring.

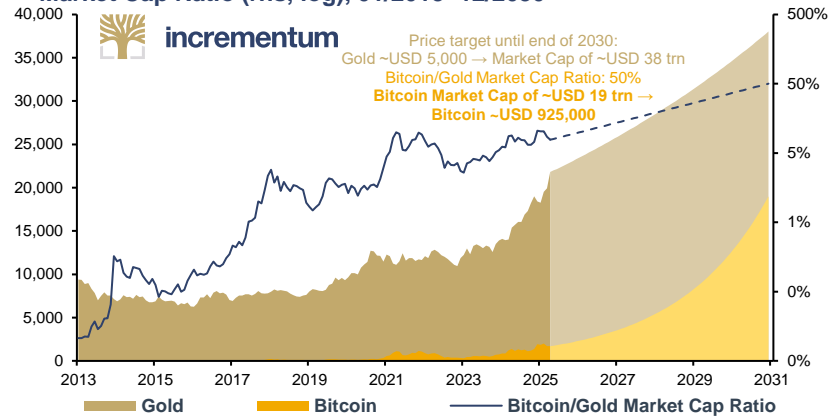
David Bowie

Could Bitcoin also emerge as a winner from the current re-sorting of the world (dis)order? Against growing geopolitical tensions, the advantages of a decentralized cryptocurrency like Bitcoin seem obvious. Thanks to its independence from state control and its cross-border transaction capability, Bitcoin would indeed offer an alternative to traditional currencies. **With the passing of the law to introduce a *strategic Bitcoin reserve*, the US has also entered the race for digital gold at the state level.**⁹⁵

However, there is still a long way to go before gold is replaced by Bitcoin. The market capitalization of all mined gold as of 30 April is approximately USD 23trn – 217,465 t at a price of USD 3,288 per ounce. At a price of just under USD 94,200 per Bitcoin at the end of April, the market capitalization of Bitcoin stands at around USD 1.9trn. This corresponds to around 8% of the market capitalization of gold. In line with our gold price forecast with a time horizon until the end of 2030, it is conceivable that Bitcoin could reach a market capitalization of 50% relative to gold by then. **If we now assume our conservative gold price target of around USD 4,800, the Bitcoin price would have to rise to around USD 900,000 in order to reach 50% of gold's market capitalization.** This may be ambitious throughout, but would ultimately be consistent with the historical performance of both assets.

⁹⁵ See chapter "A Monetary Turning Point: Bitcoin's Rise to Strategic Reserve Currency" in this In Gold We Trust report

Market Cap of Gold and Bitcoin (lhs), in USD bn, and Bitcoin/Gold Market Cap Ratio (rhs, log), 01/2013–12/2030*



Source: LSEG, World Gold Council, coinmarketcap.com, Incrementum AG

*Based on the expected Bitcoin supply at end of 2030 and gold supply at end of 2030 assuming an annual supply growth of 1.5%.

Bitcoin and Gold are the two most liquid alternative assets in the world. They are not in competition, play different roles, have global cross-border and cultural appeal, and come together as an all-weather inflation hedge.

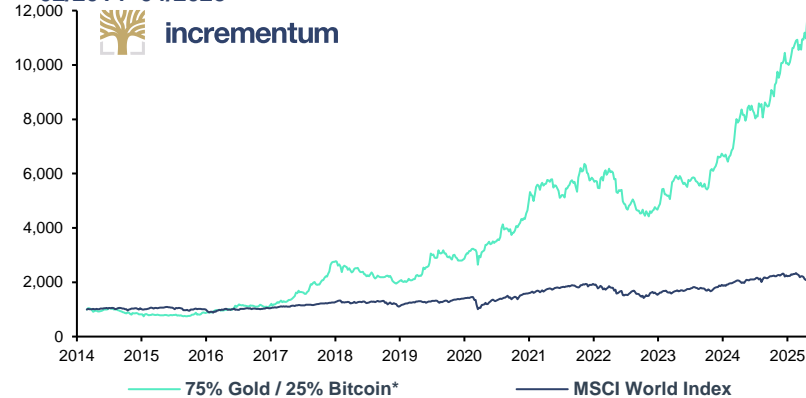
Charlie Morris

The fact that gold has gained a competitor in the universe of noninflationary assets is not necessarily a disadvantage in itself.

According to the motto "competition stimulates business", it is likely that more and more investors will realize that a combined investment in gold and Bitcoin is superior to the respective individual investments on a risk-adjusted basis. **Our credo for years has been: "Gold for stability, Bitcoin for convexity."**

Even if the two asset classes are different, buying both assets is an active decision to turn your back on the fiat world.⁹⁶

75% Gold / 25% Bitcoin*, and MSCI World Index, 1,000 = 02/2014, 02/2014–04/2025



Source: LSEG, Incrementum AG

*Weekly Rebalancing

⁹⁶ You can find more information on our investment strategies at www.incrementum.li/investmentfonds. For Bitcoin enthusiasts, we also offer a quarterly publication, "The Bitcoin Compass", which can be downloaded free of charge: <https://www.incrementum.li/en/incrementum-bitcoin-compass/>.

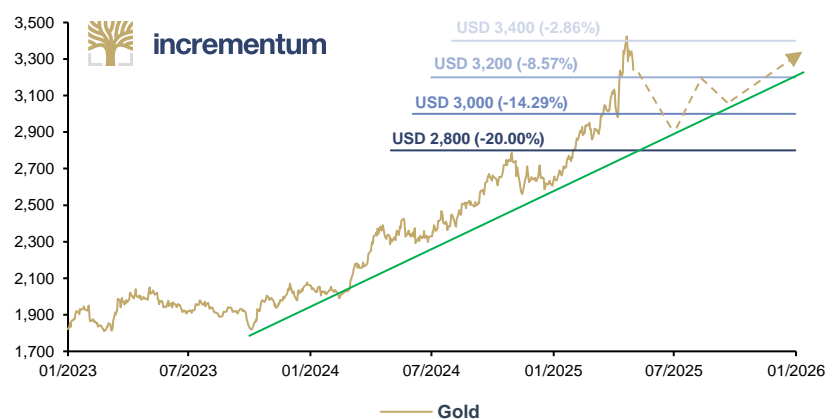
The Big Correction? – What Factors Point to a Correction in the Price of Gold?

Despite the intact long-term uptrend, a correction is likely, according to our analyses. **The following factors suggest a temporary phase of weakness:**

- **Central banks as a key risk:** An unexpected decline in central bank demand from the current average of 250 t per quarter could withdraw structural demand.
- **Investor de-risking & position reduction:** Broad sell-offs such as those in April, immediately following Liberation Day, show how quickly speculative positions are being reduced. Profit-taking by large investors cannot be ruled out either, especially if volatility on the US equity market decreases.
- **Decline in the geopolitical premium:** An agreement in the Ukraine war, a resolution of the situation in the Middle East, or a rapid end to the trade war, particularly with China, would significantly reduce the respective geopolitical premia and weaken the gold price.
- **US economy stronger than expected:** A robust US economy could prompt the Federal Reserve to tighten interest rates.
- **High technical and sentiment-driven risks:** Sentiment is bullish, and the positioning is extreme in some cases.
- **Stronger US dollar:** The US dollar is oversold in the short term and sentiment is extremely negative.

The short-term market situation is tense; a correction to ~USD 2,800 does not seem unrealistic. A temporary sideways market would also be conceivable as part of a price consolidation and would ultimately be healthy for the bull market. **This would in no way jeopardize the medium to long-term Big Long case for gold.**

Gold, in USD, 01/2023–04/2025



Source: LSEG, Incrementum AG

The Big Long: The Rise of the Golden Swan?

Gold will be repriced once in life; that will be much more than enough.

Another

I think we're in a long-term bull market in gold. We're seeing reserve accumulation by central banks. I am following it closely. It's my biggest position.

Scott Bessent

I am an optimist. It does not seem too much use being anything else.

Winston Churchill

The Big Short was a strategic investment decision against a dysfunctional financial system that was in the final phase of irrational exuberance. ***The Big Long* is a strategic investment decision based on several reinforcing pillars:**

- the inevitable restructuring of the global financial and monetary system in the face of deep political and economic turmoil.
- an inflationary attitude on the part of governments and central banks – monetary climate change.⁹⁷
- the economic upturn in regions with an affinity for gold, particularly Asia and the Arab world.
- the reallocation of capital out of US assets (USD, US stocks, US Treasuries), which have stolen the show from gold for many years.
- The expected outperformance of *performance gold*, i.e. silver, mining stocks and commodities.

The parallel with *The Big Short* is no coincidence: Just like the underdog investors around Michael Burry in the aughts, those who recognize fundamental market distortions and embrace the *Big Long* are benefiting today — including many readers of the *In Gold We Trust* report. These investors, who adhere to the tradition of the Austrian School, have been derided as "gold bugs" for decades.

The chrysophiles and sound money advocates see their theses confirmed by current market developments.

Gold, mankind's oldest store of value, is sending out visible signals.

However, the extraordinary gold price rally of recent quarters could be more than just a reflection of crises; it could be the first harbinger of a *golden swan moment*: a rare but hugely positive signal for gold in the maelstrom of global upheaval.

While the existing monetary system is increasingly losing credibility, there is a growing likelihood that gold will regain its traditional role as a monetary asset, possibly in the form of a supranational settlement asset – not as an instrument of political power but as a neutral, debt-free basis for trade, exchange and trust. **Gold serves as a monetary anchor that could lay the groundwork for a calmer, more stable, and more peaceful era.**

Whatever the outcome, in view of the geopolitical and economic climate, one thing is certain:

IN GOLD WE TRUST

⁹⁷ See "Gold and the Turning of the Monetary Tides," In Gold We Trust report 2018

About Us

Ronald-Peter Stöferle, CMT



Ronnie is managing partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied business administration and finance in the USA and at the Vienna University of Economics and Business Administration, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the research department of Erste Group, where in 2007 he published his first *In Gold We Trust* report. Over the years, the *In Gold We Trust* report has become one of the benchmark publications on gold, money, and inflation.

In 2014, Ronnie co-authored the international bestseller *Austrian School for Investors*, and in 2019 *The Zero Interest Trap*. He is a member of the board of directors at Tudor Gold Corp. (TUD), and Goldstorm Metals Corp. (GSTM). Moreover, he is an advisor to *Von Greyerz AG*, a global leader in wealth preservation in the form of physical gold stored outside the banking system. He is also a Member of the Advisory Board at *Monetary Metals*.

Mark J. Valek, CAIA



Mark is a partner of Incrementum AG and is responsible for Portfolio Management and Research.

While working full-time, Mark studied business administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of philoro Edelmetalle GmbH. Since 2024, he has been a Member of the Advisory Board at *Monetary Metals*. In 2014, he co-authored the book *Austrian School for Investors*.

Incrementum AG



Incrementum AG is an owner-managed and FMA-licensed investment and asset management company based in the Principality of Liechtenstein. Our core competence is the management of investment funds and asset management.

We evaluate investments not only on the basis of the global economic situation, but also always see them in the context of the current global monetary system. Independence and self-reliance are the cornerstones of our philosophy, which is why the five partners own 100% of the company.

www.incrementum.li

The publishing rights for the *In Gold We Trust* report were transferred to Sound Money Capital AG in November 2023. *The In Gold We Trust* report will continue to be co-branded with the Incrementum brand as usual.

We would like to thank the following people for their outstanding support in creating the *In Gold We Trust* report 2025:

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