

Golds Bull / Bear Table

GOLD: SUMMARY TABLE			
	↑ Tailwinds	↔ Neutral	↓ Headwinds
MORE BULLISH -----> <----- LESS BULLISH	Overcrowded Inflation trade is merely a correction - it is <u>not</u> transitory. The Fed will wroftog the exit, and will need to do a lot more than talk (with hikes over 1year away & CPI >5%) to derail this inflation run	Limited macro fear/equity volatility (VIX >20) is short-lived and doesn't upend the super complacent risk regime given aggregate amount of liquidity/cash in the system; margin-related Gold selling is offset by haven inflows	Decreasing risk of <u>correlated dovish global Central Bank</u> action as growth & inflation surge. The Fed has provided a hawkish greenlight
	Return of physical support from India & China on lower prices, together with strong retail demand in NA. Deferred or deterred purchases & jewelry consumption (due to recent lockdowns in Asia regions) is likely "delayed" vs "lost"	Positioning remains mixed: fast money (COT + ETF) was well ITM but now offside, with positioning saturation leading to quick downsizing of the inflation unwind. COT shorts are underweight (a risk they ramp up). The larger generalist (FI, Equity) investor remains underweight or unengaged. Also Aggregate positioning (futures) is also underweight on historical basis and vs aggregate liquidity in system	Fed pivot from behind to ahead of the inflation curve. Reflation trade short-lived as the V-shaped shift in inflation drives a more hawkish Fed, inducing largescale unwind of Bonds & Gold and a USD surge
	Catchup rebound in growth driving <u>EUR upside and rotation into European assets</u> is gaining traction as US-European reopening/growth trade gap narrows & Fed reduces liquidity	<u>US</u> . Outlook on whether the \$ continues into structural weakness or whether theres another bullish leg up, is mixed. Given its reserve currency status & historical resilience into typical 'macro wobbles' (as Fed change in language will ramp up volatility), its still cheap.	Technically broken with peak stimulus/inflation top in and a lot of ground to be regain
	The Commodities thesis (vs equities & bonds) is gaining traction given structural underperformance. Portfolio asset allocation potentially reconsidered given dramatic shift lower in yields offering little-no diversification benefits. Bitcoin is less of a viable/stable fiat currency, or equity inflation hedge & thus less of a detractor of Gold flows.	Trade, Geopolitics, Politics: no geopolitical bid given the lack of bullish/unpredictable headlines post Trump, the frequency of 'off-calendar' geopolitical events/risks (Iran/Middle East/North Korea) is decreasing or a nonevent for assets. Multilateralism is clawing back	Risk reward in the near-term is skewed to downside (-\$100+/\$50), giving growing headwinds
	Higher pace of <u>Central Bank</u> gold buying, diversifying against fiat/US\$ and aggregate warlike era fiscal & monetary responses globally		Large <u>dishoarding</u> from traditional physical Gold countries given price surge; Gold Producers well ITM
	Fiat currencies may be re-politicized in a <u>currency war as last of monetary policy tools redeployed</u> . The independence of CBs increasingly under threat from governments; skepticism growing around power of CBs to remove volatility & pump up asset prices amidst renewed risks		Relative to other high beta assets, <u>Gold performs but doesn't outperform</u> in sustainably low interest rate/low volatility environment. Stale longs quick to exit for better opportunities, providing an opportunity for fastmoney (COT) short to really reengage on Fed pivot
	Unsustainable US <u>debt/fiscal</u> path (and globally) with swelling twin deficits. A structural theme, but one which has taken a backseat to the Feds recent actions.		

Source: MKS PAMP Group

There has been a few notes post the pivotal FOMC and varying views circulating the market so the table simply summarizes the key the Gold bull/bear arguments for 2H.

There is not one convincing side/camp, just yet, and until then, prices are consolidating around ranges awaiting clearer signals. We will continue to add and reshuffle some of these core arguments as the narrative evolves. PDF also available here [Gold Table](#)

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