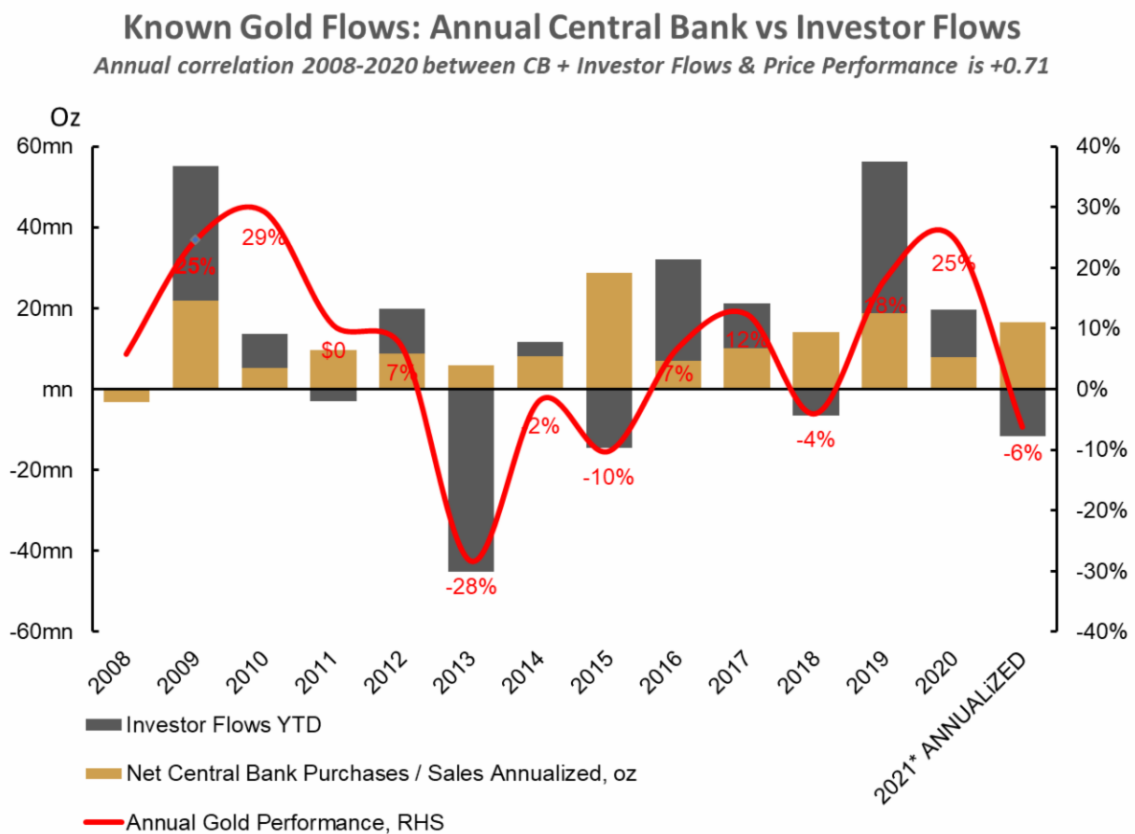


## Central Bank & Investor flows



**Note:**

- 2021\* numbers are annualized as of October 10 2021 (CB) and as of Nov 2021 (Investors)
- CB flows are most recent data from WGC, as of October 2021 (Jan-Oct '21)
- Investor flows are as of November 30th and are defined as net Global ETF flows + net CFTC COT paper flows

Source: IMF, Bloomberg, MKS PAMP Group Metals Strategy, CFTC, World Gold Council

### Monthly CB Trends

- Recent data: Central banks added a marginal net 2.9t of gold to their reserves in October. Kazakhstan, India, Russia and Ireland all made purchases (+5.6t, +3.8t, 3.1t, & 1t respectively) offset by sales from Uzbekistan (-8.4t), Turkey (-1.7t), and Qatar(-1.6t).
- This is a far cry from the average monthly purchases seen throughout 2021 (+47.3t), solidifying our thinking that CBs are providing less support than in 1H.**
- Purchases were also v soft despite October prices averaging \$1775, the lower end of YTD ranges. The lack of macro fear in October (both SPX & Bitcoin made new highs highlighting resilient sentiment) likely contributed. CB data in Nov and December will be interesting to decipher how elastic they are to stagflationary developments / headwinds (Omicron), global equity gyrations and a hawkish Fed (Powell).

### Yearly CB AND Investor (ETF+COT) trends

- YTD (Jan-Oct), Central Banks have added ~428tonnes (~14mn oz) to their holdings in 2021; on an annualized basis (~16.5mn oz), this is still the 4<sup>th</sup> largest yearly increase in Gold purchases since 2009 (behind the strong years of 2009, 2019, 2015, in which purchases averaged ~23mn oz). IE: its simply feels like they frontloaded Gold purchases in 1H and now are 'full up'**
- By contrast, net investor flows in 2021 (COT+ETF) are down 10.6mn oz (on an annualized basis, -11.5mn oz is the 3<sup>rd</sup> largest set of yearly investor outflows behind 2013 & 2015).

- **Together, CB inflows still outweigh investor outflows by 5mn oz (16.5mn CB inflows vs 11.5mn investor outflows), thats associated with Gold performance YTD of -6.2%**
- Is that a fair price response, given the historical (2008-2020) correlation of +0.71 between (annualized) CB+ Investor flows & annual price performance (see graph)? No. The model implied price performance given current 2021 net flows is +2% (vs currently down 6.2% YTD); **Gold should be closer to \$1940 (+2% on the year), vs \$1780.**
- **The clear underperformance in Gold either indicates net OTC selling (either investor, retail or official sector) that is offsetting the recent physical demand, OR persistent intraday systematic/algo selling (which isn't evident in CME Agg OI/COT data)**

*\*Approved for all external purposes*

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