

Recent Thoughts on the Market; Metals & Miners.

Ahead of the federal reserve's interest rate decision today, I thought I would share some brief thoughts on precious metals, particularly silver.

Gold has broken out to a new all-time high, trading today at around \$2578/oz. Aside fundamentals, the chart has no resistance left and gold should see further upward momentum. Some read the chart as having broken final resistance at \$2550, with a buy signal triggered in the MACD line on 12th September. This same signal occurred in early 2023 around \$1650/oz gold which was followed by a period of strong performance.

Spot Gold (XAU/USD)



Fundamentally, gold supply has increased by about 4% worldwide over past 12 months, but supply is being overwhelmed by demand. I have written for some time about the large volume of gold buying from BRICS central banks (potentially as the backing of a BRICS digital currency). Recently Russia announced it would be spending 8.2 billion Rubles (\$92 million) a day on gold and foreign currency from September 6 through October 4. This broad-based buying may be in preparation for the BRICS meeting in October.

Whilst I believe there is still legs in owning gold itself, a potentially more lucrative prospect is in the miners which have somewhat lagged behind recent price action. Easy exposure can be found in the Van Eck Gold Miners ETF.

Van Eck Gold Miners ETF (GDX)



An individual pick is Galiano Gold, they have doubled gold production in 2024, have a very clean balance sheet and is currently trading around 13x earnings.

Galiano Gold (GAU)



The Fed and Silver

The federal reserve is expected to cut interest rates today. By how many basis points is up for debate. My prediction is just the 25 bps. Whatever the headline, the easing of monetary conditions historically leads to sizeable moves in silver and other semi-precious metals. For a start, the gold silver ratio is currently at 85-90, it is too high. This level is historically a good time to be looking at silver and other semi-precious metals. I expect silver to outperform gold from here potentially driving the ratio to around 65.

Gold/Silver Ratio



Historically, when silver moves, it moves fast. In November 1979 to February 1980, silver moved from about \$11 to \$49, 445% in 3 months! From July 2010-April 2011, silver made moves from \$17 to \$49.

Similarly to gold, silver miners are worth looking at. The following chart shows price action in Amplify Junior Silver Miners ETF (SILJ) after periods of easing monetary conditions. After the European debt crisis in 2015, following QE and lower interest rates from the ECB SILJ saw sharp moves. Similar price action is seen in response to monetary conditions set during covid.

Amplify Junior Silver Miners ETF



Individual picks worth looking into are Pan American Silver Corporation (PAAS) and Hecla Mining (HL).

Pan American Silver Corporation (PAAS)



Hecla Mining (HL)



<https://www.gold.org/goldhub/data/gold-demand-by-country>

<https://www.kitco.com/news/article/2024-09-06/russia-ramps-daily-gold-purchases-700-beginning-today>

