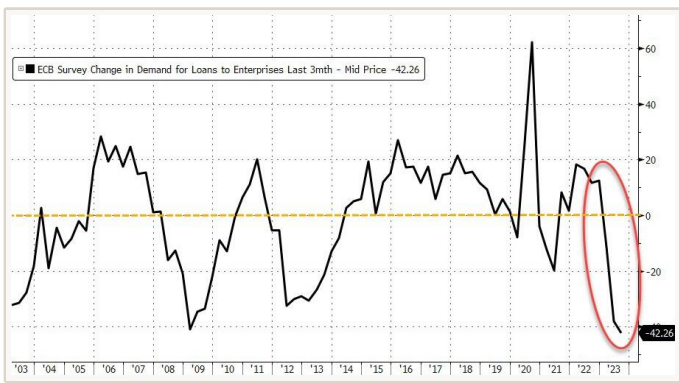


Market Report

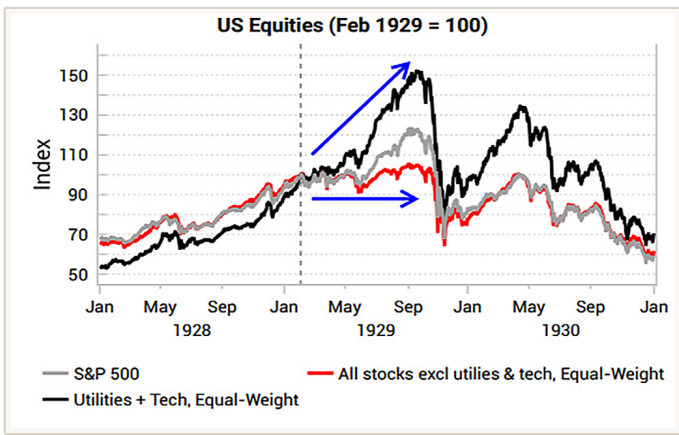
August, 2023

The US private sector is in a recession that has failed to reach official data due to high government consumption and expenditure overweighting metrics such as GDP. The financial world is seeing a plethora of initiatives to develop alternatives to SWIFT and the dollar, with a BRICS gold-backed currency and payment system being the most likely contender. European politics are swinging more right-wing as populist movements gain voters' support, while the US-Sino chip wars have been upped a notch, with no end in sight.

Highlights



The ECB's quarterly survey of 158 major banks, revealed a record-low decline in demand for loans from businesses. The drop in demand was particularly notable for SMEs (-40% net) and long-term loans (-46% net). Rate hikes and reduced fixed investments were identified as the primary drivers. Further credit tightening is expected, and with Germany's IFO data indicating a weakening economy, the likelihood of an ECB rate hike in September has decreased substantially.



Historical bubbles highlight the common features of monetary policy tightening and divergence between bubbled and average stocks. In 1929, despite 18 months of tightened liquidity and rising rates, bubbled equities continued to rally for 9 months, fueled by increased leverage via non-bank brokers' loans. Currently, alternative leverage seeking is demonstrated by a surge in option calls, raising concerns about a 1929-esque pop.

Precious Metals & Commodities

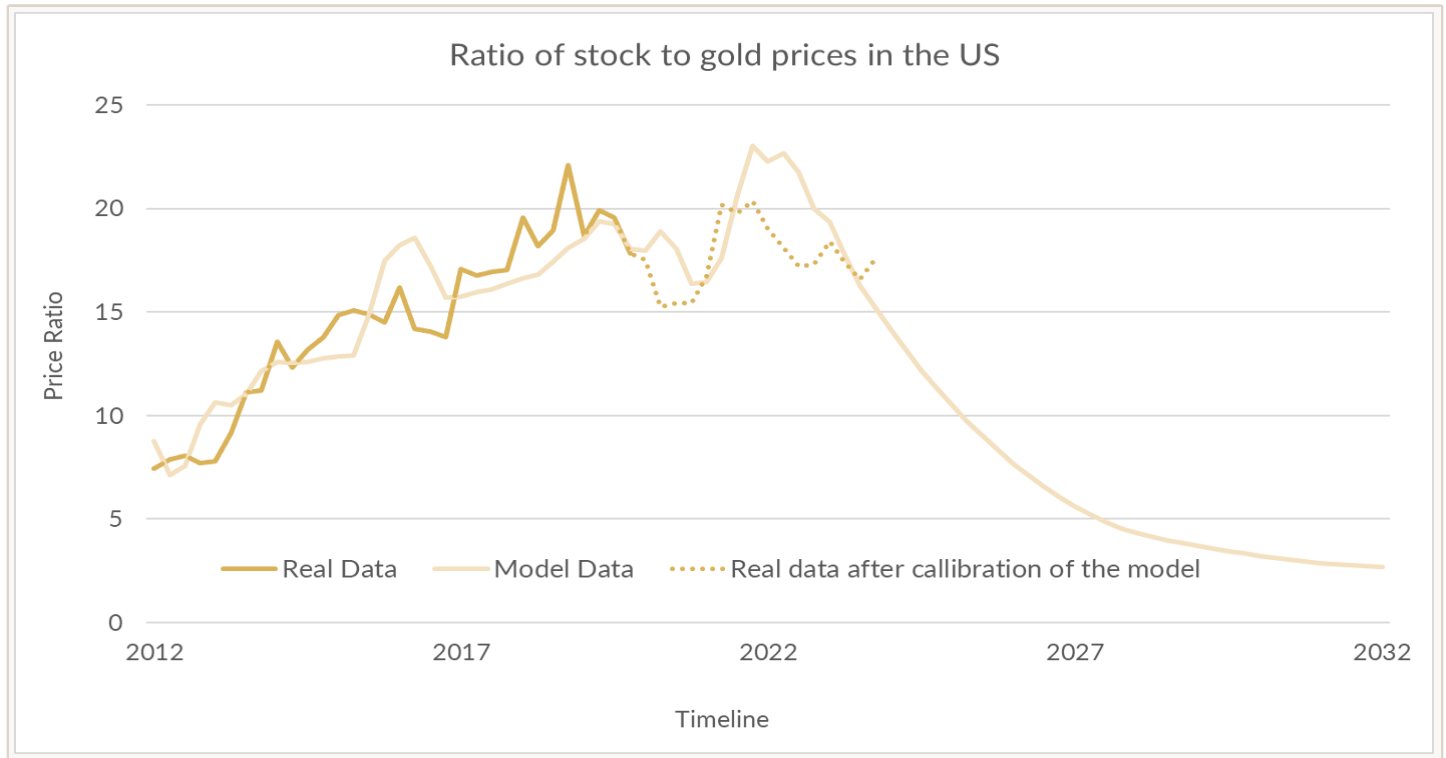
Oil and copper are expected to remain flat in the short and mid-term, but remain in a bullish long-term trend. Precious metals are expected to continue their long-term upward trajectory while agriculture is trending upward.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	↗	↗	→	→	↗
Outlook	↗	↗	→	→	↗
Trend	↗	↗	↗	↗	↗

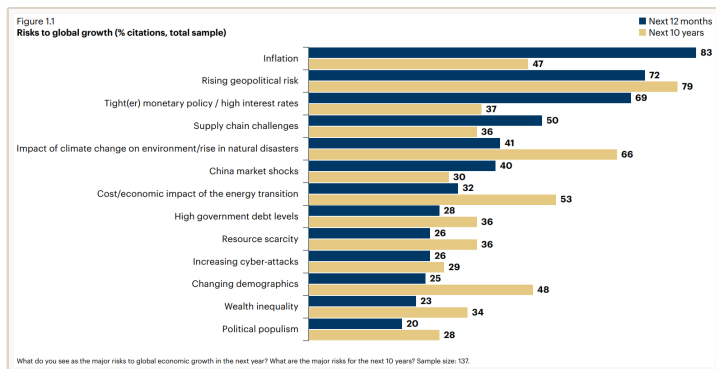
Prediction Model Gold or Stocks?

The current level of debt compared to production of the real economy is similar to the situation in the Germanic nations before the world wars in the 1910s, and the situation in France before the French Revolution in the 1790s.

Based on this data, the peak at which economic activity assets (such as equities) will outperform gold is around Q3 2022. From then on, the model predicts a outperformance of gold towards stocks (light line). When looking at the real data of stock to gold price (dotted line), we see the trend of gold outperforming stocks already began early in 2022. Whether we will experience another countermove or not is currently difficult to predict, but the long term trend for higher gold performance remains clear.



Gold Feature



According to a recent study, government investors and central banks are reevaluating their investment strategies due to expectations of persistent inflation. Over 85% of the participants in the survey believe that inflation will remain elevated, albeit at a lower rate, over the next 10 years. In response to this perceived threat, many investors are seeking alternative investment opportunities that offer both protection and potential returns.

A little over 25% of the surveyed investors plan to increase their strategic allocation to fixed income, however, the study notes that during the market correction in 2022, fixed income

securities did not provide the expected protection, and consequently investors are now favoring a more tactical approach to their fixed income allocations. Other strategies deemed attractive were emerging markets and high yield bonds.

However, the strongest interest shared amongst nearly 70% of central banks for hedging against inflationary trends was increased gold allocations, with none of the banks surveyed expecting a decline in gold holdings. Nearly 60% of respondents referred to the US freeze on Russian gold and foreign exchange reserves as the impetus for gold's increased appeal.