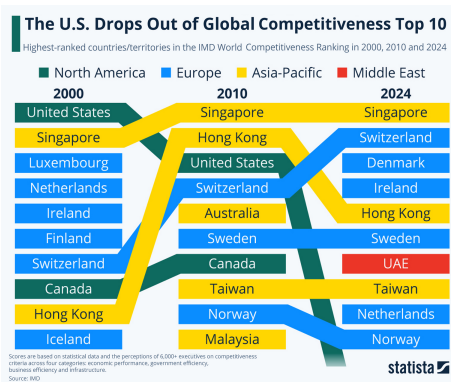


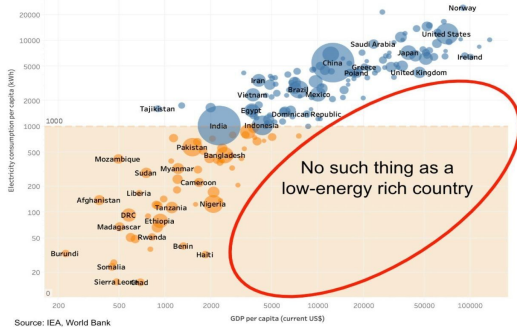
Switzerland was the first major economy to end the hiking cycle, with a cut in March, and June saw Canada, and the EU follow suit. The rate cutting trend indicates that debt servicing has become unsustainable for these nations. Results of the EU election, showing a shift to the right shook Europe, and most notably France, leading to Macron calling for snap elections. The move sent tremors through the French market, which temporarily saw CAC 40 Index lose all its 2024 gains.

## Highlights



The United States has fallen out of the top 10 most competitive economies to 12th place for the first time, having held first place in 2000 and 3rd in 2010. Europe continues to perform well, holding 6 of the top 10. However, its largest economies, Germany, France, and the UK are notably absent from the top 20 this year.

Electricity & Income (per capita, all countries)



Given energy is one of the main determining factors for a nation's successful wealth, investors are advised to allocate in regions which demonstrate a sound energy strategy, selecting the respective exposure according to the highest growth potential with the most attractive valuation. Regions focused on reducing energy consumption, especially under the net zero goals, will likely see growth hampered and an economic decline, at least on a relative basis. While "going green" may be a great aspiration, mixing ideology with reality can be harmful for one's portfolio.

## Precious Metals & Commodities

Oil is expected to remain flat in the short and mid-term. Copper and agriculture may experience some mid-term consolidation, while precious metals are likely to remain on an upward trajectory.

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

## Spot on Spain

In April 2024, Spain's export price index (IPRIX) saw its annual rate increase to -1.3%. While still below the -0.2% from April 2023, it is, nevertheless, a 0.8% increase from the previous month's -2.1%. On the positive side, mining and manufacturing of precious and non-ferrous metals contributed most to the index at 7.4% and 4.1%, respectively, while motor vehicles, as the highest weighted contributor, added 0.9%. The sector which contributed most negatively to the index was energy, at -25.5%.

The import price index (IPRIM) showed an annual rate increase of 1.8 points to -0.7% in April compared to -2.5% the month before. Sectors with the greatest positive contribution were metal ores mining at 8.9%, and crude oil and natural gas extraction at 4.4%. Energy once again added the largest negative contribution at -40.4%.

All in all, the Industrial Price Index, which aggregates the domestic (IPRI) and export (IPRIX) price indices, saw its annual rate increase by 1.3% in April, printing a -5.0%. Meanwhile, the annual variation of the general index excluding energy increased slightly from -0.1% to 0.2%.

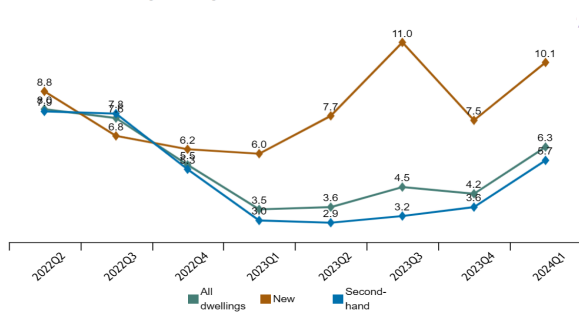
### Export and Import Price Indices for Industrial Products - April 2024

	Annual variation of the IPRIX	Annual variation of the IPRIM
General index	-1.3 ↓	-0.7 ↓
Consumer goods	3.4 ↓	-0.5 ↓
Capital goods	1.9 ↓	1.1 ↓
Intermediate goods	-2.6 ↓	-3.3 ↓
Energy	-25.8 ↓	-0.2 ↓

Source: IPRIX and IPRIM indices, April 2024, INE

## Spain Highlights

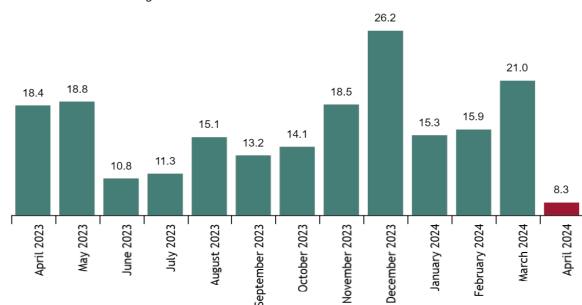
Annual rates of HPI  
Total, new and used housing. Percentage



Source: HPI, INE

The annual change in the Housing Price Index for Q1 2024 saw an 80% increase from Q1 2023. Compared to the previous quarter there was a 2-point increase from 4.2% to 6.3%. Regionally, the highest increases were in Andalucía at 7.9% and Comunidad Foral de Navarra at 7.6%. Castilla-La Mancha at 4.9% and Principado de Asturias and Galicia, both at 5.1%, had the lowest increases. In March, the number of mortgages was 18.1% fewer than in March 2023, with the average interest rate being 3.41% and the average term of 23 years.

International tourists arrivals by months  
Annual variation. Percentage



Source: FRONTUR, INE

April saw an 8.3% increase in tourism year over year (YoY). While April's results are modest compared to March, this is largely explained by Easter falling in March this year, which only happens 2-3 times within a 10-year period. The largest number of tourists came from the UK, France, and Germany, while Belgium showed the largest annual increase. The average length of stay was 4-7 nights, with holiday rentals being the preferred choice, followed closely by hotels. The most popular destinations were Cataluña, up 16.3%; Canarias, up 11.4%; and Andalucía up 13.5%, YoY.

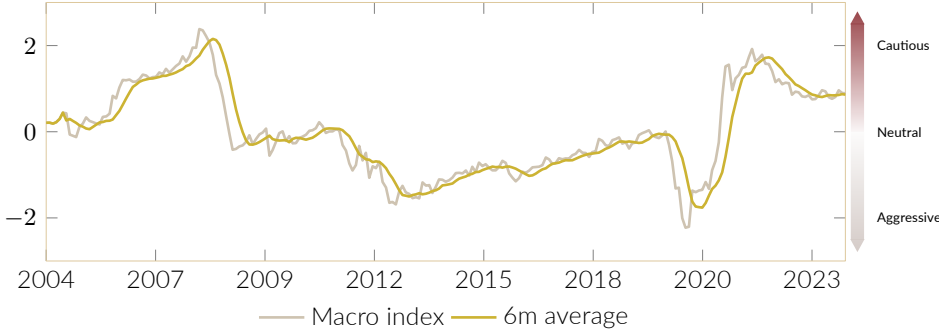
# Spain

Inflation has reduced slightly, and profit margins have risen over the last quarter amidst low unemployment rates. With monetary stability at high risk, Spain's market risk is signaling cautiously neutral.

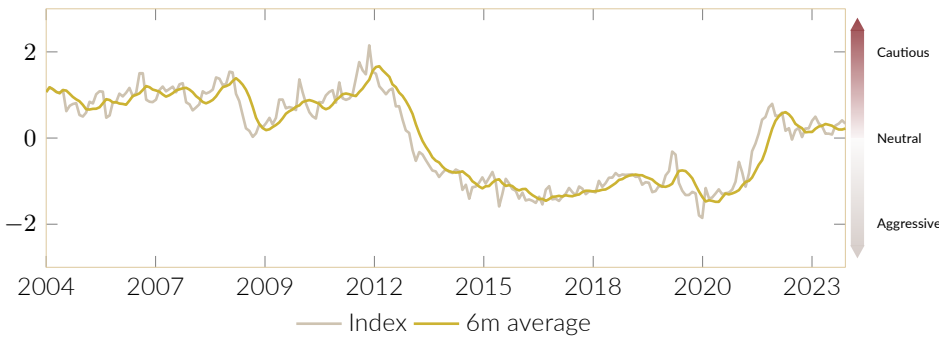


RISK: NEUTRAL

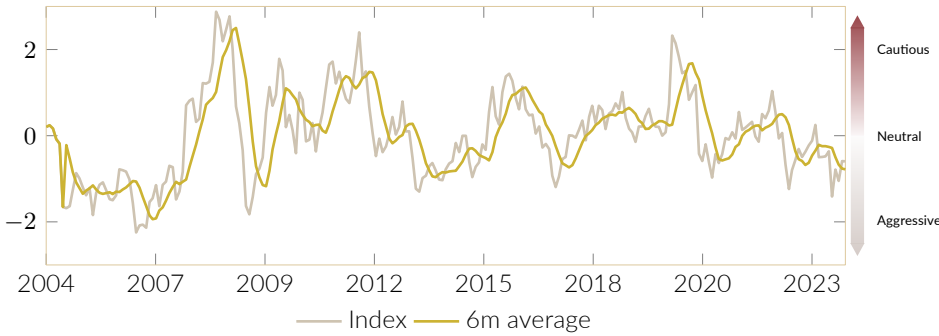
## Business Cycle



## Investment Environment



## Market Behaviour

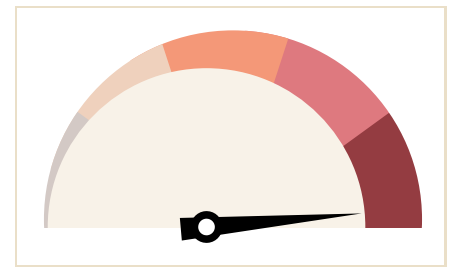


## Key Macro Statistics

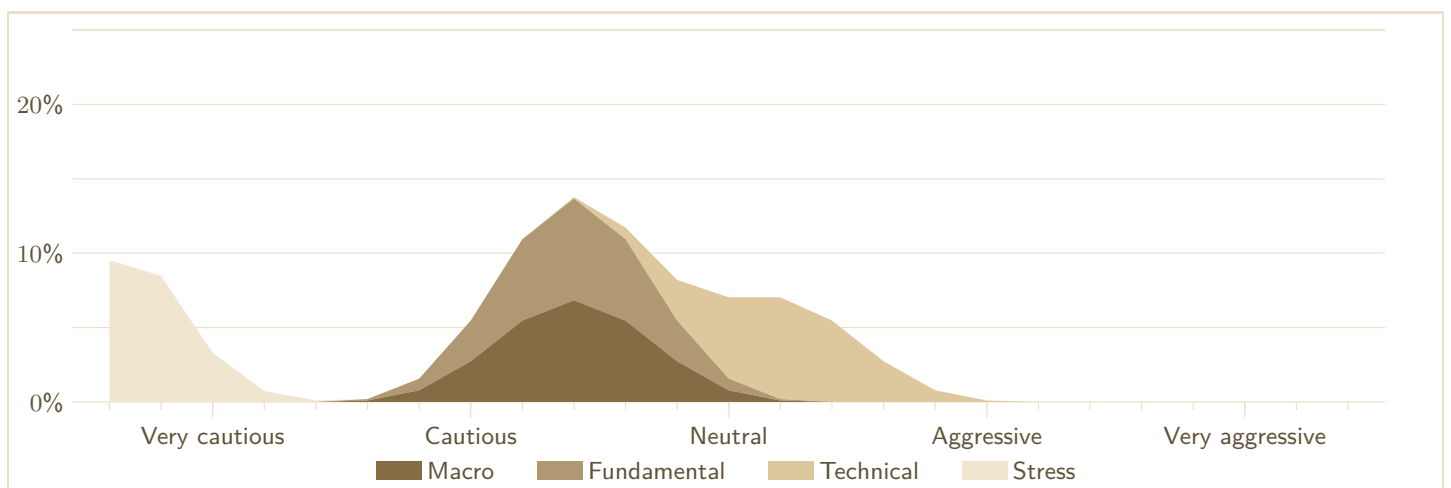
CPI	
M1 YoY%	
Unemployment	
Profit margin	
Real 10y yield	
Dividend yield	
Volatility	

Trend (12m)

## Monetary Stability



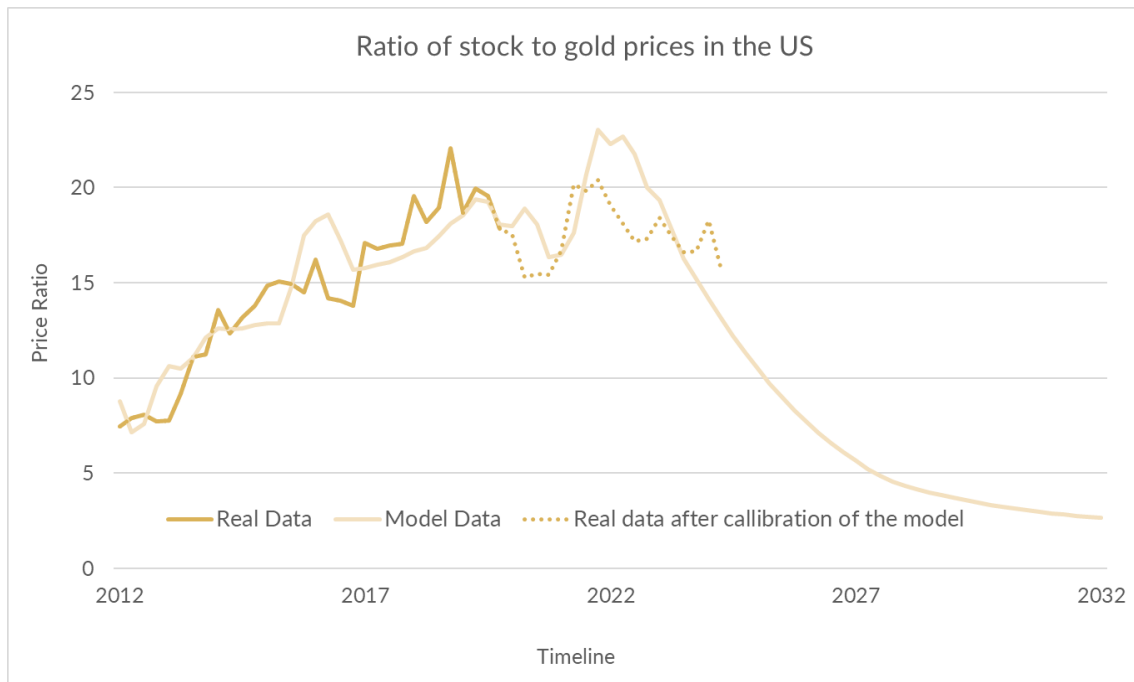
## Spain Market Risk Signal



## Prediction Model Gold or Stocks?

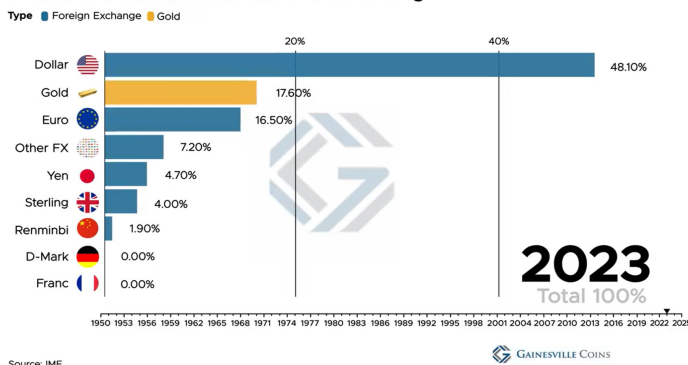
The current level of debt compared to production of the real economy is similar to the situation in the Germanic nations before the world wars in the 1910s, and the situation in France before the French Revolution in the 1790s. In such high debt level scenarios, the likelihood of instability and a deleveraging process is increased. Since gold holdings are normally free from another's liability, the deleveraging process has a far gentler impact on gold prices than, for example, equities. The upcoming deleveraging process can be modelled using coupled differential equations which leads to the expectation that gold will perform better than stocks from 2022 onwards. The model was calibrated in 2019, and has not since been adjusted for new input data.

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

### Global International Reserves in Percentages



Data going as far back as 1899 shows that gold historically made up as much as 90% of global international reserves. This dropped significantly in the 1970s and continued to decline to lows of ~10% in the early 2000s. However, significant central bank gold buying since 2009, gradually grew gold's share of global reserves, and by the end of 2023, gold had overtaken the euro. The US dollar, which has since fallen to 48%, is therefore the next fiat currency likely to be challenged.

The increase in gold prices seen this year will further impact these numbers. For some nations, such as Turkey,

the recent rise in gold prices not only shifted their reserves ratios but has also translated into an increase in total reserves, despite their foreign currency reserves decreasing by 4.3% compared to the previous month, according to their central bank.

The question of whether gold will continue its rally, which is currently in a consolidation phase, is slightly dampened by reports that early June, banks from various nations trading gold futures on COMEX increased their total net short position by 16% to 166,903 contracts, which translates to 44.5% of all open positions. While some of this may be profit-taking, it seems to be in the interest of at least some in the industry to see a drop in gold prices. Nevertheless, the fundamentals that have been driving gold's rally remain firmly fixed and therefore it's likely that gold will resume its ascent once its consolidation, which serves to strengthen higher price levels, is complete.